



# Accounting Policies and Procedures Manual

(Updated for 2 CFR Part 200 [New EDGAR Standards])

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## **Introduction**

As may be applicable in 2 CFR Part 200.101 the following provisions apply:

### **A. 200.101 Applicability.**

- (a) General applicability to Federal agencies. The requirements established in this part apply to Federal agencies that make Federal awards to non-Federal entities. These requirements are applicable to all costs related to Federal awards.
  
- (b) Applicability to different types of Federal awards. The following table describes what portions of this part apply to which types of Federal awards. The terms and conditions of Federal awards (including this part) flow down to subawards to subrecipients unless a particular section of this part or the terms and conditions of the Federal award specifically indicate otherwise. This means that non-Federal entities must comply with requirements in this part regardless of whether the non-Federal entity is a recipient or subrecipient of a Federal award. Pass-through entities must comply with the requirements described in Subpart D—Post Federal Award Requirements of this part, §§200.330 Subrecipient and contractor determinations through 200.332 Fixed amount Subawards, but not any requirements in this part directed towards Federal awarding agencies unless the requirements of this part or the terms and conditions of the Federal award indicate otherwise.

This table must be read along with the other provisions of this section.		
The following portions of the Part:	Are applicable to the following types of Federal Awards (except as noted in paragraphs (d) and (e)) below:	Are NOT applicable to the following types of Federal Awards:
Subpart A – Acronyms and Definitions	—All.	
Subpart B – General Provisions, except for §§200.111 English Language, 200.112 Conflict of Interest, 200.113 Mandatory Disclosures	—All.	
§§200.111 English Language, 200.112 Conflict of Interest, and 200.113 Mandatory Disclosures	—Grant agreements and cooperative agreements.	—Agreements for: loans, loan guarantees, interest subsidies, and insurance. —Cost-reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts. —Fixed-price contracts and subcontracts awarded under the Federal Acquisition Regulation whenever cost analysis is performed or the contract requires the determination or negotiation of costs.
Subparts C-D, except for Subrecipient Monitoring and Management	—Grant agreements and cooperative agreements.	—Agreements for: loans, loan guarantees, interest subsidies, and insurance. —Cost-reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts. —Fixed-price contracts and subcontracts awarded under the Federal Acquisition Regulation whenever cost analysis is performed or the contract requires the determination or negotiation of costs.
Subpart D—Post Federal Award Requirements, Subrecipient Monitoring and Management	—All	
Subpart E—Cost Principles	—Grant agreements and cooperative agreements, except those providing food commodities. —Cost-reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts in accordance with the FAR. —Fixed-price contracts and subcontracts awarded under the Federal Acquisition Regulation whenever cost analysis is performed or the contract requires the determination or negotiation of costs.	—Grant agreements and cooperative agreements providing food commodities. —Fixed amount awards —Agreements for: loans, loan guarantees, interest subsidies, insurance. —Federal awards to hospitals (see Appendix IX Hospital Cost Principles).
Subpart F—Audit Requirements	—All.	

- (c) Federal award of cost-reimbursement contract under the FAR to a non-Federal entity. When a non-Federal entity is awarded a cost-reimbursement contract, only Subpart D—Post Federal Award Requirements of this part, §§200.330 Subrecipient and contractor determinations through 200.332 Fixed amount Subawards (in addition to any FAR related requirements for subaward monitoring), Subpart E—Cost Principles of this part and Subpart F—Audit Requirements of this part are incorporated by reference into the contract. However, when the Cost Accounting Standards (CAS) are applicable to the contract, they take precedence over the requirements of this part except for Subpart F—Audit Requirements of this part when they are in conflict. In addition, costs that are made unallowable under 10 U.S.C. 2324(e) and 41 U.S.C. 4304(a) as described in the FAR subpart 31.2 and subpart 31.603 are always unallowable. For requirements other than those covered in Subpart D—Post Federal Award Requirements of this part, §§200.330 Subrecipient and contractor determinations through 200.332 Fixed amount Subawards, Subpart E—Cost Principles of this part and Subpart F—Audit Requirements of this part, the terms of the contract and the FAR apply.
- (d) With the exception of Subpart F—Audit Requirements of this part, which is required by the Single Audit Act, in any circumstances where the provisions of Federal statutes or regulations differ from the provisions of this part, the provision of the Federal statutes or regulations govern. This includes, for agreements with Indian tribes, the provisions of the Indian Self-Determination and Education and Assistance Act (ISDEAA), as amended, 25 U.S.C 450-458ddd-2.
- (e) Federal awarding agencies may apply subparts A through E of this part to for-profit entities, foreign public entities, or foreign organizations, except where the Federal awarding agency determines that the application of these subparts would be inconsistent with the international obligations of the United States or the statutes or regulations of a foreign government.
- (d) Except for §200.202 Requirement to provide public notice of Federal financial assistance programs and §§200.330 Subrecipient and contractor determinations through 200.332 Fixed amount Subawards of Subpart D—Post Federal Award Requirements of this part, the requirements in Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards, Subpart D—Post Federal Award Requirements of this part, and Subpart E—Cost Principles of this part do not apply to the following programs:
- (1) The block grant awards authorized by the Omnibus Budget Reconciliation Act of 1981 (including Community Services, except to the extent that the cost and accounting standards of OMB apply to subrecipients of Community Services Block Grant funds pursuant to 42 U.S.C. 9916(a)(1)(B);
  - (2) Federal awards to local education agencies under 20 U.S.C. 7702-7703b, (portions of the Impact Aid program);
  - (3) Payments under the Department of Veterans Affairs' State Home Per Diem Program (38 U.S.C. 1741); and

- (4) Federal awards authorized under the Child Care and Development Block Grant Act of 1990, as amended:
  - (i) Child Care and Development Block Grant (42 U.S.C. 9858)
  - (ii) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (42 U.S.C. 9858)
  
- (e) Except for §200.202 Requirement to provide public notice of Federal financial assistance programs the guidance in Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards of this part does not apply to the following programs:
  - (1) Entitlement Federal awards to carry out the following programs of the Social Security Act:
    - (i) Temporary Assistance to Needy Families (title IV-A of the Social Security Act, 42 U.S.C. 601-619);
    - (ii) Child Support Enforcement and Establishment of Paternity (title IV-D of the Social Security Act, 42 U.S.C. 651-669b);
    - (iii) Foster Care and Adoption Assistance (title IV-E of the Act, 42 U.S.C. 670-679c);
    - (iv) Aid to the Aged, Blind, and Disabled (titles I, X, XIV, and XVI-AABD of the Act, as amended);
    - (v) Medical Assistance (Medicaid) (title XIX of the Act, 42 U.S.C. 1396-1396w-5) not including the State Medicaid Fraud Control program authorized by section 1903(a)(6)(B) of the Social Security Act (42 U.S.C. 1396b(a)(6)(B)); and
    - (vi) Children's Health Insurance Program (title XXI of the Act, 42 U.S.C. 1397aa-1397mm).
  
  - (2) A Federal award for an experimental, pilot, or demonstration project that is also supported by a Federal award listed in paragraph (e)(1) of this section;
  
  - (3) Federal awards under subsection 412(e) of the Immigration and Nationality Act and subsection 501(a) of the Refugee Education Assistance Act of 1980 (Pub. L. 96-422, 94 Stat. 1809), for cash assistance, medical assistance, and supplemental security income benefits to refugees and entrants and the administrative costs of providing the assistance and benefits (8 U.S.C. 1522(e));
  
  - (4) Entitlement awards under the following programs of The National School Lunch Act:

- (i) National School Lunch Program (section 4 of the Act, 42 U.S.C. 1753),
  - (ii) Commodity Assistance (section 6 of the Act, 42 U.S.C. 1755),
  - (iii) Special Meal Assistance (section 11 of the Act, 42 U.S.C. 1759a),
  - (iv) Summer Food Service Program for Children (section 13 of the Act, 42 U.S.C. 1761), and
  - (v) Child and Adult Care Food Program (section 17 of the Act, 42 U.S.C. 1766).
- (5) Entitlement awards under the following programs of The Child Nutrition Act of 1966:
- (i) Special Milk Program (section 3 of the Act, 42 U.S.C. 1772),
  - (ii) School Breakfast Program (section 4 of the Act, 42 U.S.C. 1773), and
  - (iii) State Administrative Expenses (section 7 of the Act, 42 U.S.C. section 1776).
- (6) Entitlement awards for State Administrative Expenses under The Food and Nutrition Act of 2008 (section 16 of the Act, 7 U.S.C. 2025).
- (7) Non-discretionary Federal awards under the following non-entitlement programs:
- (i) Special Supplemental Nutrition Program for Women, Infants and Children (section 17 of the Child Nutrition Act of 1966) 42 U.S.C. section 1786;
  - (ii) The Emergency Food Assistance Programs (Emergency Food Assistance Act of 1983) 7 U.S.C. section 7501 note; and
  - (iii) Commodity Supplemental Food Program (section 5 of the Agriculture and Consumer Protection Act of 1973) 7 U.S.C. section 612c note.

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**Title: BUDGETS**

Policy: To facilitate attainment and measurement of progress to the approved goals of the organization.

Purpose: To provide a planned guidance for the expenditures of funds.

Scope: This procedure applies to all divisions in the organization.

**Procedure:**

- 1.0 An annual budget will be prepared by each program director and/or school superintendent in consultation with the President/CEO, Chief Financial Officer and Controller.
- 2.0 To meet applicable TEA deadlines, the school's FSP budget will be prepared first and submitted to the charter holder's President/CEO for approval. Thereafter, the school superintendent will present the FSP budget to the school's Education Committee for approval. Annually in June, the Board's Education Committee chairman will present the FSP budget to the Board for approval, or as may otherwise be established by the Board.
- 3.0 After the Programs have completed their individual budgets, the CFO, Controller, and respective program directors will present the budget to the President and CEO for approval. Once approved, a consolidated budget will be prepared and provided to the President/CEO for approval. The target date for the completion of No. 3.0 is June of each year.
- 4.0 The CFO will provide the Finance Committee with the Consolidated budget for the upcoming fiscal year. The target date for completing No. 4.0 is June of each year, or as may otherwise be established by the Board.
- 5.0 The Finance Committee Chairman or his/her designate will present the Consolidated budget to the Board for approval. The target date for completing No. 5.0 is July of each year, or as may otherwise be established by the Board.
- 6.0 Budgets will be entered into the system no later than 30-days after they have been approved by the Board.
- 7.0 As necessary, budget amendments will be presented to the Board for approval and once approved, entered into the system within 30-days.
- 8.0 Monthly, a comparison of budget versus actual results will be communicated to the Board as part of AAMA's financial statements.
- 9.0 In accordance with EDGAR §200.308 and §200.407, as required, grantees will report deviations from budget or project scope or objective, and request prior approvals from federal awarding agencies for budget and program plan revisions.

**Title: CHART OF ACCOUNTS**

Policy: To facilitate the record keeping process for accounting, all ledger accounts are assigned a descriptive account title and account number.

Purpose: To provide the method for assignment and maintenance of the organization's chart of accounts.

Scope: This procedure applies to all ledger accounts used in the accounting department.

Definition: Chart of Accounts - A listing of all the account titles and numbers being used by an organization is called a chart of accounts.

Procedure:

**1.0 DESIGN OF ACCOUNTS**

1.1 Accounts have titles and numbers that indicate specific ledger accounts such as Cash in Checking, Furniture, Accounts Payable-Trade, etc.

1.2 Accounts are arranged in the same sequence in which they appear in the financial statements, that is, asset accounts should be numbered first, followed by liability accounts, owner's equity accounts, revenue accounts and expense accounts as follows:

- 10000 - Asset Accounts
- 20000- Liability Accounts
- 30000 – Net Assets Accounts
- 40000 - Revenue Accounts
- 50000 - Expense Accounts
- 60000 – Non-Operation Prior Year

A sub-division among the balance sheet accounts is also designated by short term to long term, (i.e. current assets precede long term assets and current debt precedes long-term debt accounts).

Further, accounts are numbered so that expense amounts are recorded according to the department that is accountable for the cost and the nature of the cost.

Unassigned number sequences should be left open within each group of accounts to provide for additional accounts which may be added later.

1.3 Accounts are numbered using a two digit sequence for fund, a three digit sequence for program and a five digit sequence for general ledger account. Below is a general description of the meaning of the numbers in the organization's chart of accounts.

**2.0 DESCRIPTION AND DEFINITION OF ACCOUNTS**

- 2.1 Each account is given a short title description that is brief but allows the reader to quickly ascertain the purpose of the account.
- 2.2 For training and to ensure consistent transaction coding as well as assist managers in tracking funding by specific grant and line item, each account is defined. Definitions are concise and meaningful.

The definition tells the user what can be recorded in a specific numbered account.

Since the definitions are reference sources, they are developed for quick and easy lookup. The account number and name are on one line.

Definitions are as follows:

## **ASSETS**

### 10000 CASH AND MARKETABLE SECURITIES ACCOUNTS

#### 10000 Petty Cash

Includes the petty cash fund held by the custodians. This account is used only when a new fund is initiated or an existing fund is terminated.

#### 11100 Cash in Checking

Includes all cash held in the operating bank account. All withdrawals by check and deposits are recorded here. The reported balances are supported by a bank reconciliation prepared monthly.

#### 11200 Marketable Securities

Include debt securities such as government and corporate bonds and equity securities such as common and preferred stock acquired with cash that is not immediately needed in operations.

### 12000 RECEIVABLES

#### 12000 Accounts Receivable

Short-term receivables generated from services and other activities.

#### 12100 Inter-company Transfers

#### 12300 Accounts Receivable Other

#### 12900 Allowances for Uncollected Accounts

The estimated accrual for bad debts that will result from the current period's activities.

### 13000 PREPAID EXPENSE ACCOUNTS

#### 13000 Prepaid Insurance

The current portion of insurance premiums paid by the organization to cover for future periods.

13100 Prepaid Rents

13150 Prepaid Other

14000 FIXED ASSET ACCOUNTS

14000 Land

Represents the organizations original cost for the purchase of real estate holdings.

14100 Buildings & Improvements

Represents the organization's original cost for the purchase of buildings and structures and building improvements.

14200 Furniture & Equipment

Represents the organizations original cost for the purchase of machinery and equipment.

Furniture and Fixtures- Represents the organization's original cost for the purchase of furniture and other accessory items.

Vehicles- Represents the organization's original cost for the purchase of automobiles and trucks.

14300 Leasehold Improvements

Represents the organization's original cost for structural additions to leased (rented) premises.

15000 ACCUMULATED DEPRECIATION ACCOUNTS

The cumulative amount of depreciation expense recorded to date for all assets in a class.

15000 Accumulated Depreciation, Buildings & Improvements and leasehold improvements.

15100 Accumulated Depreciation, Furniture & Equipment, Furniture and Vehicles.

16000 OTHER ASSET ACCOUNTS

17000 Deposits

Current deposits paid by the organization for future services or acquisitions such as rent deposits, deposits on an equipment purchase, etc.

**LIABILITY ACCOUNTS**

20000 CURRENT LIABILITY ACCOUNTS

20000 Accounts Payable

Balances owed to others for goods, supplies and services purchased on open accounts.

21000 Notes Payable – Short Term

Obligations in the form of written promissory notes that will mature within one year. Also, the portion of the principal of long-term debt that will be repaid during the next year.

22000 Payroll Taxes Payable

Represents the amount of employees' payroll taxes withheld and employer's taxes due on employees' payroll that have not yet been deposited.

23500 Wages and Salaries Payable

The amount of wages or salaries earned for time worked but not yet paid as of the period being reported.

26000 LONG-TERM LIABILITY ACCOUNTS

2310 Bank Loan

Represents the amount of debt principal that is to be repaid after the next twelve month period.

**NET ASSETS ACCOUNTS**

30000 Net Assets

Represents the organization's cumulative net increases and decreases to date.

40000 REVENUE ACCOUNTS

Revenue from services performed.

50000 EXPENSE ACCOUNTS

Cost of goods and services.

(See INTRANET for Chart of Accounts)

**Title: RECORDING TRANSACTIONS IN THE GENERAL LEDGER**

**Policy:** The accounting department is responsible for the proper posting of journals and entries to the general ledger and for the maintenance of the accounts to ensure accuracy, validity and reliability of financial records.

**Purpose:** To record, adjust and correct transactions to maintain the accuracy of the general ledger and ensure the reliability of the organization's financial statements.

**Scope:** This policy applies to all accounting personnel with involvement in recording accounting transactions.

**Procedure:**

**1.0 POSTING TRANSACTIONS AND JOURNALS**

**1.1** The computerized accounting system aids in the maintenance of journals and posting of transactions to general ledger accounts. The following functions are performed on a monthly basis to update the general ledger for the month's activities:

- a. All transactions are required to have proper coding at minimum to the individual fund, program, grant and general ledger codes. All check requests must be on the proper division coding sheets. Return any incorrectly coded check requests to the originator.
- b. All activities recorded in journals will be posted to the general ledger using the computerized posting feature. These journals include:
  - Cash Journal
  - Revenue Journal
  - Expenditure Journal
- c. The recurring adjusting journal entries will be posted via Journal Vouchers. Recurring journal entries will be established for adjustments that occur equally each monthly accounting period. Recurring journal entries can include the following:
  - Amortization of prepaid expenses
  - Depreciation of Fixed Assets

Recurring journal entries are reviewed monthly and adjusted accordingly.

- d. Adjusting journal entries are prepared for transactions that have not been recorded in other journals or to correctly restate account balances to accurate amounts. The need to make adjusting journal entries may be due to any of the following:
  - Accrual of income and expense items
  - Correction of errors
  - Recording of non-cash transactions

1.2 All journal entries are reviewed and authorized by the Controller/Financial Analyst before being posted. Adequate supporting documentation will be prepared and maintained for each journal entry.

2.0 **TRIAL BALANCE**

2.1 After posting all journals and adjusting entries, a trial balance is printed. The trial balance is reviewed to ensure that the general ledger is in balance. Next, all control accounts in the general ledger are reconciled to subsidiary ledgers. Any differences will be investigated and appropriate adjustments are made.

2.2 The CFO/Controller will make a final review of the trial balance for accuracy and proper reflection of account balances before printing financial statements.

**Title: PREPARING JOURNAL ENTRIES**

**Policy:** To ensure that all journal entries to the organization's general ledger are properly prepared, documented, reviewed, approved, recorded and maintained in accordance with GAAP.

**Purpose:** To describe the process and requirements for preparing journal entries.

**Scope:** All journal entries made to general ledger system.

**Procedure:**

This policy assures that all journal entries are properly prepared, reviewed, authorized, and posted. This policy requires:

1. All journal entries are to be signed by both the preparer and reviewer prior to posting.
2. Person(s) preparing a journal entry cannot approve the same journal entry.
3. All journal entries should have supporting documentation and a description that fully explains the nature of the entry and amounts being recorded.
4. All journal entries have to be properly processed prior to closing the accounting period.
5. All posted journal entries and related documentation should be maintained in an accessible file for review by management and external auditors, if necessary.

**1.0 JOURNAL ENTRY PREPARATION, REVIEW, AND PROCESSING**

1.1 The person preparing a journal entry is responsible for reviewing all detailed supporting documents and ensuring they are accurate prior to preparation.

1.2 The person preparing a journal entry is responsible for explaining the reason to justify the journal entry and the basis used in preparing the journal entry. This includes ensuring that the debits and credits on the journal entry are in balance. The system will not allow one sided entries.

1.3 Before any journal entry is processed in the accounting system, a Journal Entry Form must be filled out completely and conform to the following requirements:

- All fields must be filled out completely.
- Entry type must be specified.
- The "Period" section must be completed.
- The preparer must initial in the "Entered By" section.
- The preparer must date the journal entry form.
- The journal entry number must be filled out in order to process the journal entry through the accounting system.



- A detailed description shall be included on the journal entry form.
- Documentation must be attached to the Journal Entry to support the entry being made.

1.4 Once the Journal Entry Form has been completed and supporting documents attached, the preparer will record the journal entry in the accounting system. The Unposted General Ledger Transaction Report will be printed and attached to the journal entry.

1.5 The journal entry will be submitted for review and approval.

## 2.0 **JOURNAL ENTRY REVIEW AND APPROVAL**

2.1 Approval of journal entries is limited to an accounting department staff that is at least one level higher in the organization than the preparer. Occasionally, a member of the Management team will authorize the journal entry.

2.2 Individuals who approve journal entries are required to review the detail accompanying the journal entry and ensure that the detail fully explains and supports the journal entry they are authorizing.

2.3 The preparer of a journal entry cannot post the journal entry to the general ledger until proper review and approval has been given.

2.4 Once a journal entry has been reviewed and approved, it is posted by the preparer and a Posted General Ledger Transaction Report is printed and attached to the journal entry.

2.5 The journal entry is filed by the preparer and maintained for future reference/review, if necessary.

**Title: BOARD REPORTS**

Policy: To ensure timely completion of reports required by the Board of Directors and management to adequately monitor operations.

Purpose: To describe the process for preparing the necessary board reports.

Scope: Reports presented to the Board of Directors.

Procedure:

**1.0 DESCRIPTION OF REQUIRED REPORTS**

1.1 Financial Summary Reports consists of Summary Income Statements, including review of revenues and expenses.

1.2 Cash, Accounts Receivable and Accounts Payable Snapshot Report consists of summary data noting Cash balances, Accounts Receivable and Accounts Payable for each program and on a consolidated basis.

1.3 Budget Variance Report consists of variance analysis of each program's actual revenue and expenses compared to budgeted revenue and expenses including a brief explanation for cause of variance.

1.4 Reports requiring Board approval are recorded in the Board minutes. Final Audit reports will be presented to the Board by the Audit firm partner and finance committee for review and approval. Audit will conform to GAAP guidelines and requirements by grant or government funding sources. IRS 990 will be presented to the Board for review before final submission to the IRS.

**2.0 TIMING OF REPORTS**

2.1 Board reports must be available for the monthly Board of Directors meeting held on the first Friday of each month. To ensure that the monthly financial statements are timely, it is essential that they be completed and issued by the 6<sup>th</sup> work day of each month for all months except August. For the month of August, we leave the books open for an additional two (2) work days.

**Title: INTERNAL REPORTS**

Policy: Timely completion of reports is required by the accounting department to ensure all monthly transactions have been properly posted.

Purpose: To describe the process for preparing the necessary accounting and other internal reports.

Scope: Reports that provide the framework to ensure all transactions have been posted with considerable accuracy.

Procedure:

**1.0 DESCRIPTION OF REQUIRED REPORTS**

1.1 Trial Balance

1.2 General Ledger

**2.0 TIMING OF REPORTS**

2.1 These reports must be prepared prior to beginning the work on the Board reports. Thus, these reports must be completed by the 6<sup>th</sup> business day of the month. There will be exceptions to this deadline if information from the different departments is not submitted to accounting by the 2<sup>nd</sup> work day of the month and at the end of the fiscal year to ensure accuracy of the financial data at yearend.

**Title: FUNDING SOURCES REPORTS**

Policy: To ensure timely completion and accurate transmittal of reports required by the various funding sources of the organization.

Purpose: To describe the process for preparing the necessary reports required by the organization's funding source.

Scope: Reports that are required by the funding sources.

Procedure:

**1.0 DESCRIPTION OF REQUIRED REPORTS**

1.1 DSHS Quarterly FSR's & Close-out Report

1.2 TEA PEIMS Submissions:

- Fall
- Midyear

1.3 TRS Monthly Reports

1.4 ARRA Quarterly Reports

1.5 Annual Audited Financial Statements with disclosures according to Generally Accepted Accounting Practices, Government Auditing Standards and the OMB Circular A-133

1.6 Other reports as required by funding sources and mangement.

**2.0 TIMING OF REPORTS**

2.1 Funding sources reports have different due dates and cycles. It is essential that the accounting staff verify the required due dates and ensure that these reports are submitted timely.

**Title: CASH FLOW REPORTS**

Policy: To ensure proper use of resources and to ensure that payroll, accounts payable, and other critical payments are made on a timely basis.

Purpose: To describe the process for ensuring that adequate cash flow is on hand.

Scope: Reports that analyze the receipts and disbursement aspects of the organization.

Procedure:

**1.0 DESCRIPTION OF REQUIRED REPORTS**

1.1 Cash and Cash Equivalents Schedule

**2.0 TIMING OF REPORTS**

2.1 This report is produced monthly.

**Title: TAX REPORTS**

Policy: To ensure proper submission of required tax reports.

Purpose: To describe the process for ensuring that the required tax reports are submitted timely.

Scope: Reports that provide the federal and state governments with the required information on the organization's tax withholding and payments and other pertinent information.

Procedure:

**1.0 DESCRIPTION OF REQUIRED REPORTS**

1.1 Form 941 Quarterly Payroll Tax Reports

1.2 Annual Form 990 Tax Return  
*This report will be presented to the Board for review before submitting to IRS.*

1.3 Annual Form W-2 and Form 1099 submissions

1.4 TWC State Reports

1.5 Form 5500

**2.0 TIMING OF REPORTS**

2.1 Tax reports have different due dates and cycles. It is essential that the accounting staff verify the required due dates and ensure that these reports are submitted timely.

**Title: CASH RECEIPTS**

Policy: Accurate internal control of cash receipts and deposits are maintained at all times. Cash deposits are made within twenty four hours of receipt.

Purpose: To establish the procedures according to generally accepted accounting principles to be followed for separation of duties regarding the receiving, documenting, applying and depositing of Federal, State, County and Local cash receipts.

Scope: This procedure applies to all cash receipts received by the organization.

Procedure:

**1.0 RECEIVING**

1.1 The mail clerks open and review contents in the envelopes for their records. The mail clerk will then hand carry the envelopes to the accounting department.

1.2 The accounting department totals daily cash receipts and count the number of checks. There should always be backup documentation for all checks and should be stapled to the checks and the envelopes should be discarded. The checks and attachments are then immediately forwarded to the Financial Analyst.

**2.0 APPLICATION**

2.1 The accounts receivable clerk assists the Financial Analyst in photocopying all checks and attached documents.

2.2 The Financial Analyst endorses all checks with the restrictive endorsement "For Deposit Only" along with the organization's designated bank deposit account number. No check should be withheld from daily deposit unless it is legally imperfect. The Financial Analyst gathers endorsed checks and prepares deposit slips to be taken and deposited to the organization's authorized bank by the Accounts Receivable Clerk.

2.3 Accounts Receivable uses the photocopy of the checks and customer remittance to apply the cash to the corresponding grants and the payments to the Accounts Receivable ledger. Unapplied payments are to be credited against the oldest open aging column on the accounts receivable ledger, unless it is past the fiscal yearend, then it will need to be confirmed with the funding source for proper application of funds. A standard letter of information and/or inquiry is to be sent or emailed to the payer when there is any question as to the correct application of the receipt.

2.4 For all Houston based locations, whenever cash on hand is equal to or exceeds \$20.00 at the end of a business day, such cash must be brought to Accounting no later than the following business day, accompanied by copies of the cash receipts issued.

Accounting will match up the cash receipt dates and amounts to the bank deposit dates to ensure that the bank deposits are made timely as required by the above procedure.

For all remote locations, whenever cash on hand is equal to or exceeds \$20.00 at the end of a business day, a bank deposit must be made no later than the following business day.

The bank deposit receipt along with a copy of the cash receipt provided to clients must be mailed to the Administrative Assistant, in Houston, no later than the following business day. The same day as the bank deposit is made.

A further comparison of the cash receipt dates and amounts to the bank deposit dates will be made to ensure that bank deposits are made timely as required by the above procedure.

### 3.0 **DEPOSIT**

3.1 The Financial Analyst prepares the deposit slips and sends the Accounts Receivable Clerk to make the deposits to the organization's authorized bank.

3.2 The final net cash deposit must reconcile with the original accounting department log.

3.3 Federal and State funding sources Direct Deposit funds into the Organization's bank account. This process accounts for the majority of the organization's funding.

### 4.0 **RECORDING**

4.1 All cash received from funding sources will be appropriately applied to outstanding billing invoices.

4.2 Designated cash received in advance to accomplish program goals and objectives, will be deferred until such services have been provided, at which time, the revenue will be recognized and recorded.

4.3 Unrestricted cash will be recorded as revenue at time of receipt or at the time a pledge to give is received.



**Title: PETTY CASH**

**Policy:** To facilitate minor business expenses, a petty cash fund will be available to employees. The head of each department or activity must designate one specific individual to act as custodian of the petty cash fund. Each custodian will be required to sign a Petty Cash Receipt Acknowledgement Form to indicate their understanding of the responsibilities and requirements as custodian of a petty cash fund. In addition, the respective department head or director will also be required to sign, indicating his or her acknowledgment of the policies and procedures associated with the petty cash fund.

**Purpose:** To outline the disbursement and replenishment of petty cash.

**Scope:** These procedures apply to all employees of the organization.

**Procedure:**

#### 1.0 **FUND CONTROL**

- 1.1 The Custodian maintains control of the cash box, petty cash journal and all petty cash transactions. The petty cash fund is set up in the amounts ranging between \$250-\$1500 according to program needs for authorized out-of-pocket expenses and advances for minor business expenses.
- 1.2 Advances or reimbursements from petty cash are limited to amounts of \$100.00 or less. Petty cash is not to be used for per diem or gas for employee's car. If an employee requires funds in a greater amount, they should request a company check (See Check Request Procedure).

#### **Custodian Responsibilities**

- a. **Assignment of Petty Cash Funds to Custodians** - The AAMA Accounting Department issues a check payable to the Custodian to establish the petty cash fund. The Custodian remains accountable for the petty cash until custody is formally transferred to another employee or until the fund is formally closed. It is the responsibility of both the Custodian and the Department Head to acquire a thorough knowledge of the applicable policies and procedures and to ensure the funds are properly safeguarded.
- b. **Protection of Petty Cash** - Access to cash funds must be restricted to the Custodian only. To prevent access by anyone except the Custodian, petty cash must be kept in a locked strong box in a locked desk or cabinet whenever not in use or whenever the Custodian is absent. In case of theft, the AAMA Accounting Department must be notified. The Custodian's supervisor should periodically inspect the records and count the cash (in the continual presence of the Custodian) in the petty cash fund to ensure proper accountability. If a Custodian fails to provide receipts or a reconciliation of petty cash when asked, the balance unaccounted for will be charged to the operating budget of the Custodian's department, reported to the IRS as income to the Custodian and AAMA may choose to prosecute.
- c. **Change of Custodian** - One Custodian may not informally transfer a fund to a new Custodian without obtaining written approvals as required on the Petty Cash

Receipt Acknowledgement Form. The petty cash fund must be physically counted and reconciled before it is accepted by the new Custodian.

- d. **Absence of the Custodian** - During absence or vacation, a Custodian may place the petty cash fund with a temporary Custodian. The temporary Custodian and the regular Custodian must physically count the petty cash box and prepare a list of cash, receipts and replenishment requests in process. These must total the authorized value of the petty cash fund. The temporary Custodian signs a copy of the reconciliation as a receipt. This receipt is retained by the regular Custodian since that individual is transferring personal responsibility for the value of the fund. When the regular Custodian returns, the same procedures must be followed with the receipt retained by the temporary Custodian.
- e. **Change of Location or Purpose of Petty Cash Fund** - If the physical location or the original purpose of the petty cash fund should change from that which was stated and approved on the original Petty Cash Receipt Acknowledgement Form, the Custodian should immediately submit a new Petty Cash Receipt Acknowledgement Form to AAMA's Accounting Department for approval.
- f. **Confirmation of Petty Cash Funds** - Custodians may receive an annual request from AAMA's Accounting Department or Annual Auditors to confirm the amount of the petty cash fund. Some funds maybe selected each year for a surprise audit of cash and records to ensure proper accountability of funds and proper application of policies and procedures.
- g. **Closing a Petty Cash Fund** - If a petty cash fund is no longer needed, the Custodian must close the fund. If a Custodian leaves without formally closing the fund and there are no receipts or records, the balance unaccounted for will be charged to the operating budget of the Custodian's department, reported to the IRS as income to the Custodian, and AAMA may choose to prosecute.

### Summary of Responsibilities

#### 1. Custodian

- a. Assumes personal responsibility for the cash in the fund.
- b. Maintains physical security of the fund (i.e., in a locked container or safe in a secured area).
- c. Ensures that the sum of cash plus accumulated receipts equals the fund balance.

#### 2. Department/Unit Head/Designated Approver

- a. Establishes departmental procedures for use of petty cash.
- b. Exercises prudent judgment and ensures compliance with policies and procedures.
- c. Approves disbursements of petty cash and replenishments.

<b>Petty Cash Receipt Acknowledgement Form</b>	<b>Department:</b> _____
I hereby acknowledge that I understand my responsibility and requirements as Custodian of Petty Cash: (Custodian sign here) _____	
I hereby acknowledge that I understand my responsibility and requirements as Department / Unit Head of Petty Cash: (Department Head sign here) _____	

2.0           **DRAWS**

2.1           When an employee requests a petty cash draw, the Custodian will record the amount advanced, date of disbursement, reason for the draw and name of the employee receiving the advance. For the AAMA petty cash account (including all GIS petty cash transactions), a check request payable to petty cash should be coded and approved before any amount can be distributed to the requestor.

The employee should, by the next business day, return the receipt(s) and any change to the Custodian. A petty cash voucher will then be completed with the receipt attached. It is the requestor's responsibility to ensure sales tax is not paid by providing the Texas Sales Tax Certificate to the vendor. If in case sales tax is charged, it will be charged to the program's fundraising.

3.0           **REPLENISHMENT**

3.1           At the end of each month or whenever the petty cash fund drops below a balance of \$100.00, the Custodian completes the replenishment paperwork from the journal with the itemized descriptions of expenses, and attaches all vouchers and submits to Accounting for review. Once the Accounting Department has reviewed for accuracy and reasonableness of account code data and expenses, the Custodian is then issued a check in the amount of the request and will be responsible for obtaining cash from the bank to replenish the cash box.

**Title: BANK ACCOUNT RECONCILIATIONS**

**Policy:** Errors or omissions can be made to the cash records due to the many cash transactions that occur. Therefore, it is necessary to prove periodically the balance shown in the general ledger. Cash on deposit with a bank is not available for count and is therefore proved through the preparation of a reconciliation of the organization's general ledger record of cash in the bank and the bank's record of the organization's cash that is on deposit.

**Purpose:** To outline the procedures for preparation of a monthly bank reconciliation and recordkeeping of any adjustments and a timely review of all cash reconciliations by the Controller and reviewed by the CFO.

**Scope:** This policy statement applies to all bank accounts maintained by the organization.

**Procedure:**

**1.0 FORMAT**

1.1 The bank reconciliation will be completed within the accounting system of AAMA each month. A printed copy of the completed detail reconciliation will be attached to the appropriate original bank statement each month.

**2.0 PREPARATION AND RECONCILING ITEMS**

2.1 Upon receipt of the monthly bank statement including cleared checks, deposit slips and any other transaction notifications, the monthly bank reconciliation is prepared by the Controller and reviewed by the CFO. The Controller only signs company checks when none of the other authorized signers are available and only on an emergency case basis.

2.2 All cleared transactions on the bank statement will be reconciled and cleared in the accounting system. After all cleared items for the month have been selected, the book ending balance and the bank ending balance must match with a zero difference.

2.3 Any discrepancies between these two balances will require research to determine the cause, such as recording errors, omissions, mispostings, etc. This may also include recalculation of the bank statement for any possible errors made by the bank.

**3.0 ADJUSTMENTS AND JOURNAL ENTRIES**

3.1 Any book reconciling items such as interest, bank charges and any recording errors are summarized and drafted in journal entry form for recording to the general ledger. All supporting documentation will be maintained for audit purposes.

3.2 Further, any outstanding payroll checks over one year and vendor checks over three years will follow state rules for reporting of unclaimed property.

**Title: INVOICE BILLINGS AND ACCOUNTS RECEIVABLE**

**Policy:** Program Managers are responsible for the timely preparation and distribution of invoices/billings to optimize cash flow and payment promptness by funding sources/grantors. Accounting maintains accurate records over accounts receivable and abide by proper internal controls.

**Purpose:** To explain the methods for preparation of invoices and accounts receivable billing and processing and maintaining of supporting documents.

**Scope:** This procedure applies to all Federal, State, County and Local grantors/funding sources of the organization.

**Procedure:**

**1.0 CUSTOMER BILLINGS AND REVIEW**

**1.1** There are two types of Billings:

- Cost Reimbursement and
- Per Unit of Service provided

Cost Reimbursement Billings for the WIA program are prepared by program staff based on the funding source recommendations every month, but no later than every three months. Documentation as required by the funding source must be provided. This may include payroll registers, time sheets, student information etc. The Reimbursement Billing is based on actual expenses incurred by the program. As part of the billing process, all billings must be reviewed and approved by the Program Director for accuracy to comply with established terms agreed upon by the contract. Any disallowed costs will be reviewed to determine if resubmission of billing data is required. A 12.5% advance of the total awarded grant is given as an advance at the beginning of the grant year. This is then reduced from each monthly reimbursement throughout the year. These funds are directly deposited into the organization's accounts by the funding sources.

Cost Reimbursement requests for Federal and State grants are requested by the Financial Analyst online for TEA & DSHS grants. Requests are based on the final month-end General Ledger actual expenses. These expenses are used to calculate the amount of reimbursement. The drawdown is reviewed and approved by the Controller and then submitted for reimbursement to the funding sources by the Financial Analyst. TEA processes the request and reimburses funds within three business days, while DSHS can take up to 3-5 business days. These funds are directly deposited into the organization's accounts by the funding sources.

Cost Reimbursements Billings for local programs are prepared by the Accounts Receivable clerk. An invoice is created and billed to grantors based on the funding source recommendations every month, but no later than every three months. Documentation as recommended by the funding source must be provided. This may include payroll registers, time sheets, invoices expensed to the program, etc. The Reimbursement Billing is based on actual expenses incurred by the program. As part of the review billing process, all

billings must be reviewed and approved by the Program Director for accuracy to comply with established terms agreed upon by the contract. Any disallowed costs will be reviewed to determine if resubmission of billing data is required.

In the event that the organization ends with excess Federal or State funds due to any expense refunds or adjustments, the revenue will be coded to deferred revenue and will be used in future periods to accomplish program goals. If it happens to be the end of the grant period, such funds will be returned to the funding source.

Per Unit of Service Provided grants' billings are prepared by the program staff. Accounting Department records the Accounts Receivable based on the billing report submitted monthly by Program Staff to Accounting. The billing process for the requests are initiated by the program staff by logging into the respective program funding website, submitting the required program data and the grantor will review and process the payment for the services provided. The program staff submit billings to the state every ten days and the state processes the billings within 3-5 business days directly deposited into the Organization's bank account. County and Federal Probation grants are billed once a month and the reimbursement payments process can take up to 60-90 days.

1.2 As part of the review process, all billings must be reviewed for accuracy to comply with established terms agreed upon by the contract. Any disallowed costs will be reviewed to determine if resubmission of billing data is required.

1.3 The billing information will then be posted to the revenue Journal and the Accounts Receivable ledger in a batch with other daily billing information.

1.4 In the event that AAMA request advances from federal awards provisions of §200.305 shall be applicable.

1.5 Allowability of costs for federal grants will be determined in accordance with §200.302(b)(7) Subpart E—Cost Principles of this part and the terms and conditions of the Federal award. Grant manager or designee shall review and approve the allowability of costs for all federal grants.

1.6 Request for reimbursement shall only be made during the period of the federal award or as otherwise allowed by the Federal Awarding Agency.

1.7 In accordance with §200.307 as allowed by the federal awarding agency and as appropriate AAMA shall attempt to earn income to defray program costs.

## 2.0 **ACCOUNTS RECEIVABLE**

2.1 Accounts Receivable Clerk will create all A/R journal entries and prepare them based on end of month billing information provided by program staff for Per Unit of Services provided grants and by the Financial Analyst based on actual expenditures for cost reimbursement grants. The Financial Analyst reviews and approves all A/R journal entries. After approval, the Financial Analyst will then post the entry. In absence of the Accounting Clerk, the Financial Analyst

will prepare the entry and the Controller will review, approve, and post the entry.

- 2.2 On a monthly basis, Accounts Receivable generates an aged trial balance of Federal, State and Local funding sources accounts with individual billing information and days outstanding and will forward to the Controller for review. This report is provided to management staff monthly.
- 2.3 Accounts Receivable Clerk records payments in the General Ledger from Federal, State, County and Local funding sources that are directly deposited into the organization's bank account and applies funds to outstanding invoices/billings.
- 2.4 Accounts Receivable Clerk is responsible for reconciling receipts from Federal, State, County and Local funding sources with the Accounts receivable balances and for issuing credit memos to accounts upon receipt of cash and notification from the billing clerk that disallowed costs will not be resubmitted for payment. The Financial Analyst will review, approve, and post the credit memo entries.

**Title: ACCOUNTS PAYABLE, CASH DISBURSEMENTS, ACCRUED EXPENSES AND AP PURCHASING CREDIT CARD & PAYMENT**

**Policy:** Proper internal controls are followed to ensure that only valid and authorized payables are recorded and paid. Accounting procedures are implemented to ensure the accuracy of amounts, coding of general ledger accounts and appropriate timing of payments.

**Purpose:** To explain the procedures for documenting, recording and issuing payments for accounts payable transactions.

**Scope:** This procedure applies to all purchases including COD amounts, credit card purchases and reimbursement of travel and expense reports.

**Procedure:**

**1.0 DOCUMENTING ACCOUNTS PAYABLE**

1.1 The following documents are forwarded to accounts payable for temporary filing and subsequent matching to form an accounts payable voucher package:

- Purchase Order if applicable
- Packing Slip with receiving report if applicable
- Vendor invoice
- Check request with proper approvals (Required for all payments whose nature is not a utility bill or contractual agreement on file by the Accounting Department)

1.2 Once the accounts payable department has all of the above documents, the following steps are performed to ensure proper authorization, validity of purchase, receipt of purchased items or services and accuracy of amounts.

- The vendor invoice will be attached to the check request. When applicable, the packing slip and purchase order should also be attached along with any other supporting documentation.
- The purchase order should be evaluated for proper authorization and the nature of the purchase and pricing as shown on the invoice reviewed for validity.
- The quantities shown shipped or delivered on the invoice will be compared to the packing slip.
- Check requests should include proper general ledger account coding. This coding should reasonably describe the expense to be incurred as well as correspond with approved and allowable budgetary items.
- Calculations on the invoice will be recomputed, such as, quantities received multiplied by unit price and totals. Sales tax amounts listed on the invoice will be reviewed so that when appropriate, sales tax exempt notifications can be sent to the vendor.



- If any paperwork needs to be mailed with the AP check, the department forwarding the request needs to send the original and a copy of the document that must accompany payment.
- Any discrepancies to the steps listed above must be addressed and resolved prior to commencing with the accounts payable voucher. If necessary, requests will be returned to requestor for necessary corrections.

## 2.0 **RECORDING**

Once the accounts payable voucher package has been properly assembled, the voucher package is then reviewed by Accounts Payable for proper coding and accuracy. Once this review has occurred the voucher package is then batched and entered into the computerized accounts payable system. Once the batch has been entered, the batch is posted to the accounts payable ledger.

- 2.1 The voucher package is then temporarily filed by due date in the unpaid invoice files to await payment.

## 3.0 **PAYMENT OF ACCOUNTS PAYABLE**

- 3.1 On Tuesday and Thursday of every week, accounts payable invoices are selected for payment according to their terms for payment. Accounts payable should normally be paid within seven days of their due date unless otherwise determined by the Controller. If payment terms are not specified on the invoice, payment will be issued within 30 days of the invoice date.

Any debit balances (amounts owed to the organization) are applied to credit amounts when determining payment.

- 3.2 Accounts payable invoices are submitted to the Financial Analyst for review and payment approval. Upon approval, checks are then printed for the accounts payable invoices to be paid.

The deadline for receipt in our office for eligibility in Tuesday's check run is the preceding Monday at 12:00 p.m. The deadline for receipt in our office for eligibility in Thursday's check run is Wednesday at 12:00 p.m.

- 3.3 After the checks are printed, they are matched to the voucher package and submitted to an authorized signer for signing. Checks in the amount of \$10,000 and over, require two signatures. The Controller only signs company checks when none of the other authorized signers are available and only on an emergency case basis. Upon return of the checks to accounts payable, the 2-part checks will be separated and processed as follows:

- Original - Mailed to the vendor along with any necessary payment stubs. Check stub is attached to the voucher package and filed alphabetically in the paid vendor files.

- 3.4 Positive Pay procedures have been implemented for check writing security and fraud prevention. Procedures include forwarding to the bank a .csv file

initiated by Accounts Payable and released by the Financial Analyst with check numbers, check date, amounts and payees for the bank to clear only those checks listed. This file is released electronically by the Financial Analyst after checks have been signed and approved by an authorized check signer.

#### 4.0 **COD PAYMENTS**

4.1 All requests for COD are to be originated and authorized through preparation of a Check Request form and accompanied with an invoice, proper approvals and general ledger account coding. The Accounts Payable Manager reviews the check package and presents it to an authorized signer for check signatures.

4.2 The COD voucher package will be batched and entered into the computerized accounts payable system on Tuesdays and Thursdays. A preliminary batch report is printed for review by the Financial Analyst. Once this review has occurred and all necessary corrections made the batch is posted to the general ledger and year to date purchases updated to vendor files.

Check stub is filed alphabetically in the paid vendor file.

#### 5.0 **ACCRUED EXPENSES**

5.1 The Financial analyst is responsible for preparing records of accrued expenses at the end of each month. Accrued expenses represent amounts due for services or benefits that the organization has received but are not yet payable. Types of expenses may include:

- Payroll
- Payroll Taxes
- Rent
- Utilities
- Interest
- Lease Charges
- Audit Fees

5.2 The Financial Analyst determines the proper amount of each expense that should be accrued based on prior month's expense.

5.3 Once all amounts have been determined, the accrued expenses are properly coded and a journal entry will then be prepared for recording to the general ledger after proper review and approval by the Controller.

5.4 The Financial Analyst also reviews all existing accrued expenses recorded from prior periods and ensures that reversing accounting entries are made.

#### 6.0 **ACCOUNTS PAYABLE PURCHASING CREDIT CARD AND PAYMENT POLICY**

6.1 The purchasing credit card assigned to Accounts Payable will be used for the following services:

- Bus Services for the school
- Utilities

Other urgent purchases as authorized by the Controller/CFO/ Management

- 6.2 Before processing payments for the above services, Accounts Payable must obtain approval signatures.
- 6.3 Payments to the credit card company for purchases done by Accounts Payable must be processed by other than Accounts Payable and approved by the Controller/CFO.
- 6.4 Accounts Payable must submit all itemized credit card receipts for approval to the Controller/CFO.
- 6.5 Financial Analyst must verify coding and signatures before processing payment.
- 6.6 Payments must be processed by the Accounts Receivable Specialist.

**Title: CREDIT CARD POLICY**

Policy: To promote efficient processing and record keeping of all credit card transactions. Ensure that cardholders understand and acknowledge responsibilities pertaining to the AAMA credit card.

Purpose: To set forth guidelines in regards to the application, use, and termination of credit cards issued to organization employees.

Scope: Applies to all cardholders

Procedure:

**1.0 ORIGINATION**

1.1 Credit card statements will be emailed to all cardholders every month after the closing date for the specific period.

1.2 It is the cardholder's responsibility to review statements for accuracy and validity of purchases and to reconcile all transactions to the credit card statement. It should only include expenses allowed in the Credit Cardholder's agreement. The credit card should not be used to purchase items for personal use. In the event that is used for personal items, the cardholder will reimburse AAMA for such amounts.

1.3 After review and reconciliation of the credit card statement, the cardholder will create a travel expense form for all transactions on the credit card and attach all original receipts and supporting documents to a coded check request.

1.4 The coded check request along with all supporting documents will then be submitted to the appropriate department manager / supervisor for review and approval.

1.5 Once approved, the check request is then submitted to Accounts Payable for review and payment processing on a timely manner to avoid unnecessary fees.

**2.0 PROCESSING**

2.1 Accounts Payable will review coding of expenses and ensure that all transactions are supported with appropriate documentation and that all transactions reconcile with the credit card statement.

2.2 Any incorrectly coded items / unsupported transactions on a check request will be returned to the originator for necessary corrections.

2.3 Once a check request has been reviewed and deemed accurate, it will be entered in the accounting system and submitted for payment based on the due date specified on the statement to ensure that no fees will be incurred by the organization.

## **CARDHOLDER AGREEMENT**

### **OVERVIEW**

It is the policy of the organization to permit use of authorized credit cards by employees designated by appropriate authorities for charging legitimate organizational expenses. After reading this policy, all employees who currently have obtained a credit card must sign acknowledging that they understand all responsibilities involved and will abide by the cardholder policy.

Eligible employees, who request to have an authorized credit card, should discuss with their direct manager. Management would then request approval from the CEO. Prior written approval from the CEO must be attained before any arrangements from the Plan Administrator can be made for obtaining a credit card.

### **POLICY**

Credit cards are issued by JPMorgan Chase Bank at the discretion of the CEO to current employees who have been determined to incur legitimate business expenses. The cardholder agrees to comply with all applicable organization policies and procedures and this Credit Card Agreement.

It is the organization's policy that all original itemized receipts and any other supporting documents must accompany the cardholder's statement, expense report, and check request prior to obtaining approval from the department's manager. Expense reports should be fully detailed with purpose of expenses and any other required information. Failure to provide supporting documents or any other required information will result in delay of processing credit card payments. All efforts should be made to comply and provide all required information/documentation timely.

Credit card expenses for a current statement period must be submitted to Accounts Payable 2 weeks prior to the statement due date to ensure ample review and processing time. This time period will ensure that payment in full can be issued by the designated due date as shown on the monthly statement from JPMorgan Chase Bank. JPMorgan Chase Bank will place a hold on all credit cards if payment is not received on the due date.

### **COMPLIANCE WITH POLICY, VIOLATIONS AND CONSEQUENCES**

Cardholder violations to this policy, or to any other organization's policy regarding the purchase of goods or services, will be examined by Management and any other appropriate staff. Recommended actions that might be taken include: written warnings, removal of credit card privileges, and other disciplinary actions, if necessary.

The organization will consider the facts and circumstances of each incident, and will take action as appropriate. Violations to the policy will result in notification to the cardholder's Manager/Supervisor.

Credit card violations may include but are not limited to:

- Purchase of items for personal use
- Purchase of items in violation of the organization travel policy
- Purchase of alcoholic beverages

## **OWNERSHIP AND CANCELLATION OF THE CREDIT CARD**

Credit Cards may not be transferred to, assigned to, or used by anyone other than the designated cardholder. The cardholder is accountable for the activity on the card. Cardholder privileges may be suspended or cancelled by the organization at any time for any reason. The cardholder will surrender the credit card upon request to the organization or to his/her manager.

## **SPENDING LIMITS**

Each credit card has a pre-set limit that may not be exceeded. Cardholders may request a credit limit increase to their direct Supervisors. In order to increase a credit limit, the Supervisor must request approval from the organization's CEO.

## **RECEIPTS**

It is the cardholder's responsibility to obtain itemized receipts from the merchant each time the credit card is used. Receipts are to be reconciled to the statement, attached to the expense report, and submitted for processing and approval.

## **DISPUTED ITEMS**

It is the cardholder's responsibility to follow-up on any unauthorized charges, returns or adjustments to ensure that proper credit is given on the subsequent month's statement.

## **VALIDATION AND SAFEKEEPING**

Sign the credit card immediately upon receipt. The credit card should always be treated with the same care as a personal credit card, bank card, cash and checks. Keep your card in an accessible, but secure location.

When the expiration date has passed and/or after you have received a new card, shred the old card and dispose of it.

If the credit card is lost or stolen, contact JPMorgan Chase Banks' toll free number immediately then notify your immediate Supervisor and the Plan Administrator.

## **SUMMARY OF CARDHOLDER'S RESPONSIBILITIES**

- Purchasing items for business use only.
- Submitting detailed itemized receipts, expense forms, coding and approval for the total balance due every month.
- Never lending or sharing the credit card account number.
- Purchasing only goods and services that are in accordance with the organization's policies.
- Attaching other supporting documents, such as agendas, detail and reason for travel/expense with expense reports
- All charges on the credit card statement shall be examined by the cardholder to ensure that they represent actual, valid and authorized expenses.
- Reading this policy and signing as verification of understanding to comply with the organization's policies.

I have read and understood the Credit Card Policy and agree to abide by the terms and conditions of this policy. I certify that as a cardholder, I understand and assume the responsibilities listed above.

\_\_\_\_\_  
Employee's Signature

\_\_\_\_\_  
Name (Print)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Manager's/Supervisor's  
Signature

\_\_\_\_\_  
Name (Print)

\_\_\_\_\_  
Date

**Title: PROCUREMENT**

**Policy:** The organization uses purchase procurement procedures to obtain services, supplies, or other property as provided for below.

**1.0 General Procurement Guidelines:**

1.1 All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

- Placing unreasonable requirements on firms in order for them to qualify to do business;
- Requiring unnecessary experience and excessive bonding;
- Noncompetitive pricing practices between firms or between affiliated companies;
- Noncompetitive contracts to consultants that are on retainer contracts;
- Organizational conflicts of interest;
- Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance or other relevant requirements of the procurement; and
- Any arbitrary action in the procurement process.

1.2 AAMA must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference.

1.3 AAMA's procurement procedures must ensure that all solicitations:

- a. Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equivalent" description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and



- b. Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

1.4 AAMA must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, AAMA must not preclude potential bidders from qualifying during the solicitation period.

2.0 **Specific Procurement Procedures:**

2.1 Except as may be provided for herein, all goods and services in excess of \$ 2,500 require three competitive bids. For any one-item purchase under \$2,500, price or rate quotations are not required.

2.2 The organization obtains three verbal or written prices or rate quotations for any purchase between \$2,500 and \$5,000. Telephone and other verbal quotations must be documented.

2.3 The organization obtains three written prices or rate quotations for any item purchase over \$5,000.

2.4 The organization selects the vendor providing the best value and documents the rationale for selection.

2.5 The organization will document the rationale for selection of the vendor.

NOTE: Exceptions to this policy are for goods and services contracted through the State of Texas Controller's, TEA Region 4 Cooperative Purchasing Services, TCSA's Purchasing Cooperative Purchasing Services, "Non-Competitive bid transactions", and other exceptions as provided for below.

Non-competitive bid transactions are characterized as follows:

- Available only from a single source
- Where management decides that prevailing economic conditions preclude the value of competitive bidding.
- Commodities and services not subject to bid solicitation or price negotiation
- Emergency requirements affecting health and safety
- Items of unbiddable nature such as repair of equipment and machinery. (Standard price are normally charged for the parts and labor is charged at prevailing hourly rates.)
- Every effort should be made to obtain 3 price quotes for each non-competitive bid item and they should be documented through a Competitive Bid Process Waiver.

2.6 Time and material contracts will only be used in limited circumstances and only then in accordance with §200.318.

- 2.7 As provided by the Board of Directors in its March 7, 2014 Board Meeting, all contracts for the procurement of goods and services in excess of \$25,000 (previously \$10,000) require approval of the Board of Directors. This applies to all contract amendments and change orders to previously approved contracts if such contract amendments and/or change orders either cause the purchase to exceed the threshold of \$25,000, or if such threshold has already been reached and the contract amendment and/or change order is less than \$25,000.
- 2.8 CHARTER SCHOOL SPECIFIC REQUIREMENTS: Notwithstanding anything to the contrary contained herein, if Texas Education Code Section 12.1053, Financial Accountability System Resource Guide (FASRG) or Federal requirements are more strict in terms of dollar thresholds or other stated requirements pertaining to charter schools than those provided for herein, then the organization's charter school shall obtain legal advice to determine applicability and if applicable, the organizations' charter school shall abide by such State and/or Federal requirements unless the organization's school charter contract says otherwise:
- a. Competitive bidding is required when a charter school engages in any public works contract (i.e., a contract for the construction, repair or renovation of a building) worth over \$50,000. For public works contracts, charter schools must follow the specific procedures set forth in Texas Local Government Code, Chapter 271, Subchapter B. This subchapter requires timely newspaper advertisements, sealed bids, a public bid opening, and an award to the lowest responsible bidder. NOTE: To be on the safe side, TCSA recommends for member schools to follow this process for any public works contracts potentially worth over \$45,000. Therefore, if any such public works contract may be over \$45,000, then the organization shall obtain legal advice as to applicability.
  - b. When the organization's open-enrollment charter school seeks a contract for professional services with state funds, then the school cannot award the contract on the basis of competitive bids. The Professional Services Procurement Act is set forth in Texas Government Code, Chapter 2254. According to the Act, any provider of professional services to the school must be selected on the basis of demonstrated competence, demonstrated qualifications, and a fair and reasonable price. Professional services include accounting, architecture, landscape architecture, land surveying, medicine, optometry, professional engineering, real estate appraising, and professional nursing. This process is not applicable if the charter school's approved charter contract states otherwise concerning the procurement of professional services.
  - c. When using federal funds, open enrollment charter schools operated by non-profit corporations (e.g. AAMA) will follow the procurement standards set forth in 34 CFR Sections 74.40 through 74.48. These standards require all procurement transactions to be conducted in a manner in which provides open and free competition. AAMA's charter school school's

procurement procedures will endeavor to accomplish the following objectives:

- Charter schools avoid purchasing unnecessary items;
- Solicitations for goods and services must provide a clear and accurate description of the goods or services being solicited;
- Positive efforts shall be made by charter schools to utilize small businesses, minority-owned firms, and women's business enterprises whenever possible;
- The type of procurement instruments used (e.g. fixed price contracts, purchase orders, and incentive contracts) must be appropriate for the particular procurement;
- Contracts are made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement;
- Charter schools, on request, shall make available pre-award review and procurement documents when: (1) recipient's procurement procedures fail to comply with the federal regulations; (2) the procurement is expected to exceed the small purchase threshold (\$25,000) and is to be awarded without competition or only one bid is received in response to a solicitation.
- When a transaction is expected to exceed the small purchase threshold (\$25,000), then the charter school must retain the following minimum records concerning the transaction: (1) the basis for contractor selection; (2) justification for lack of competition when competitive bids or offers are not obtained; and (3) basis for award cost or price.

2.9 In accordance with §200.112, §200.113 and §200.318 AAMA shall

- a. Disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy.
  
- b. Timely disclose in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award (Failure to make required disclosures can result in any of the remedies described in §200.338 Remedies for noncompliance, including suspension or debarment. [See also 2 CFR part 180 and 31 U.S.C. 3321]).
  
- c. Maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

- d. Abide by AAMA's conflict of interest policy as contained within the Employee Handbook shall be followed in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. AAMA's officers, employees, and agents shall not solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. De minimis exceptions may be authorized by Executive Management. Violation of this policy shall result in appropriate disciplinary action.
- e. Conduct appropriate lease vs. purchase analyses.
- f. Enter into state and local inter-governmental agreements or inter-entity agreements for procurement or use of common or shared goods and services.
- g. Use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible.

3.0 The Executive Director and Chief Financial Officer will develop procedures to implement these guidelines.

**Title: PURCHASING AND PURCHASE ORDERS**

**Policy:** To promote the development and use of purchasing processes that promotes increased efficiencies and record keeping within the organization.

**Purpose:** This policy is intended to establish the parameters of a purchasing structure that is specifically designed to support the best methods and best practices for the organization when acquiring supplies, materials, equipment, goods, and services.

**Scope:** Applies to the acquisition of supplies, materials, equipment, goods, and services.

**1.0 Introduction**

1.1 The goal for every purchasing transaction is to obtain the best value possible. Best value can be determined by evaluating many factors (such as price, delivery capabilities, quality, past performance, training, service capabilities, ease of ordering, payment, etc.). When a vendor that offers the best combination of those factors has been determined, the requestor/end user can begin the requisition/purchase order process (refer to Procurement Policy for bid requirements).

**2.0 Role / Responsibility**

2.1 The requestor/end user's responsibility in the purchasing process is to provide the support and documentation needed in order to determine the best value. Before submitting the requisition request for processing, the requestor/end user must do the following to ensure that the purchasing process is not delayed and best value is obtained.

- a. Requestor/end user (teachers, principals, staff. etc.)
  - Determine what is needed
  - Determine if the need can be fulfilled by a Preferred Vendor (i.e. Staples, Unisource, Goodman Bus)
  - Research vendors & request quotes
  - Analyze costs budgets and evaluate other factors (i.e. delivery, quality, service, school budgets and funding, etc.)
  - Select vendor
  - Prepare and submit all necessary and required documents to the appropriate requisition processor to prepare an electronic requisition through the accounting system (Sage Fund Accounting Electronic Requisitions)
  - Send official purchase order to vendor once it has been approved and provided to you
  - Ensure proper receipt of ordered goods and services
  - Submit documents and paperwork to processor (i.e. packing slips, invoices, etc.)

2.2 The responsibility of the Requisition Processor in the purchasing process is to ensure that proper controls have been taken into consideration and that all electronic requisitions are processed.

- Requisition Processor (administrative assistant, receptionist, secretary, etc)
  - Review all supporting documentation that has been submitted before an electronic requisition is prepared (supporting documents include coding, quotes, bids, contracts, etc.) If all necessary documents have not been submitted, the request for requisition will be returned to requestor/end user for revisions.
  - Vendor has been evaluated by requestor to determine best value
  - Initiate an electronic requisition through our electronic system (Sage Fund Accounting Electronic Requisitions) and submit to supervisor for approval.
  - Provide purchase order to requestor / end user once requisition has been approved
  - Track documents and paperwork (i.e. packing slips, invoices, other supporting documents)
  - Submit purchase transactions to the Accounts Payable department once the invoice has been received (includes: PO, quotes, confirmation, packing slips, invoice)

2.3 All requisitions for purchase orders require approval regardless of dollar amount. The approver is responsible for the following:

- a. Approver (CEO, director, principal, supervisor, etc.)
  - Validate the legitimate business purpose of the transaction
  - Validate that adequate funding is available
  - Ensure compliance with purchasing policy
  - Approve requisitions or deny, if necessary
  - Negotiate and resolve disputes with vendors

2.4 All employees involved in the purchasing process should take full responsibility in understanding this policy. Purchasing decisions should be made with the highest consideration for what is in the best interest of the organization.

### 3.0 **Processing Purchasing Transactions**

3.1 The purchase of goods and services begins with the initiation of a Requisition request by the requestor / end user. At this point, the responsibility of the requestor is to ensure that all necessary actions listed above have been taken (i.e. budget check, vendor selection, etc) before submitting request to the appropriate processor for review, electronic processing, and approval. Once reviewed, an electronic requisition is created and submitted for approval through the Sage Fund Accounting Electronic Requisitions module. The module provides an appropriate audit trail since transactions are captured into the system by individual transactions. The fully approved Requisition is then sourced into the Sage Fund Accounting Purchasing module and a Purchase Order will then be automatically created by the system and printed in batches once per day at 12:00pm by Accounts Payable. The official Purchase Order is then sent to the requisition processor to continue with the order process.

- 3.2 Purchase Orders will be sent, by requestor, to the vendor by one of the following methods:
- Fax
  - E-mail
  - U.S. Mail
  - Online
- 3.3 Once the purchase has been completed and items have been received and verified, all necessary documents (i.e. packing slips, invoices, etc.) received with goods / services should be submitted to the appropriate processor in each division. At this point, the processor will gather all completed documentation and submit to the Accounts Payable department.
- 3.4 Accounts Payable will then review the invoice and all supporting documentation to ensure accuracy and compliance. If everything is submitted correctly, the invoice will be processed into the Sage Fund Accounting Accounts Payable Module and will be matched to the Purchase Order number.
- 4.0 **Invoices / Payment**
- 4.1 A purchase transaction is considered to be complete once the goods / services have been received and the vendor has been paid. When a Purchase Order is issued from the accounting system, funds are properly encumbered. The encumbrance ensures that the required funding is set aside and available to pay outstanding obligations.
- 4.2 Priority will be given to invoices supported with the issued Purchased Order, confirmation of receipt of goods / services, and all other properly completed paperwork. If a payment request is incomplete or has discrepancies, it will be returned to the appropriate division processor for revisions and corrections.
- 4.3 Invoices are selected for payment according to their terms. Normally, accounts payables will be paid within seven days of their due date unless otherwise determined. If payment terms are not specified on the invoice, payment of vendor invoices will be issued within 30 days of the invoice date.

**Title: CHECK REQUESTS**

Policy: To ensure efficient processing and record keeping. All check requests are prepared on a written check request form.

Purpose: To describe the process for completing a check request form.

Scope: All check requests.

Procedure:

**1.0 ORIGINATION**

1.1 The Check Request form is required for all payments whose nature is not a utility bill or contractual agreement on file by the Accounting Department. The Check Request form should be completed with supporting documentation attached, and with departmental approval before submitting to the Accounts Payable Department. All transactions are required to have proper coding at minimum to include fund, program, grant and general ledger codes. All check requests must be on the proper division coding sheets. Any incorrectly coded or incomplete check requests will be returned to the originator for necessary corrections.

1.2 Check requests require proper approvals by authorized signers.

1.3 Check requests include proper general ledger account coding. This coding should reasonably describe the expense to be incurred as well as correspond with approved and allowable budgetary items.

**2.0 PROCESSING**

2.1 The check request, along with necessary supporting documentation is forwarded to the Accounts Payable Department for review and check preparation. Once the check has been processed, the check is signed by an authorized check signer. Checks in the amount of \$10,000 and over, require two signatures. The Controller only signs company checks when none of the other authorized signers are available and only on an emergency case basis.

If a check is to be mailed directly to the vendor, any applicable documentation such as order forms, etc., should be attached to the Check Request.

2.3 If a request is submitted to Accounting to issue an advance check to a business or hotel for AAMA / G.I.S. related business, the check will be made payable directly to the business or hotel once the advance has been approved. Until the requestor either returns proper receipts for the advance and/or the remaining advance funds, the requestor will continue to be responsible and accountable for the money that was advanced, even though such check was made payable to a third party. As with other types of advances, AAMA and G.I.S. require that all receipts be submitted to Accounting immediately after the event has occurred for which the advance was issued.



- 2.4 If a request is submitted to Accounting to issue an advance check for business or school travel and/or other expenses, the check will be made payable to the requestor personally. Once the advance has been approved, the requestor will be held responsible and accountable for the money that is advanced until either the proper receipts for the advance and/or the remaining advanced funds are returned. Once Accounting receives the proper receipts and/or remaining advance funds, the requestor will no longer be responsible for such advanced funds. Just as a reminder, AAMA and G.I.S. require that all receipts be submitted to Accounting immediately after the event has occurred for which the advance was issued. If this requirement is not met, unjustified funds will be reported to the IRS in the requestor's Form W-2 at the end of the calendar year.

(See INTRANET for Program designed Check Request Forms)

- 2.2 Positive Pay procedures have been implemented for check writing security and fraud prevention. Procedures include forwarding to the bank a .csv file with check numbers, check date, amounts and payees for the bank to clear only those checks listed. This file is sent after checks have been signed and approved by an authorized check signer. The file is initiated by the AP/Purchasing Supervisor and released by the Financial Analyst.

**Title: CAFETERIA INVOICES**

Policy: To promote efficient processing of all Cafeteria invoice payments.

Purpose: To set forth guidelines in regards to the process of submitting all Cafeteria invoices to Accounts Payable for timely processing of payment.

Scope: Applies to all Cafeteria vendor invoices.

Procedure:

**1.0 ORIGINATION**

1.1 When products are ordered and delivered to the Cafeteria, vendors will also deliver an Invoice / Receiving Document. These documents should be reviewed and compared with what is being delivered and signed as received by the designated Food Service Worker or by the Food Service Manager.

**2.0 PROCESSING**

2.1 The designated Food Service Worker and/or the Food Service Manager will scan and email the Invoice / Receiving Document to Accounts Payable. This should be done the same day as the items are received in the Cafeteria.

2.2 Once the Invoice / Receiving Document has been received, the Accounts Payable / Purchasing Supervisor will "control" the invoice to ensure prompt payment. The AP / Purchasing Supervisor will notify the designated Food Service Worker and/or the Food Service Manager of the date the invoice should be processed into the Electronic Requisitions Module for coding and submitted for approval. Processing invoices into the Electronic Requisitions Module would eliminate the need for preparing a check request and would ensure that proper tracking is recorded electronically.

2.3 Once the Electronic Requisition has been approved by the VP of School Operations/Superintendent, a Purchase Order will be created by the AP / Purchasing Supervisor and attached to the Invoice / Receiving Document. The issued Purchase Order will only be used internally and not distributed to vendors. The purpose of the issued Purchase Order is to ensure that the Invoice / Receiving Document is encumbered.

2.4 The Accounts Payable / Purchasing Supervisor will follow up with the designated Food Service Worker and/or the Food Service Manager in the event that the Invoice / Receiving Document has not been processed into the Electronic Requisitions Module for coding and submitted for approval.

2.5 In the event that the follow up request is unsuccessful, Accounts Payable will notify the VP of School Operations/Superintendent for assistance.

2.6 With respect to Borden Milk, each Borden Milk Invoice should be scanned and emailed to Accounts Payable. The same process listed above should be followed. At the end of the month when Borden milk sends the Summary Invoice, that should be scanned and emailed to Accounts Payable for

comparison with the individual invoices paid throughout the month. Any differences will be adjusted.

**Title: VOID CHECK(S)**

**Policy:** The organization's policy prohibits the practice of voiding checks, and instead promotes the process of invoice expense and reporting. This policy is to ensure that proper payments to vendors and reimbursements to employees occur in an accurate and timely basis.

**Procedures:**

- 1.0 A check request is completed after the invoice has been approved by the Program Manager and the amount has been verified.
- 2.0 Check requests are submitted to the Accounting Department for payment to the vendor for supplies or for professional services rendered.
- 3.0 If an error occurs in the processing of payment, the printed check may need to be voided due to an error.

An error may occur when:

- The amount is greater than the amount owed which will result in overpayment,
- Reimbursement from funding source has not been received, or the amount and items are not budgeted or approved by the funding source.
- Multiple invoices paid to vendor in error, when each site requests individual checks.

- 4.0 If and when there is sufficient information to justify voiding a check, the check will be voided through the accounting system and in most cases original voided check will be filed with bank statement along with bank reconciliations. The Controller verifies all voided checks.
- 5.0 The organization promotes accuracy and consistency in reviewing and approving check processing.

**Title: EMPLOYEE TRAVEL**

**Policy:** It is the policy of the organization to reimburse employees for business travel expenses and use of personal vehicles. Expenses for transportation, lodging, meals, and related items are allowable when they are incurred by an employee, or volunteer on official business which is directly attributable to the contract or required for administration of the organization. Advances for airfare and hotel are allowable when submitted with supporting documentation and proper approval.

**Purpose:** To describe the process for completing a properly documented reimbursement request form for mileage and travel related expenses.

**Scope:** Mileage and travel related expenses

**1.0 Request and Reimbursement Procedures**

**1.1** Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and necessary, approved by the employee's supervisor and otherwise allowable only to the extent such costs do not exceed charges normally allowed by AAMA's written travel policy. Generally, if any approved travel costs are in excess of those established by the Texas Comptroller of Public Accounts from time-to-time, such excess costs must be paid for out of appropriate non-grant funds. In addition, if approved travel costs are charged directly to the Federal award documentation must specify that or provide for:

- a. Participation of the individual is necessary to the Federal award; and
- b. The costs are reasonable and consistent with AAMA's established travel policy.
- c. Commercial air travel. Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would
  - Require circuitous routing
  - Require travel during unreasonable hours
  - Excessively prolong travel
  - Result in additional costs that would offset the transportation savings
  - Offer accommodations not reasonably adequate for the traveler's medical needs. AAMA must justify and document those conditions on a case-by-case basis in order for the use of first-class or business-class airfare to be allowable in such cases.
- d. Temporary dependent care costs are not reimbursable by AAMA.

**2.0 General Requirements**

- 2.1 Employees whose jobs require regular driving for business must be able to meet the driver approval standards of this policy at all times. In addition, employees holding those jobs must inform their supervisors of any changes that may affect their ability to meet the standards of this policy. For example, employees who lose their license must report this within 24 hours to their immediate supervisor.
- 2.2 A Mileage Log / Reimbursement Form must be submitted to supervisor in advance for preapproval of an employees' travel. This includes travel for program related activities, and to attend conferences, seminars, and community meetings and to conduct planned events.
- 2.3 Employees should provide their supervisor with the required and completed Mileage Log / Reimbursement Form by the first of each month, requesting approval for mileage reimbursement.
- 2.4 Employee's expenses for approved travel are reimbursed when properly documented by the employee and approved by the supervisor. A properly completed check request for reimbursement includes a completed Mileage Log / Reimbursement Form, itemized receipts for travel expenses, and travel agendas to support travel expenses. Incomplete requests submitted to Accounting will be returned to the requestor for revisions.
- 2.5 Processing of all reimbursements requests should be submitted to Accounting on a monthly basis. Expenses over 90 days will not be processed unless approved by the Chief Executive Officer. Employees are required to follow this 90-day rule.
- 2.6 Travel mileage is reimbursed at 48 cents per mile not to exceed IRS and the Texas Comptroller of Public Accounts published rates per mile. The mileage rate is consistent with the Federal and State guidelines.
  - a. Employees are required to calculate mileage by using an electronic mapping source (such as Google Maps or any other online mapping service). The employee must print out the driving directions provided by the online mapping site and attach to the reimbursement request along with all other supporting documents.
  - b. Employees are required to select the shortest and economical route. The selection of another may be justified if it was chosen for safety reasons.
- 2.7 Travel reimbursement request must be properly documented to be reimbursable. Travel reimbursement requests should include itemized original receipts for expenses incurred. For example, the reimbursement for meals should contain the receipt from the restaurant detailing the items ordered. Copies of receipts will not be accepted by the Accounts Payable Department.
  - a. Employees requesting travel reimbursement must document all travel costs in the Mileage Log / Reimbursement Form. The following must be included in a properly completed reimbursement request:
    - Name of employee requesting travel reimbursement

- Destination and purpose of trip (include report or copy of agenda)
- Dates of travel (if traveling with others, names must be listed)
- Mileage (physical address for start / end point calculated using an electronic mapping source; print directions and attach to reimbursement request)
- Actual amount expended on lodging per day (include hotel folio)
- Actual amount expended on meals per day (include itemized receipts; not to exceed the **maximum allowable of \$25/day**; (tips and gratuities not allowable by TEA and will be charged to the appropriate departments fundraising account)
- Actual amount expended on public transportation (taxis, buses, shuttles, etc.)
- Actual amount expended on a rental car, with receipt attached (mileage is not reimbursed for a rental car – only the cost of gas is reimbursed)
- Actual amount expended on incidentals (copying of materials, supplies, etc.)

2.8 Meals will not be reimbursed for travel within the city or town in which an employee's place of employment is located. For example, if an employee's place of employment is in Houston and is attending a conference in Houston, meals will not be reimbursed for attending the conference.

Please note that alcoholic beverages are not an allowable reimbursement under any circumstances.

2.9 Employees requesting advances for airfare and lodging should submit the following to the Accounts Payable department at least 3 business days prior to due date:

- Check request with proper approvals and general ledger account coding.
- Supporting documentation (pre-approval of travel, hotel / airfare reservation, purpose of trip, copy of agenda, etc.)
- Original receipts and any unused funds must be returned to the Accounts Payable Department upon returning to work from the trip.

2.10 Employees may not drive program vehicles without prior approval of their supervisor.

2.11 For all other jobs, driving is considered only an incidental function of the position.

### 3.0 **Procedure**

3.1 All employee reimbursements are to be processed through Accounts Payable twice a week on Tuesdays and Thursdays

3.2 Accounts Payable will review travel documentation, verify coding/amounts and authorization signatures for all approved reimbursement requests submitted to Accounting. After all signatures, payment amount and coding

have been reviewed and verified, the reimbursement request will be processed into the Account Payable system and processed for payment.

- 3.3 If Accounts Payable makes any corrections to the reimbursement request, the amount of additions and/or deductions (and the reason(s) for same) will be communicated via e-mail to the employee.



**Title: PAYROLL PROCESSING**

**Policy:** Payroll is processed ensuring accuracy, validity of transactions and proper internal control procedures are maintained to ensure that disbursements are for valid services performed.

**Purpose:** To outline the steps for payroll processing activities.

**Scope:** This procedure applies to all Accounting and Human Resources personnel involved with payroll processing.

**Procedure:**

**1.0 PERSONNEL RECORDS, MANAGEMENT AND CHANGES**

1.1 Personnel records for hiring, classification, benefits, rate changes, and termination are performed by Human Resources Department. Payroll processing is performed in conjunction with the following related procedures performed by the Human Resources and approved by department managers and the CEO/CFO.

- Employee Hiring and New Employee Orientation
- Job Descriptions
- Payroll Funding Source or Allocation
- Paid and Unpaid Time Off
- Pay and Payroll Matters
- Performance Appraisals and Salary Adjustments
- Disciplinary actions
- Resignations and Terminations

**2.0 PAYROLL PROCESSING**

2.1 Payroll processes paper/electronic timesheets approved by managers.

2.2 Once paper/electronic timesheets are approved, the Payroll specialist reviews for completeness and approvals by department managers then performs calculations for payroll salaries and payroll deductions. The Payroll Specialist then transfers data in the Payroll system and prepares payroll reports and present along with supporting documentation to the Human Resources Staff and the Controller for review and approval.

2.3 Once the summary has been approved, the Payroll Specialist processes payroll disbursements and transfers data to the Accounting system General Ledger. Reports are then generated and used as back up to transfer funds by the financial analyst to the Payroll bank account authorized by the Controller.

Check Register is reviewed by the Human Resources Manager and the Controller for accuracy and validity before transmitting to bank.

2.4 Direct Deposit is available to employees. Employees wishing to have their payroll deposited directly into their bank account must sign up for Direct Deposit with Human Resources. Banking information required includes:

Employee's Name, Bank's Name and Routing number, and Employee's Bank Account number. (Form available in the Intranet)

Direct Deposits are processed following the Payroll Processing Policy. All direct deposit vouchers must be verified and authorized by Human Resources and the Controller before transmitting ACH file to bank. A voucher register will be presented to the Human Resources Staff and the Controller for verification and validity. The file is initiated and submitted by the Payroll Specialist and approved and released by the Financial Analyst.

- 2.5 Positive Pay procedures have been implemented for check writing security and fraud prevention. Procedures include forwarding to the bank a .csv file with check numbers, check date, amounts, and payees for the bank to clear only those checks listed. This file is sent after checks have been signed and approved by an authorized check signer. The file is initiated by the Payroll Specialist and uploaded by the Financial Analyst.
- 2.6 Validated payroll checks are then presented to payroll coordinators for distribution to staff.

**Title:           TIMESHEETS/ELECTRONIC TIMESHEETS**

**Policy:**           The organization's employees maintain daily records and timesheets to reflect an after-the fact documentation of time spend on each program.

**Procedure:**

1. Semi-monthly Time Allocation Sheet are maintained by all staff, both professional and non-professional, who spent time working for more than one funding source, i.e., prevention, intervention, city, state, etc.
2. It is the employee's responsibility to accurately account for and record time daily using the identified method for each program. This applies whether using a time clock, hand written records, or any other type of time recording device.
3. Holiday, vacation, sick, and compensation days should be accounted for only in its perspective column and will be proportionally charged to the appropriate cost center(s).
4. The Time allocation sheet is submitted to the immediate supervisor for verification and approval.
5. Employee's time allocations are maintained until her/his supervisor makes allocation changes to meet program's needs and budgetary requirements. When a supervisor makes allocation changes for an employee's salary, a Personnel Activity Form must be completed and provided to Human Resources Department for approval. After Human Resources approves this change, a copy of that PAF is provided to Payroll department for processing and data changes in the system.
6. Employee's Paper Timesheet require both the employee's and supervisor's signature.

(See Intranet for Timesheet template)

7. Employee's Electronic Timesheets must be approved by the supervisor before payroll is processed.

(See Intranet for Payroll Processing dates)

**Title: Administrative Cost Allocation Procedures**

**Policy:** To establish and document the procedure for allocating administrative salaries and other costs to the various AAMA programs in a consistent method.

**Purpose:** To consistently determine the charge to each program for administrative personnel and other costs related to the various segments of the overall organization functions.

**Scope:** These procedures apply to those administrative costs which are affected by this specific policy.

**Procedure:**

**1.0 PERSONNEL AFFECTED AND OTHER COSTS TO BE ALLOCATED**

1.1 Personnel to be charged through the Administrative Cost Allocation include:

- A. HHS, GIS, Adelante, Development and Properties Administrative employees (i.e. Director, Quality Control Manager, Office Manager, Billing Clerk, etc.)
- B. Accounting Personnel (i.e. CFO, Controller, Financial Analyst, Accounts Receivable Specialist, Accounts Payable Specialist, Payroll Specialist, etc.)
- C. AAMA Administrative Personnel (President/CEO, HR Manager, Administrative Assistant, etc.)

1.2 Other costs to be charged through the Administrative Cost Allocation include all non-employee, administrative related costs which are subject to these Procedures.

1.3 The totals for the groupings noted in Sections 1.1 through 1.2 should be evaluated periodically for the allocation process.

**2.0 METHODOLOGY USED FOR ALLOCATION**

**2.1 AAMA Cost Allocation Plan**

**Direct Expenses**

**A. Salaries**

Salaries are allocated to the program which receives the benefit of work performed.

Compensation charged to federal awards will be made in accordance with §200.430(c) and §200.413 as applicable.

The various Program Directors periodically determine direct salary allocations of personnel to the organization's various programs. Changes to such allocations are made on an approved Personnel Allocation Form (PAF) and are generally based on the approximate time spent by such personnel on such program.

B. Fringe Benefits

- Fringe Benefits allocated to the program which receives the benefit of work performed.
- Fringe Benefits charged to federal awards will be made in accordance with §200.430(c) and §200.413 as applicable.
- Payroll taxes are calculated based on actual applicable rates and are allocated to program areas using direct salary percentages.
- Remaining fringe benefits (medical, life, etc.) are allocated using the same basis and methodology as the direct salary percentages method.

C. Supplies

Supplies purchased for the programs are charged to each program actually benefiting from the activity performed.

D. Travel

All travel expenses are directly charged to the programs using the same basis as salaries.

E. Equipment

All equipment purchases are directly charged to the program for which the activity benefits.

F. Copier Costs

Copier costs are directly charged to the program for which it benefits.

G. Telecommunications (telephone, fax, Internet connections)

Telecommunications costs are charged directly to the program to which it benefits, generally based on the applicable numbers of lines used by each program.

H. Vehicle Insurance

Vehicle insurance costs are charged directly to the programs based upon the allocation percentage of the vehicle's cost to the specific program.

I. Other Overhead (Liability Insurance, etc.)

- Property and General Liability Insurance premiums are generally allocated based upon the square footage used by each program or any other method as may reasonably be determined by the CFO and/or Controller which will produce an accurate allocation of costs.
- Professional Liability Insurance premiums are allocated based on direct salary percentages.
- Directors and Officers and Crime Insurance premiums are allocated using the Administrative Cost Allocation.
- Other insurance policy premiums are allocated to those programs which will receive benefit of such policies, with the methodology of such allocations to be determined on a case-by-case basis as is needed to properly allocate costs.

J. Professional Fees

Professional fees are directly charged to the programs receiving the benefit of such fees.

K. Food Expense, Uniforms, Extra-curricular Activities

Food, uniforms and expenses for extra-curricular activities are directly charged to the programs receiving the benefit of such costs.

L. Equipment Maintenance

Equipment maintenance expenses are allocated to each program directly benefiting from use of the equipment.

M. Consultants

Consultant expenses are charged to the programs which benefit from such consulting work.

**Indirect Expenses**

A. Facilities Costs

Facilities costs will be charged as Rental Expenses and will be based on the following methodology:

- Houston programs will generally be charged rent based on square footage utilized by the various programs and the type of buildings in which the programs operate.
- Out-of-City locations will be charged rent based upon third party lease agreements that cover their operations.

- Administration’s rent is charged based on revenue percentages among the major divisions (GIS, Adelante, HHS and Development).

B. Administrative, Accounting & Auditing Expenses

- All administrative, accounting, tax and audit costs will be allocated based on revenue percentages among the major divisions (GIS, Adelante, HHS and Development).
- Allocations are generally revised annually. If Program specific grants or foundation funding changes during the fiscal year, the allocation may be revised mid-year to better reflect the time administration spends on management of the specific Programs. An example of the administration allocation is as follows:

<b>Division</b>	<b>Percentage (based on Revenue)</b>
GIS – Houston	60.72%
Adelante	8.04%
HHS	25.08%
General Administrative (Development)	6.16%
<b>Total</b>	<b>100%</b>

- These costs will be further distributed to the programs based on the total program revenue for each program where allocations of administrative costs are allowable by the funding agency.
- These costs will be further distributed to the programs based on the total program cost for each program where allocations of administrative costs are allowable by the funding agency.
- In accordance with §200.414 AAMA may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. As described in §200.403 Factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to

negotiate for a rate, which the non-Federal entity may apply to do at any time.

3.0 **GENERAL LEDGER REVIEW**

3.1 Annually, Financial Analyst performs a review of the allocation of administrative costs to the programs. If major changes occur during the fiscal year, the allocation plan will be reviewed and updated.

3.2 The Controller verifies that all adjusting entries are prepared and processed through the general ledger system.

3.3 The financial statements are reviewed by the Controller / CFO to determine that the adjustments processed appear proper and reasonable.

3.4 The Financial Analyst compiles the DSHS FSR report and ensures that all allocations are appropriate and reasonable.



**Title: FIXED ASSET CONTROL**

**Policy:** Proper control procedures are followed for all capital asset acquisitions, transfers and dispositions in order to provide internal control of capital equipment and to assist in reporting. Department managers are responsible and accountable for furniture, equipment, machinery and any other capital assets in their departments and maintain some type of control over capital assets. Accounting assists and evaluates any department's capital asset control procedures.

**Purpose:** To outline the procedures for acquiring, disposing and maintaining control of capital assets. To comply with published federal (2 CFR Part 225, OMB A-87) and state (TEA Resource Guide Section 1.2.4.1 and 1.2.4.2) guidelines for capitalization of equipment purchases of \$5,000 cost per unit or more and a useful life of more than one year.

**Scope:** This procedure applies to all capital equipment with a value of \$5,000 or more and with a useful life greater than one year. This procedure also applies to IT purchases of of \$5,000 cost per unit or more and a useful life of more than one year.

**Procedure:**

**1.0 ACQUISITIONS**

**1.1** Purchases of assets require the approval of the President & CEO, except for those purchases costing less than \$3,000 and acquired by the GIS School Superintendent or Director of Health and Human Services.

Department managers may source the vendor for purchase of the capital assets.

**1.2** Any internally constructed or donated equipment will be reported to accounting if the item cost or has a value of \$1,000 or more. A complete description of the property, date manufactured or received, number of items, cost or estimated value and a statement whether it was internally constructed or donated will be included in the report.

**1.3** To maintain proper segregation and control upon termination of any employees, any employee owned tools, equipment or furniture brought on the organization's premises will be reported to the department manager. The report should include the employee's name, description of items, identification numbers if any and reason for using the asset.

**2.0 DISPOSITIONS**

**2.1** Capital assets may be sold or traded-in on new equipment. An Asset Disposition form (Attachment 1) is to be completed and approved by the department manager. Any assets with an original value greater than \$5,000 and previously capitalized will also require the CEO's approval.

Upon approval, the department may advertise the property for sale or submit a list of items to Accounting for sale and disposition.

After completion of the sale, the Asset Disposition form will be submitted to Accounting. Accounting will delete the item from the asset records and record any gain or loss on the disposition.

- 2.2 Worn-out or obsolete property with no cash value will be reported to Accounting on the Asset Disposition form with the description, serial number and condition. The asset will then be removed from the asset records.
- 2.3 Any asset that is missing or has been stolen will be reported in writing to the department manager and Accounting as soon as possible. The description, serial number, and other information about the lost item should be included in the report.

Accounting along with the President/CEO will determine the proper course of action and will notify the organization's insurance carrier and any outside authorities if deemed appropriate. If not recovered, the asset will then be removed from the asset records.

- 2.4 Interdepartmental transfers of assets will be reported to Accounting in writing including the description, serial number and the name of the department to receive the property.

The department manager to whom the item was assigned originally will be held accountable until accounting is notified of the transfer. After being notified, the department manager acquiring the property assumes responsibility. Accounting will then record the departmental transfer on the asset records.

### 3.0 **ASSET RECORDS**

- 3.1 Upon any asset acquisition, the department manager is responsible for assigning and attaching asset number tags to the property where it can be readily located.

Accounting will then maintain a detailed listing of each capital asset item along with depreciation records which will include the description, date acquired, vendor, cost basis, assigned department, depreciation method/life and accumulated depreciation and net book value.

- 3.2 On an annual basis, accounting will furnish each department a report showing a listing of assets assigned to that department and any acquisitions, disposals and transfers during the past year. Any discrepancies noted by the department should notify the Accounting Department as soon as possible. This report should be filed by the department manager for reference and later use.
- 3.3 Each department will be responsible for locating assets with its number tag attached that are recorded as assigned to their department whenever requested by Accounting, a county property tax auditor or the organization's external auditors.

- 3.4 Whenever a change in department manager occurs, all items should be accounted for by the outgoing department manager. The incoming department manager will accept the responsibility and accountability for the departmental asset listing upon assuming the position. Accounting can assist with this audit if requested.

(Attachment 1 - Asset Disposition Form)

**Title: CAPITALIZATION & DEPRECIATION OF FIXED ASSETS**

**Policy:** Asset acquisitions with a useful life expectancy of more than one year and with a \$5,000 cost per unit or more will be capitalized by the organization and depreciated.

**Purpose:** The purpose of this procedure is to delineate the capitalization and depreciation methods for various asset groups; as well as to comply with published federal (2 CFR Part 225, OMB A-87) and state (TEA Resource Guide Section 1.2.4.1 and 1.2.4.2) guidelines for capitalization of equipment purchases of \$5,000 per unit or more and a useful life of more than one year.

**Scope:** All acquisitions of capital assets for the organization.

**Definitions:** Capitalization - Capitalization is the process of recording the purchase of a fixed asset that is generally recorded individually on an asset schedule. Examples of capital expenditures are purchases of land, buildings, machinery, office equipment, leasehold improvements and vehicles.

Depreciation - Depreciation represents the write-down or write-off of the cost of the asset over its estimated useful life.

**Procedure:**

**1.0 CAPITALIZATION**

1.1 All assets with a useful life of more than one year and costing \$5,000 per unit or more will be capitalized and will be recorded in the depreciation records. Any asset that does not meet the above criteria will be expensed such as small tools and equipment or repairs and maintenance.

1.2 The cost basis of furniture and equipment assets will include all charges relating to the purchase of the asset including the purchase price, freight charges and installation, if applicable.

1.3 Leasehold improvements including painting are to be capitalized if they relate to the occupancy of a new office or a major renovation of an existing office. Expenditures incurred in connection with maintaining an existing facility in good working order should be expensed as a repair.

1.4 The cost of buildings should include all expenditures related directly to their acquisition or construction. These costs include materials, labor and overhead incurred during construction and fees, such as attorney's and architect's and building permits.

**2.0 DEPRECIATION**

2.1 In general, the depreciation method/life for assets should be selected for consistent financial reporting and tax purposes.

The following depreciation method and useful life should be used for the following asset classifications for financial reporting purposes:

<u>Asset Class</u>	<u>Useful Life</u>	<u>Method</u>
Vehicles	3 years	Straight Line
Office Equipment and Computers / Software	3 years	Straight Line
Furniture and Machinery	7 years	Straight Line
Leasehold Improvements	Remaining life of Lease term including option renewals	Straight Line
Buildings	30 years	Straight Line

2.2 The lowest life permitted by tax regulations for asset classes should be selected to optimize depreciation deductions.

**Title: PREPAID EXPENSES**

**Policy:** Procedures are followed to ensure that prepaid expense amounts are properly identified and recorded in the general ledger.

**Purpose:** To outline the steps for recording prepaid expenses and ensure recording of expense in the proper period.

**Procedure:**

**1.0 IDENTIFICATION OF PREPAID EXPENSES**

1.1 Prepaid expenses represent amounts that have been paid but the related service or benefit due the organization has not yet been received. Types of these expenses may include:

- Deposits
- Insurance Premiums
- Lease Payments
- Rent

**2.0 RECORDING OF PREPAID EXPENSES**

2.1 The Financial Analyst is responsible for identifying and preparing records of prepaid expense amounts. After properly identifying prepaid amounts, the Financial Analyst determines the portion of the amount paid that is prepaid. For example, if the organization pays twelve months of insurance premiums in advance, the amount recorded as prepaid after the first month would be eleven/twelveths of the total premium.

2.2 Prepaid expense amounts are properly recorded in the ledger. Information includes the description of the type of service or benefit, vendor, benefit period, amount paid, amortization amount and any other pertinent information. The prepaid expense amounts is then properly coded and recorded in the general ledger via a journal entry.

2.3 The Financial Analyst also reviews schedules of existing prepaid expense amounts monthly for any changes that may alter the amortization or recorded amounts.

**Title: LONG TERM DEBT**

**Policy:** The accounting department works in conjunction with the Board of Directors and the President/CEO in securing new debt on behalf of the organization. Further, procedures are implemented to ensure that the debt transactions are properly recorded paid and that the terms of debt agreements are kept in compliance.

**Purpose:** To describe the steps for authorizing, recording and handling of long term debt transactions.

**Scope:** This procedure applies to the handling of all long term debt including notes payable, lease transactions or other financing arrangements.

**Procedure:**

**1.0 AUTHORIZATION AND REVIEW OF NEW DEBT**

- 1.1 Before new transactions are completed, the CFO/Controller ensures that the following authorization procedures are implemented.
- Review of terms: The terms of the agreement (e.g. interest rates, penalties, payback periods, etc.) are reviewed for reasonableness and the ability of the organization to comply with these terms.
  - All debt covenants and collateral agreements are reviewed to ensure that there not conflicts with existing agreements or operations of the organization.
  - The Board of Directors authorizes the issuance of new debt and prepares a written resolution indicating their approval.

**2.0 RECORDING NEW DEBT**

- 2.1 The issuance of new or amended debt agreements are properly documented and recorded in the general ledger.
- 2.2 A detail file is maintained for each debt arrangement. The information may include:
- Copy of debt agreement and Board of Directors resolution
  - Summary of debt covenants
  - List of assets used as collateral

**3.0 DEBT SUMMARIES AND TRANSACTIONS**

- 3.1 A detailed summary of current and long-term debt including acquisitions of debt, repayments, current balances due along with accrued interest and interest expense is prepared. This summary is used to reconcile debt balances, accrued interest and interest expense with the general ledger.

- 3.2 Interest accruals are computed on long-term debt according to the terms of the agreement and are recorded on a monthly basis.
- 3.3 Debt payments made by the organization are recorded to ensure that payments are properly allocated to interest and principal amounts. These amounts are then used to record to the appropriate general ledger account.



**Title: RELEASE OF FINANCIAL OR CONFIDENTIAL INFORMATION**

**Policy:** The releases of financial, statistical or other information that may be of a confidential nature to the organization are controlled and every request is referred to CFO/Controller, Director of Human Resources or President/CEO.

**Purpose:** To provide a means for the control of information to banks, investors, investment houses, media, credit bureaus, or other agencies and organizations.

**Scope:** Any requests by an organization or individual regarding the organization's financial, employee or client information.

**Procedure:**

**1.0 WRITTEN REQUESTS**

**1.1** Typical requests are for additional information concerning details of the published financial statements, insurance coverage, names of donors, etc.

If the request is by letter or other written correspondence, the material is forwarded to the Controller, CFO or President/CEO who will decide what information may be released or routed to the appropriate person who is authorized to reply.

**2.0 TELEPHONE/PERSONAL REQUESTS**

**2.1** If the request is by telephone or a personal visit to our office, the requester is referred to the CFO/Controller or President/CEO. If either one is unavailable, the requester is asked to provide their name, company, telephone number and address, if possible. Also they are asked the reason for the request and a brief description of the information desired. This information is written down and forwarded to the CFO/Controller for follow-up.

**Title: PROPERTY TAX ASSESSMENTS**

**Policy:** All property tax assessments are reviewed for accuracy and proper assessed valuations to ensure minimum property tax costs to the organization.

**Purpose:** To outline the areas for review in assessments and methods for appealing overstated assessments. AAMA is currently exempt under section 501 (c) (3) of the Internal Revenue Code.

**Scope:** This statement applies to the Accounting Department for property tax assessments for all sites owned by the organization.

**Procedures:**

**1.0 REVIEW OF ASSESSMENTS**

1.1 All assessments are to be promptly reviewed. Many jurisdictions only allow a challenge to an assessment within 30 days after the annual notice of assessed value is sent. If the Accounting Department misses the deadline, the organization loses the chance to reduce the year's property taxes. There are normally no refunds for prior years' property taxes.

1.2 When reviewing an assessment, the first step is to find out how the property was assessed. Ask for a full explanation of how the assessed value was derived. 1.3 Upon receipt of the basis for assessment, the following factors are reviewed:

- **Research Similar Properties:** Tax assessments are part of the public record. Assessments of similar properties to the organization's should be looked up to see that the organization's assessment is in line. The objective is to find assessed values for similar properties that are far lower than the organization's. Review Property Descriptions and Accuracy of Records: Review records for possible clerical errors. Ensure that property descriptions are correct and the building size (total square footage) is not overstated. Ensure that all dates are correct and that all calculations are properly computed.
- **Deflate Property Valuations:** Tax assessors generally value property on the basis of historical cost and the recent sales prices of other properties in the area. When figuring local property taxes, numbers reported on the federal tax return are used. Depreciable assets are valued at cost on the federal return when figuring depreciation deductions. Instead of performing actual physical inspections or assessments of properties every year, local assessors use "equalization ratios" to adjust the annual assessment. The equalization ratio is a type of an inflation adjustment meant to reflect the current general trend in property values. However, the current trend in property values may not apply to the organization's property.

- 1.4 If the organization can provide solid reasons for using different measures to value property, it may be able to receive a reduction in property taxes. Possible valuation methods can include:
- Income Production: Measure the current value of the cash flow stream generated by the property which may be substantially lowered during a recession.
  - Replacement or Reproduction Cost: How much it would cost to replace or reproduce the property should be determined. For example, if the construction industry is in a downturn, the cost to replace the property may be less than what the organization paid for the property.
  - Also the organization should evaluate if it incurred any construction cost overruns due to bad weather, labor disturbances, material shortages, etc., that may have increased the cost of a new building without adding to its value. Decorative features may also add much less value than their actual cost.
  - Market Prices: The actual recent sales of similar properties may show that the organization's property is over-assessed.

Unique Features or Business Obsolescence: Changes to the characteristics of the property or features specific to the organization's business may reduce its value.

## 2.0 **APPEALING OF ASSESSMENTS**

- 2.1 If upon review of the assessment and all other factors, the Accounting Department and the President/CEO believe a downward adjustment to the property assessment is appropriate, an appeal is prepared. Experience has shown that if an organization presents a sound argument for challenging an assessment, the organization has an excellent chance of receiving some type of tax reducing adjustment even if it is less than the organization had requested.
- 2.2 The appeal case includes documentation of the above findings. It is important to keep in mind that the property tax assessor may not be familiar with the details of the organization's business or industry, so the organization must prepare to explain how such factors may affect a property's value.
- 2.3 Once a sound case is prepared, an appeal can be sought by simply calling the local assessor's office and asking for an appointment to discuss the assessment. The meeting with the local assessor will generally be informal. It is important to not be adversarial with the assessor but to present the attitude that the organization is helping the assessor to reach a more accurate valuation for the property by presenting additional information.
- 2.4 If the organization does not receive any or a large enough adjustment, an appeal may be made with the local Board of Appeals. These meetings will probably be more formal and the organization may wish to provide expert testimony or obtain an independent appraisal of the property to present to the Board of Appeals.

More assistance with property tax problems may be obtained by contacting the:

Institute of Property Taxation  
888 17th St. NW  
Washington, DC 20006

**Title: RECORDS SECURITY AND RETENTION**

Policy: The organization protects: Client/student records, financial records, bank statements, payroll records and other client identifying information from loss, tampering, and unauthorized access or disclosure and required retention timeframes. In accordance with EDGAR §200.333

Procedure:

1. When records are computerized, the facility protects the files from unauthorized or accidental access by issuing User ID's and Passwords to authorized users only. These computerized records have a daily backup system in place.
2. The organization has a tracking system and an assigned person to ensure that records are returned to the centralized file system at the end of the day.
3. An authorized person is continuously present in the immediate area.
4. Client records and all financial records are retained at least seven years plus current fiscal year.
5. Records of adolescent clients are kept for at least five years until the client turns 18.
6. If records are scanned, or destroyed, the facility takes steps to protect confidentiality.
7. Financial and client records remain in the "active" files system until the Independent Auditors have completed the required Annual Audit for the previous year(s).
8. Thereafter, financial and client/student records are placed in the storage offices under lock and key. Only the HHS Division Regional Office Manager, GIS PEIMS coordinator, Human Resources and the Controller and/or their designees have keys to this area.
9. In accordance with §200.335 AAMA will store Federal award-related information whenever practical in open and machine readable formats.
10. In accordance with §200.336 AAMA shall provide documents, papers, or other records to the appropriate authority

**Title: NEPOTISM/CONFLICT OF INTEREST**

Policy: The Association for the Advancement of Mexican Americans (AAMA, Inc.) Board of Directors, in fairness to the community, other providers, and contractors adopts a policy that prohibits nepotism. Adherence to this policy is documented by a written attestation of all members of the AAMA Board of Directors.

Procedure:

1. Procedurally "nepotism" shall be defined as: activities which constitute or present the appearance of personal or organizational conflict of interest, which might result in unusual gain (either actual or potential) for Board of Director members or their relatives, (by blood, marriage or whose relationship with the board member is similar to that of persons who are related by blood or marriage), or for firms related to any of the above mentioned persons.
2. Documentation is recorded on the Annual Governance Form which shall remain on file at the AAMA Corporate Office, 6001 Gulf Freeway, Houston, TX 77023.

Responsible Staff: All Board Members and Officers

**AAMA  
BOARD OF DIRECTORS  
CONFLICT OF INTEREST STATEMENT**

I, the undersigned, as a Director of the Board of Directors of AAMA, agree to the following:

- (1) I recognize that a conflict of interest as referred to in the AAMA Bylaws, shall include but shall not be limited to, any transaction by or with the Corporation in which a Director has a direct or indirect personal interest, or any transaction in which a Director is unable to exercise impartial judgment or otherwise act in the best interests of the Corporation. (Article IV, Section 15, (a))
- (2) I agree that as a Director I will not cast a vote, or take part in the final deliberation in any matter in which I, members of my immediate family, or any organization to which I have allegiance, has a personal interest that may be seen as competing with the interest of the Corporation. (Article IV, Section 15, (b))
- (2) I understand that the Corporation may not make any loan to a director, officer or committee member and may not borrow money from or otherwise transact business with a director, officer, or committee member of the Corporation. This section does not prohibit a director, officer or committee member from providing goods or services to the Corporation without financial remuneration. (Article VII, Section 2)
- (3) I agree that if I believe I may have a conflict of interest as described above, I will notify the Board prior to deliberation on the matter in question, and the Board shall make the final determination as to whether any Director has a conflict of interest in any matter. The minutes of the Board meeting shall reflect disclosure of any conflict of interest and the recusal of the interested Director. (Article IV, Section 15, (b))

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

