



Accounting & Financial Policies and Procedures Manual

for

**WORK4WV REGION 1, INC.
Region 1 Workforce Development Board
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Introduction

Purpose

An accounting manual provides an overview of the various functions and tasks necessary to safeguard the assets and integrity of the organization while maintaining a high level of trust among employees, customers, and the public at large: This manual will provide the basic policies necessary to accomplish these objectives. The manual is not designed to be all-inclusive: it is designed to establish the framework.

Organization

For any system to be effective, the input and cooperation of various levels within the organizational structure is required:

1. Local Elected Officials (LEOs) will be jointly accountable for any liabilities that arise out of activities funded under the Workforce Innovation Opportunity Act of 2014 (WIOA). LEOs will comply with policies in the Governor's Guide and WIOA, addressing liability for LEOs.

LEOs will be responsible for selecting the fiscal agent for all WIOA funds received.

LEOs will be accountable for all WIOA funds received in the region.

2. The Board of Directors is the governing body of the Region 1 Workforce Development Board (R1WDB). The Board's principal duties include:
 - Establishing policy including cash management and monitoring
 - Planning, including financial, performance, and facilities
 - Employing the Executive Director
 - Providing oversight
 - Appointing committees to deal with specific issues
 - Approving sub-recipient grants and contracts
3. The Executive Director is the Chief Executive Officer, and
 - Is responsible for day-to-day operations of the R1WDB
 - Is the immediate supervisor of the R1WDB management staff
 - Recommends policy to the Board of Directors
 - Reports directly to the Board of Directors
4. R1WDB management staff is responsible to the Executive Director to provide day-to-day operations of the various programs. The management staff:
 - Coordinates program activities
 - Assures fulfillment of grant/contract terms

- Reports directly to the Executive Director
- Supervises other staff

All R1WDB staff shall coordinate their efforts and resources to provide a seamless service delivery system. The Fiscal and Grants Manager shall be primarily responsible to keep the Executive Director apprised on the current financial status of all grants and obligations.

Conclusion

This manual shall document the financial operations of the R1WDB by formalizing the accounting policies and selected procedures to assure internal control.

Accounting Department

Organization

Fiscal and Grants Department will consist of one Fiscal Agent Representative and clerical assistance required to manage and process all financial information. The Fiscal and Grants Manager shall coordinate Fiscal and Grants Department's activities with all other staff (programs) to maintain as nearly as possible a seamless service delivery system.

Responsibilities

The primary books of record responsibilities are listed as examples and are not all-inclusive:

General Ledger	Budgeting
Cash Management	Grants and Contracts Management
Cash Receipts	Accounts Receivable and Billing
Cash Disbursements	Accounts Payable
Financial Statements	External Financial Reporting
Bank Reconciliation	Sub-Ledgers Reconciliation
Government Reporting	Annual Audits

The Fiscal and Grants Manager serves in a position of trust, and is expected to maintain a high level of conduct:

- By protecting ethical behavior
- By guarding against conflicts of interest
- By complying with laws, regulations, and policies
- By reporting suspicious or inappropriate actions or activities to the Executive Director
- By recognizing and reporting any and all irregularities to the Executive Director

Examples of irregularities are: ethics violations, suspected misconduct, and fraud.

The Executive Director shall investigate any and all cases of irregularities and take the appropriate action:

- Address and solve the irregularity or
- Present the irregularity to the Board of Directors or the Executive Committee or
- Refer the irregularity to exterior regulatory authority

Security

All financial records and other sensitive or confidential records shall be secured at all times:

- No open records shall be left in an unoccupied work area
- All such records shall be placed in a locked file cabinet or safe when the accounting officer is vacant for an extended period of time, e.g. overnight
- All blank checks and corporate seals shall be stored in a locked cabinet in the accounting office with the office locked when vacant a minimum of thirty minutes
- The key to the accounting office shall be available to The Fiscal and Grants Manager, the Executive Director, and the Office Manager
- Individual passwords will be utilized to restrict access to accounting software and data. Personnel shall be authorized to access the system on an as-needed basis. Sharing of passwords is expressly prohibited
- Back-up copies of electronic files shall be maintained in a secure environment with access limited on a need-to-access basis
- The central office shall be secured after hours with access limited to certain employees

Technology and Electronic Communications

The Region 1 Workforce Development Board has invested, and continues to invest, in various communication and technology equipment, including but not limited to, computers and peripherals, networks for desktop computers, laptops, fax machines, copiers, telephones, and numerous software packages: All are owned by the R1WDB and as such are dedicated to business use:

- Use in an honest, ethical, and legal manner
- Conform to applicable license agreement(s)
- Conform to contracts and policy

The information, ideas, concepts, and knowledge described, documented, or contained in the electronic systems are the intellectual property of the R1WDB, and the copying or use of the intellectual property for personal use or benefit during or after employment is prohibited unless approved in advance by the Executive Director in writing.

General Ledger and Chart of Accounts

The general ledger is a group of accounts that provide the information shown in the financial statements. The general ledger is used to accumulate all financial transactions and is supported by subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

The chart of accounts is the framework for the general ledger system and the basis for the accounting system. The chart of accounts consists of account title and account numbers. General ledger accounts are used to accumulate transactions and the impact

of these transactions on each asset, liability, net asset, revenue, expense, and gain and loss account.

There are six types of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues
5. Expenses
6. Gains and Losses

Each account number consists of a five-digit number. A class number designates a particular funding stream.

The chart of accounts is monitored and controlled by the Fiscal and Grants Manager.

Account Definitions

Category

Definition

Assets

Current Assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Examples are cash and receivables that will be collected within one year of the statement of financial position date.

Fixed Assets are tangible assets with a useful life of more than one year that are acquired for use in the operation of the organization and are not held for resale.

Contra-Assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable.

Other Assets include long-term assets that are assets acquired without the intention of disposing them in the near future.

Liabilities	<p><i>Liabilities</i> are classified as current or long-term.</p> <p><i>Current Liabilities</i> will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, and deferred revenue.</p> <p><i>Long-Term Liabilities</i> will likely occur more than one year from the date of the financial statements.</p>
Net Assets	<p><i>Net Assets</i> are the difference between total assets and total liabilities.</p>
Revenues	<p><i>Revenues</i> are settlements of liabilities from activities that constitute an organization's ongoing major or central operations and include grants received from government agencies, private foundations, and payment for services rendered.</p>
Expenses	<p><i>Expenses</i> are use of assets from carrying out activities that constitute ongoing major or central operations.</p>

Net assets accumulated which the board of directors has earmarked for specific uses, shall be segregated in the accounting records.

The fiscal year begins on July 1 and ends on June 30.

Policies Associated With Revenues and Cash Receipts

Revenue

Revenue is received from several types of transactions and is recognized in the financial statements:

1. **Grant Income** – As per state allocations of Department of Labor funding
2. **Rent Income** – Monthly - based on the terms of each sublease
3. **Contributions/Fees for Services** – Recognized as income when received, unless accompanied by restrictions or conditions.

Billing/Invoicing Policies

Fiscal and Grants Department is responsible for the invoicing of goods and services as well as the collection of outstanding receivables. Billing/Invoicing occurs on an “as needed” basis and varies from daily to annually in frequency, with most being billed on a monthly basis.

Accounts Receivable Entry Policies

The Fiscal and Grants Manager records credit memos and other adjustments to customer accounts receivable.

All income received is classified as “unrestricted”, with the exception of the following:

1. Grants and other awards received from government agencies or other grantors, which are classified as restricted to particular programs
2. Special grants received which restricts the funds for specific purposes

WorkForce West Virginia office may determine that it is appropriate to set funds aside for specific projects. These funds will be assigned an individual Class.

Cash and Check Receipts

Cash receipts are handles by the Fiscal and Grants Manager to ensure that cash received is appropriately directed, recorded and deposited on a timely basis.

On a daily basis, mail is opened and the date received is noted on the first page. The Fiscal and Grants Manager then gives the cash or checks to the Office Manager who records the cash or checks on deposit slips and locks in a desk drawer.

All checks received made payable to R1WDB shall be restrictively endorsed by the Fiscal Agent. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only
2. Region 1 Workforce Development Board

Timeliness of Bank Deposits

Bank deposits will be made on an as needed basis but not less than weekly. In no event shall deposits be made less frequently than weekly.

Copies of the bank deposit slip, copies of all checks being deposited, and the bank deposit receipt are given to the Fiscal Agent who then records the receipt of funds in the general ledger.

As per audit guidelines, to maintain internal control, an independent accounting firm reconciles all bank statements.

Accounts Receivable Management

On a routine basis, a detailed accounts receivable ledger (showing aged, outstanding invoices by customer) is reviewed by the Fiscal and Grants Manager.

Purchasing Policies and Procedures

All Program Managers shall initiate purchases on behalf of their department, within the guidelines described in this policies manual. In addition, department managers may delegate purchasing authority to responsible individuals within their department. Program Managers or the designated individual shall prepare purchase orders for all purchases.

The Executive Director shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

Non-Discrimination Policy

All vendors/contractors shall agree to two important principles:

1. Vendors/Contractors will not discriminate against any employee or applicant for employment because of race, religion, color, sexual orientation or national origin, except where religion, sex, or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the vendors/contractors.
2. Vendors/contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provision of this non-discrimination clause. Notices, advertisement and solicitations placed in

accordance with Federal law, rule or regulation shall be deemed sufficient for meeting the intent of this section.

A purchase order system is maintained. A properly completed purchase order is required for each purchase containing certain information:

1. Specifications of product or statement of services required
2. Vendor name, address, point of contact and phone number
3. Delivery or performance schedules
4. Delivery, packing and transportation requirements
5. Special conditions (if applicable)
6. Catalog number, page number, etc. (if applicable)
7. Net price per unit, less discount, if any
8. Total amount of order
9. Authorized signature
10. Date PO prepared
11. Interoffice PO Number

Purchase orders are pre-numbered, kept in a secure area and issued upon request from an authorized purchaser.

All completed purchase orders must be signed by the preparer and approved by the Executive Director or immediate supervisor.

Required Solicitation of Quotations from Vendors

Purchases less than \$5,000.00 require competitive shopping.

Purchases in excess of \$5,000.00 require written quotations from at least three (3) vendors.

Purchases in excess of \$100,000.00 require competitive proposals from at least three (3) responsible vendors. Sealed bids shall be utilized.

Solicitations for goods and services (Requests for Proposals) should provide for all of the following:

1. A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features, which unduly restrict competition.

2. Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals.
3. A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
4. The specific features of “brand specific or equal” descriptions that bidders are required to meet when such items are included in the solicitations.
5. The date by which proposals are due.
6. Required delivery of performance dates/schedules.
7. Clear indications of the quantity(ies) requested and unit(s) of measure.

Solicitations should provide for sufficient time to permit the preparation and submission of offers before the specified due date; however, in the event that a prospective offeror requests an extension to a due date specified in a solicitation, and such an extension is both justified and compatible with the requirements of the R1WDB, an extension may be granted by the purchasing representative.

Solicitations for goods or services that are commonly available on demand or goods or services easily quoted in price, faxed responses are acceptable with very short time lines for response.

Small businesses, minority-owned firms, and women’s business enterprises shall be utilized whenever possible:

1. Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small business, minority-owned firms and women’s business enterprises.
2. Consider in the contract process whether firms competing for larger contracts tend to subcontract with small businesses, minority-owned firms and women’s business enterprises.
3. Encourage contracting with consortiums of small business, minority owned firms and women’s business enterprises when a contract is too large for one of these firms to handle individually.
4. Use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce’s Minority Business Development Agency in the minority-owned firms and women’s business enterprises.

Special Purchasing Conditions

Emergencies:

Where equipment, materials, parts, and/or services are needed, quotations are not necessary if the health, welfare, safety, etc., of staff and protection of Organization property is involved.

Single Distributor/Source:

Where there is only one (1) distributor for merchandise needed and no other product meets the stated needs or specifications, quotations are not necessary.

Federally-Funded Programs:

Purchases that will be charged to programs funded with federal awards may be subject to additional policies. The additional policies are contained in the grant award documents.

The Fiscal and Grants Manager will create an electronic vendor account for each new vendor.

Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services. Staff shall notify their immediate supervisor if they are offered such gifts. Gifts to the Organization, viewed as normal business incentives to obtain future Organization-approved business such as for meeting sites, are acceptable donations: All gifts shall be treated as Contributions.

No officer, board member, employee, or agent of the R1WDB shall participate in the selection or administration of a vendor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, board member, employee or agent, or any member of his/her immediate family, his/her spouse/partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor selected.

No officer, board member, employee or agent of the R1WDB shall participate in the selection or administration of a vendor if a real or apparent conflict of interest would be involved without the express approval of the Executive Director upon full disclosure of the potential conflict of interest. Such a conflict would arise if an officer, board member, employee or agent, or any member of his/her immediate family, his/her spouse/partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor selected.

Officers, board members, employees and agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements.

A designated individual (for each program or location) inspects all goods received. Upon receipt of any item from a vendor, the following actions are immediately taken:

1. Review bill of lading for correct delivery point
2. Verify the quantity of boxes/containers with the bill of lading

3. Examine boxes/containers for exterior damage
4. Note on the bill of lading any discrepancies (missing or damaged boxes/containers, etc.)
5. Sign and date the bill of lading
6. Submit bill of lading to Fiscal and Grants Department

When goods are moved to another area for thorough inspection, the following inspection procedures are performed:

1. Remove the packing slip from each box/container
2. Compare the description and quantity of goods per the purchase order to the packing slip
3. Examine goods for physical damage
4. Count or weigh items, if appropriate

The preceding inspection procedures are performed in a timely manner in order to facilitate prompt return of goods and/or communication with vendors.

Political Intervention

Consistent with tax-exempt status under the Internal Revenue Code, the Organization shall not incur any expenditure for political intervention. Political intervention is defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the federal, state, or local level. Examples of prohibited political expenditures include, but are not limited to, the following:

1. Contributions to political action committees
2. Contributions to the campaigns of individual candidates for public office
3. Contributions to political parties
4. Expenditures to produce printed materials (including materials included in periodicals) that support or oppose candidates for public office
5. Expenditures for the placement of political advertisements in periodicals

Endorsements of Candidates

The R1WDB does not endorse candidates for public office in any manner, either verbally or in writing. This policy extends to the actions of management and other representatives of the R1WDB when these individuals are acting on behalf of, or are otherwise representing, the Organization.

Prohibited Use of Organization Assets and Resources

No assets or human resources of the R1WDB shall be utilized for political activities, as defined above. This prohibition extends to the use of Organization assets for human resources in support of political activities that are engaged in personally by board members, members of management, employees, or any other representative of the R1WDB. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing that they are acting on

behalf of the Organization), these individuals must at all times be aware the Organization resources cannot at any time be utilized in support of political activities.

Accounts Payable Management

The recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the vendor invoice for the related goods or services. The vendor invoice is supported by an approved purchase order where necessary, and is reviewed and approved by the Executive Director or other designated person prior to being processed for payment.

The primary objective for accounts payable and cash disbursements is to ensure three things:

1. Disbursements are properly authorized
2. Invoices are processed in a timely manner
3. Vendor credit terms and operating cash are managed for maximum benefits

Recording of Accounts Payable

Received invoices are entered in the financial accounting system. These “entered bills” create a payable.

Accounts payable/accruals are processed on as timely a basis as receipt of draws from the state allows. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

Establishment of Control Devices

Control of invoices is established as soon as invoices are received.

Upon receipt of invoices, each invoice is processed by the Fiscal Agent using the following steps:

1. Check the mathematical accuracy of the vendor invoice
2. Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order
3. Obtain the review and approval of the Executive Director or designated individual. Approval shall be documented with signatures.
4. Document the general ledger distribution, using the Organization’s current chart of accounts and cost allocation plan.

Employee Expense Reports

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly completed and approved expense reimbursement form. All receipts must be attached, and a brief description of the

business purpose of trip or meeting must be noted on the form. Expense reports will be processed based on a schedule established at the beginning of each calendar year.

Travel and Business Entertainment

Business Travel

The traveler completes the Employee Expense Report:

1. Itemize business expenses and provide supporting documentation.
2. Expenses must be supported with invoices/receipts.
3. For all lodging and any expenditure, vendor receipts/invoices must be submitted. Credit card charge slips represent adequate supporting documentation – a hotel receipt must be obtained to substantiate all lodging expenditures.
4. For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes.)
5. Mileage is reimbursed at the state rates currently in effect.
6. The business purpose of each trip must be adequately explained on each report.
7. All expense reports must be signed and dated by the employee.
8. All expense reports must be approved by the Executive Director.

Reasonableness of Travel Costs

The R1WDB shall reimburse travelers only for those business-related costs that are reasonably incurred:

1. Travelers should stay in standard rooms. Suites and/or upgraded rooms may be permitted when standard rooms are not available.
2. When utilizing rental cars, travelers should rent midsize or smaller vehicles: Share rental cars whenever possible.
3. Travelers should utilize long-distance calling cards and cell phones: Avoid using the hotel's long-distance service.

Special Rules Pertaining to Air Travel

1. Air travel should be at coach class. First class air travel shall not be reimbursed unless there is a documented medical reason.
2. Memberships in airline flight clubs are not reimbursable.
3. Cost of flight insurance is not reimbursable.
4. When returning on a Sunday or departing on a Saturday in order to obtain a cost savings in airfare due to the Saturday-night stayover, travelers should provide a total cost comparison (showing that the lower airfare plus an extra night lodging, meals, and incidentals is less costly than airfare without the Saturday night stayover).
5. Cost of upgrade certificates is not reimbursable.

6. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.)
7. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e. R1WDB will not reimburse for the personal legs of a trip).

Spouse/Partner Travel

The traveler will not be reimbursed for separate travel costs (air fare, etc.) associated with his/her spouse or partner. The cost of a shared hotel room need not be allocated between spouse/partner.

Cash Disbursements (Check-Writing) Policies

Check Preparation

Vendor checks and expense reimbursement checks are processed on a cash available basis. Checks are prepared by the Fiscal and Grants Manager who is independent of those who initiate or approve expenditures as well as those who are authorized check signers.

Guidelines:

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment policies.
2. Early-payment discounts offered by vendors should be accepted.
3. Generally, all vendors are paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services.
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks.
5. Checks shall be utilized in numerical order. Unused checks are stored in a locked file cabinet.
6. Checks are not made payable to "bearer" or "cash".
7. Checks are not signed prior to being prepared.

Check Signing

All checks require two signatures as established by the LEO Chair and Executive Director.

Mailing of Checks

After signature, checks are given to the Fiscal and Grants Manager who then mails or distributes the checks.

Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper notations on the check and clearly marking it as "VOID". The signature line is then cut out. All voided checks shall be retained to aid in preparation of bank reconciliations.

Record-Keeping Associated with Independent Contractors

A record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year-end. Payments to such vendors shall be cumulative over the course of a calendar year. Independent contractors are sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is \$600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from "compensation" are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

Payroll and Related Policies

Payroll Administration

Payroll is bi-weekly and is processed using Intuit Full Service Online Payroll. A personnel file is established and maintained for all employees with current documentation.

For employees without a Social Security card, acceptable alternative documents include:

1. U.S. Passport
2. Certificate of U.S. Citizenship (INS Form N-560 or N-561)
3. Original or certified copy of a birth certificate issued by a state, county, or municipal authority
4. Certificate of Birth Abroad issued by the Department of State (Form FS-545 or Form DS-1350)
5. U.S. Citizen ID Card (INS Form I-197)
6. Native American tribal document
7. ID Card for use of Resident Citizen in the United States (INS Form I-179)

Changes in Payroll Data

All changes in payroll data are to be authorized in writing:

1. New hires
2. Terminations
3. Changes in salaries and pay rates
4. Voluntary payroll deductions
5. Changes in income tax withholding status

6. Court-ordered payroll deductions

New hires, terminations, and changes in salaries or pay rates are authorized in writing by the Office Manager.

Voluntary payroll deductions and changes in income tax withholding status are authorized in writing by the individual employee.

Documentation of all changes in payroll data is maintained in each employee's personnel file.

Policies Pertaining to Specific Asset and Liability Accounts

Cash and Cash Management

Checking Accounts:

An operating account is maintained. This account provides for routine business check disbursements. All cash and check deposits received are made to this account.

Cash requisitions to the state are done on an as-needed basis to cover disbursements.

Bank Reconciliations

Bank account statements are received each month by The Fiscal and Grants Manager who clears the canceled checks in the general ledger and prepares reports to be given to the independent accountant to review bank reconciliations.

Bank reconciliations and copies of resulting journal entries are filed in the current year's accounting files. All canceled checks or facsimiles returned with bank statements shall be filed in numerical order by bank account and month.

Cash Flow Management

The Fiscal Agent monitors cash flow needs on a daily basis to ensure that payment obligations can be met.

Stale Checks

Uncashed checks will be reviewed monthly and stale checks in excess of six months old will be voided.

Petty Cash

A petty cash fund is not maintained.

Wire Transfers

The R1WDB does not initiate wire transfers. Cash requisition payments from the State are received via wire transfers.

Prepaid Expenses

Accounting Treatment

Payments of expenses that have a time-sensitive future benefit are prepaid expenses.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements are classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date are classified as non-current assets.

Fixed Assets

Establishment and Maintenance of a Fixed Asset Listing

All fixed assets shall be recorded in a property log. This log shall include the following information on each asset:

1. Cost
2. Description (including color, model, and serial number)
3. Location of asset

A physical inventory of all assets will be taken on an as-needed basis.

Receipt of Newly-Purchased Equipment and Furniture

At the time of arrival, all newly-purchased equipment and furniture shall be visually inspected for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the vendor immediately.

Disposition of Fixed Assets

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss if the money received is less than the book value and a gain if the money received is more than the book value.

Write-Offs of Fixed Assets

The Executive Director will approve the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be

reported immediately to The Fiscal and Grants Manager. If not located, this property will be written off the books with the proper notation specifying the reason upon the approval of the Executive Director.

Leases

Classification of Leases

All leases in which the R1WDB is a lessee will be classified as either a capital lease or an operating lease. A lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to the R1WDB at the end of the lease term or;
2. The lease contains a bargain purchase option or;
3. The lease term is equal to 75% or more of the estimated economic life of the leased property; or
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property.

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. All leases that are immaterial in nature shall be accounted for as operating leases.

Accounting for Leases

All leases that are classified as operating leases and immaterial capital leases are accounted for as expenses in the period in which the obligation to make a lease payment is incurred. For leases with firm commitments for lease payments that vary over the term of the lease (i.e. a lease with fixed annual increases that are determinable upon signing the lease), the amount that the R1WDB shall recognize as monthly lease expense shall equal the average monthly lease payment over the entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability.

All leases that are classified as capital leases shall be treated as fixed assets. Upon the inception of a capital lease, the R1WDB shall record a fixed asset and a liability under the lease.

Accrued Liabilities

Identification of Liabilities

The Fiscal and Grants Manager shall establish a list of incurred expenses that may have to be accrued at the end of the fiscal year.

Policies Associated with Financial and Tax Reporting

Financial Statements

Standard Financial Reports of the Organization

Preparing financial reports and communicating key financial information is a necessary and critical accounting function. Financial reports are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method of providing information to interested parties external to the organization. Financial statements and reports may reflect year-to-year historical comparisons or current year budget-to-actual comparisons.

Statement of Cash Flows

The Statement of Cash Flows is prepared by The Fiscal and Grants Manager. This reports the cash inflows and outflows of the organization in two categories: administrative activities and program activities.

Operating activities are reported with comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts.

Review and Distribution

All financial reports and supporting schedules shall be prepared by The Fiscal and Grants Manager and approved by the Executive Director.

After approval by the Executive Director, the quarterly financial report shall be distributed to the Board of Directors for approval at the next regularly scheduled board meeting.

Annual Financial Statements

A presentation of the Organization's annual financial statements shall be provided by the Independent Auditor to the full Board of Directors. This presentation will be preceded by a meeting with The Fiscal and Grants Manager, Executive Director, and others as deemed necessary and appropriate by the Executive Director.

Government Returns

Filing of Returns

The R1WDB shall become familiar with the obligations in each jurisdiction and shall comply with all known filing requirements. The Fiscal and Grants Manager is responsible for identifying all filing requirements and assuring that the R1WDB is in compliance with all such requirements.

The R1WDB shall file complete, accurate returns with all authorities. All efforts shall be made to avoid filing misleading, inaccurate, incomplete, or late returns.

Filings made by the R1WDB include, but are not limited to, the following returns:

1. **Form 990**
2. **Form 5500**
3. **State and Federal Payroll**
4. **W-2's and 1099's**

The R1WDB's fiscal and tax year-end is June 30. All annual tax and information returns of the R1WDB, (Form 990), shall be filed using the accrual basis of reporting.

Public Access to Information Returns

Under regulations that became effective in 1999, the R1WDB is subject to federal requirements to make the following forms "widely available" to all members of the general public:

1. The three most recent annual information returns (Form 990), excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A, and
2. The R1WDB's original application for recognition of its tax-exempt status (Form 1023) filed with the IRS and all accompanying schedules and attachments.

Guidelines will be adhered to in order to comply with the public disclosure requirements:

1. Anyone appearing in person at the corporate offices during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The Fiscal and Grants Manager shall be responsible for maintaining this copy of each form and for making it available to all requesters.
2. For all written requests for copies of forms received, the Organization shall require prepayment of all copying and shipping charges.

Financial Management Policies

Budgeting

Preparation and Adoption

The Fiscal and Grants Manager and Executive Director shall prepare an annual budget on the accrual basis of accounting. The annual budget shall be submitted to the Board of Directors for adoption.

A final budget shall be adopted at least 30 after the receipt of funding information from WorkForce West Virginia. The Fiscal and Grants Manager will enter the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual.

Monitoring Performance

The financial performance shall be monitored by comparing and analyzing actual results with budgeted results. Monitoring shall be accomplished in conjunction with the quarterly financial reporting process by The Fiscal and Grants Manager. The Fiscal and Grants Manager, the Executive Director, and Program Managers will review the quarterly reports.

Annual Audit

Role of the Independent Auditor

An annual audit of the financial statements will be conducted by an independent accounting firm. The independent accounting firm selected will be required to communicate directly with the Executive Director upon the completion of the audit.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the Executive Director.

How Often to Review the Selection of the Auditor

The selection of the independent auditor shall be reviewed when there is dissatisfaction with the service. At the conclusion of three consecutive years, proposals for professional services may be solicited among certified public accountants and/or CPA firms.

Selecting an Auditor

The written Request for Proposal (RFP) to be sent to prospective audit firms shall include a minimum of information:

1. Period of services required

2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Chart of account information
5. Financial information about the organization
6. Copy of prior year reports (financial statements, management letters, etc.)
7. Other information considered appropriate
8. Description of proposal and format requirements
9. Due date of proposals

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resumes) of key firm member(s) who will perform the service
3. Client references
4. Information about the firm's capabilities
5. Firms' approach to performing an audit
6. Copy of the firm's most recent quality/peer review report, including any accompanying letters of findings
7. Other resources available with the firm
8. Expected timing and completion of the audit
9. Expected delivery of reports
10. Cost estimate
11. Other information as appropriate

Preparation for the Annual Audit

The R1WDB shall be actively involved in planning and assisting the independent accounting firm to ensure a smooth and timely audit of the financial statements.

Involvement – Staff will do as much work as possible to assist the auditors and reduce the cost of the audit.

Interim Procedures – To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the year-end.

Throughout the audit process, every effort will be made to provide schedules, documents, and information requested by the auditors in a timely manner.

Concluding the Audit

Upon receipt of a draft of the audited financial statements, The Fiscal and Grants Manager and the Executive Director shall perform a detailed review of the draft:

1. Read the entire report for material typographical errors
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements
3. Review each footnote for accuracy and completeness

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved.

The Executive Director shall review and respond in writing to all management letters or other internal control and compliance report findings and recommendations made by the independent auditor.

Insurance

Overview

The R1WDB shall maintain adequate insurance against general liability, as well as coverage for contents, computers, equipment, machinery, and other items of value.

Coverage Guidelines

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Comprehensive Liability	\$1,000,000
Automobiles for Employees, Volunteers, or Escorts	\$1,000,000
Employee Dishonesty/Bonding	\$1,000,000 for the Fiscal Agent Representative and the Executive Director
Local Elected Officials	\$1,000,000
Theft	Coverage for all

A detailed listing of all insurance policies in effect shall be maintained and include a minimum of information:

1. Description (type of insurance)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles
4. Premium amounts and frequency of payment
5. Policy effective dates
6. Date(s) premiums paid and check numbers

Insurance Definitions

Fidelity Bond

For all personnel handling cash, preparing or signing checks, insurance shall be maintained that provides coverage in a blanket fidelity bond. The specific needs of the organization will determine the dollar limit of this coverage.

Comprehensive Liability

This type of coverage may include directors, officers, and employee general liability insurance, contents, computers, and machinery.

Record Retention

Policy

Records shall be retained as required by law and shall be destroyed when appropriate. The formal records retention policy of the R1WDB is as follows:

Accounts payable ledgers and schedules	7 Years
Accounts receivable ledgers and schedules	7 Years
Audit reports	Permanently
Bank reconciliations	7 Years
Bank Statements	7 Years
Chart of Accounts	Permanently
Cancelled Checks	7 Years
Contracts, mortgages, notes, and leases:	
Expired	7 Years
Still in effect	Permanently
Correspondence:	
General	7 Years
Legal and important matters only	Permanently
Routine with customers and/or vendors	7 Years
Duplicate deposit slips	7 Years
Employment applications	7 Years
Expense analyses/expense distribution schedule	7 Years
Financial statements:	
Year end	Permanently
Other	7 Years
General ledgers/year end trial balance	Permanently
Insurance policies (expired)	7 Years
Insurance records (policies, claims, etc.)	Permanently
Internal reports	7 Years
Invoices (to customers, from vendors)	7 Years
Journals	Permanently
Minute books of directors, by-laws, and charters	Permanently
Notes receivable ledgers and schedules	7 Years
Payroll records and summaries	7 Years
Personnel records (terminated)	7 Years
Physical inventory tags	7 Years
Property records	Permanently
Purchase orders:	
Purchasing department copy	7 Years

Other copies	7 Years
Requisitions	7 Years
Subsidiary ledgers	7 Years
Tax returns and worksheets, examination reports and other documents relating to determination of income tax liability	Permanently
Time sheets/cards	7 Years
Trademark registrations and copyrights	Permanently
Training manuals	Permanently
Voucher register and schedules	7 Years

Records shall be retained and/or retrieved by electronic means when permitted by law.

Functional Expense Allocations

Overview

The actual costs of providing each program service and supporting activities must be determined. Expenses are charged to the appropriate category of program service or supporting activity. Expenses that serve multiple functions or are not readily identifiable with a function are allocated between or among functions.

Direct Charging of Costs

Certain internal costs shall be directly charged to the appropriate program function based upon underlying documentation.

Policies Pertaining to Federal Awards

Administration of Federal/State Awards

Definitions

Financial assistance is received, primarily, by grants and contracts:

Grant: A financial assistance award given to the organization to carry out its programmatic purpose.

Contract: A mutually binding legal agreement where the organization agrees to provide supplies or services and the donor agrees to pay for them.

Post-Award Procedures

After an award has been made, the following steps shall be taken:

1. Verify the specifications of the grant or contract. The Fiscal and Grants Manager and the Executive Director shall review the terms, time periods, award amounts and expected expenditures associated with the award. A CFDA (Catalog of Federal Domestic Assistance) number shall be determined for each award. All reporting requirements under the contract or award shall be summarized.
2. Create new general ledger account numbers as needed. New accounts shall be established for the receipts and expenditure categories in line with the grant or contract budget.

Compliance with Laws, Regulations, and Provisions of Awards

The R1WDB is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. To ensure this responsibility is met, certain policies apply with respect to every grant or contract received directly or indirectly from a Federal/State agency:

1. The Fiscal and Grants Manager shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to the "OMB Circular A-133 Compliance Supplement", and communications with Federal/State awarding agency personnel.
2. The Fiscal and Grants Manager shall cooperate with the Organization's Independent Auditors by informing the CPA firm as to applicable laws, regulations, and provisions of contracts and grants and communicating known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Financial Reporting

Financial reports shall be prepared and submitted as specified by the financial reporting clause of the grant or contract award document. Preparation of these reports is the responsibility of The Fiscal and Grants Manager, subject to review and approval by the Executive Director.

Cash Drawdown Under Letters of Credit

Cash drawdowns under letters of credit from Federal/State agencies shall be made in conjunction with the accounts payable and payroll schedule, based on need.

The Fiscal and Grants Manager shall prepare cash requisitions from the State WORKFORCE West Virginia office for anticipated cash disbursements due to be paid within the next 15 days. Adjustments to this estimate shall be made for exceptions.

In addition, a schedule shall be completed to reconcile State cash on hand and to estimate the organization's need for additional State funds:

- + State cash drawn to date
- YTD expenses as of the end of the prior period
- Estimated disbursements this period

- = Subtotal (Estimated cash on hand today)
- Estimated disbursements this week

- = **Amount to be requested**

Procurement Under Federal/State Awards

Procurement of goods and services whose costs are charged to Federal/State awards are subject to all of the specific purchasing policies plus supplemental policies:

1. The purchase of items that are not necessary for the performance of the activities required by a Federal/State award should be avoided.
2. Where appropriate, an analysis should be made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal/State government.
3. Documentation of the cost and price analysis associated with each procurement decision shall be retained in the procurement files pertaining to each Federal/State award.
4. For all procurements in excess of the small purchase acquisition threshold (currently \$100,000), procurement records and files shall be maintained:
 - a. The basis for contractor selection.

- b. Justification for lack of competition when competitive bids or offers are not obtained.
 - c. The basis for award cost or price.
5. The R1WDB shall make all procurement files available for inspection upon request by a Federal/State Awarding Agency.

In addition, no employee, officer, or agent of the R1WDB shall participate in the selection, award or administration of a contract supported by Federal/State funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award.

Solicitations of Bids from Vendors

All purchases of \$100,000.00 or more shall be made by obtaining competitive proposals from at least three responsible vendors. Sealed bids shall be utilized when required by the Federal/State awarding agency.

The R1WDB shall not utilize the “cost-plus-a-percentage-of-cost” method of contracting with vendors.

All procurements under Federal/State awards shall be governed by the policies applicable to all purchases.

Provisions Included in All Contracts

Certain provisions, as applicable, shall be included in all contracts:

1. **Equal Employment Opportunity:** All contracts shall contain a provision requiring compliance with E.O. 11246, “Equal Employment Opportunity,” as amended by E.O. 11375, “Amending Executive Order 11246 Relating to Equal Employment Opportunity,” and as supplemented by regulations at 41 CFR part 60, “Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor.”
2. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or sub-grants of \$100,000.00 or more, the R1WDB shall obtain from the contractor or sub-grantee a certification that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Likewise, since each tier provides such certifications to the tier above it, the R1WDB shall provide such certifications in all situations in which it acts as a sub-recipient of a sub-grant of \$100,000.00 or more.

3. **Debarment and Suspension (E.O.s 12549 and 12689):** For all contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000.00) the R1WDB shall obtain from the contractor a certification that neither the contractor nor any of its principal employees are listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs.
4. **Termination:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000.00) shall contain suitable provisions for termination by the R1WDB, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated due to circumstances beyond the control of the contractor.

Standards for Financial Management Systems

In accordance with OMB Circular A-110, a financial management system will be maintained to comply with minimum standards:

1. Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements of Circular A-110 and/or the award.
2. Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.
3. Effective control over and accountability for all funds, property, and other assets. All such assets shall be safeguarded solely for authorized purposes.
4. Comparison of outlays with budget amounts for each award. Whenever possible, financial information shall be related to performance and unit cost data.
5. Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
6. Accounting records including cost accounting records that are supported by source documentation.

Close Out of State Awards

The close out procedures described in the grant agreements as specified by the granting agency shall be followed.

Charging of Costs to Federal/State Awards

Overview

Only costs that are reasonable, allowable and allocable to a State award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to State awards.

Segregating Unallowable from Allowable Costs

Steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each state award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Accounting personnel shall be familiar with the allowability of costs provisions of OMB Circular A-122, "Cost Principles for Non-Profit Organizations", particularly:
 - a. The list of specifically unallowable costs found in Attachment B (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.
3. No costs shall be charged directly to any State award until the cost has been determined to be allowable under the terms of the award and/or OMB Circular A-122.

Criteria for Allowability

All costs must meet the stated criteria in order to be treated as allowable direct or indirect costs under a Federal/State award:

1. The cost must be "reasonable" for the performance of the award, considering the following factors:
 - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the organization or the performance of the award;
 - b. Restraints imposed by such factors as generally accepted sound business practices, arm's length bargaining, Federal and State laws and regulations, and the terms and conditions of the award;
 - c. Whether the individuals concerned acted with prudence in the circumstances;
 - d. Consistency with established policies and procedures of the Organization, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be "allocable" to an award by meeting one of the stated criteria:

- a. The cost is incurred specifically for a Federal/State award;
 - b. The cost benefits both the Federal/State award and other work, and can be distributed in reasonable proportion to the benefits received; or
 - c. The cost is necessary to the overall operation of the Organization, but, where a direct relationship to any particular program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions of OMB Circular A-122 or the Federal/State award itself.
 4. Treatment of costs must be consistent with policies and procedures that apply to both Federally or State financed activities and other activities of the Organization.
 5. Costs must be consistently treated over time.
 6. The cost must be determined in accordance with generally accepted accounting principles.
 7. Costs may not be included as a cost of any other Federally or State financed program in the current or prior periods.
 8. The cost must be adequately documented.

Direct Costs

Direct costs include those costs that are incurred specifically for one award or function. These costs are identified and charged exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are approved by The Fiscal and Grants Manager and reviewed by the Executive Director.

Equipment purchased for exclusive use on a Federal or State award and reimbursed by a federal or state agency shall be accounted for as a direct cost of that award.

Indirect Costs

Indirect costs are those costs that either benefit more than one award (overhead costs) or non-federal function or that are necessary for the overall operation.

A Cost Allocation Plan is maintained and submitted to WorkForce West Virginia.

Examples of the types of expenditures normally included in the cost allocation plan are listed:

1. General administration
2. Salaries and benefits of the executive officers, finance, accounting, and administrative personnel

3. Office rent and maintenance
4. General office repairs and maintenance
5. Audit fees
6. Space costs
7. Utilities and telephone costs
8. Consumable supplies
9. Insurance

Salaries and Wages

Salaries and wages shall be charged directly and indirectly based on the functions performed by each employee, as documented on each employee's timesheet:

Each benefit costs shall be charged directly and indirectly in the same proportions as each individual's salary.

Occupancy Expenses

Monthly rent expense and related pass-through expenses shall be allocated directly and indirectly, based on approximate square footage of space utilized.

Utilities

Utilities costs include electricity and water and shall be charged directly and indirectly in the same proportion as occupancy costs.

Supplies and Materials

To the maximum feasible extent, office supplies and materials are charged directly to the grant or program/function that uses the supplies or materials. All supplies and materials used by staff who are engaged in indirect activities shall be cost allocated.

Postage and Shipping

To the maximum feasible extent, postage and shipping costs shall be charged directly to the grant or program/function that benefits from the postage or shipping costs.

Photocopying and Printing

Photocopying costs include all paper and copy supplies, copier maintenance charges, and the actual lease purchase cost of the copier. Photocopying costs shall be cost allocated as per the Cost Allocation Plan.

All printing costs are charged directly to the benefiting grant or program/function.

Communications

Communications costs include the costs of telephone service and Internet connections and services.

Outside Services

Outside service costs incurred for annual audit, legal fees, and staff development specialists shall be charged as appropriate:

Audit fees – Cost of the financial statement audit and preparation of Form 990 shall be charged to applicable funding streams.

Legal fees – Legal fees shall be charged directly to the program/function that benefits from the services. Legal fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

Staff Development Specialists – Costs associated with staff development specialists shall be charged directly to the program/function that benefits from the services. Fees that are not identifiable with specific direct grants or programs shall be cost allocated.

Insurance

To the extent that insurance premiums are associated with insurance coverage for specific grants or programs, those premium costs shall be charged directly. All insurance costs that are not identifiable with specific direct grants or programs (such as the Organization's general liability coverage) shall be cost allocated.

Administrative Costs

Administrative costs are tracked monthly and the administrative percentage is reported monthly on the operating statement to ensure that the administrative costs are not exceeding the 10% limit. The administrative costs are identified in the budget.