

EAST MISSOURI ACTION AGENCY

**Accounting & Financial
Policies and Procedures Manual**

Effective Date(s) of Accounting Policies

The effective date of all accounting policies described in this manual is March 1, 2021. If a policy is added or modified subsequent to this date, the effective date of the new/revised policy will be indicated parenthetically immediately following the policy heading.

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INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures applicable to the East Missouri Action Agency, Inc., which shall be referred to as “East Missouri Action Agency, Inc.” or “the Organization” throughout this manual.

East Missouri Action Agency, Inc. is incorporated in the state of Missouri. East Missouri Action Agency, Inc. is exempt from federal income taxes under IRS Section 501(c) (3) as a nonprofit corporation. East Missouri Action Agency, Inc.’s tax-exempt mission is

EMAA will leverage all community resources to support individuals in reaching their highest potential.

This manual shall document the financial operations of the Organization. Its primary purpose is to formalize accounting policies and selected procedures for the accounting staff and to document internal controls.

The Organization will follow all applicable laws including Uniform Guidance.

Any changes to the Personnel Policy Manual or Board By-laws will supersede this manual. The changes will be adopted in this manual as soon as possible

The Board of Directors approved the contents of this manual as official policy of the Organization. East Missouri Action Agency, Inc. staff is bound by the policies herein, and any deviation from established policy is prohibited.

GENERAL POLICIES

The following policies are discussed in the Board of Directors By-laws.

ORGANIZATIONAL STRUCTURE

The Roles of the Executive Director and Staff

The Board of Directors hires the Executive Director, who reports directly to the Board of Directors. The Executive Director is responsible for hiring and evaluating Program Directors for each of the organization's departments. Each Program Director reports to the Executive Director.

Within each department, Program Directors are responsible for hiring, with approval from the Executive Director, employees to work in that department. All employees within a department shall report directly to that Program's Director, who shall be responsible for managing and evaluating all employees within the department.

The following policies are discussed in the Personnel Policy Manual

Business Conduct

Political Intervention

Whistle Blower

Conflict of Interest

Internal Controls

The organization employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed and recorded. Internal controls are not just the responsibility of the fiscal department, but are the responsibility of everyone in the organization.

EMAA's internal control policies and procedures assure that 1) boards and officers understand their fiduciary responsibilities, 2) assets are managed properly, and 3) the mission of the organization is carried out. Failure to meet these three obligations is a breach of fiduciary duty, and can result in financial and other liability for the board of directors and the officers. The external audits and management report closely examine EMAA's internal control practices. Effective internal controls help protect and manage an organization's assets and address concerns raised by the external audit and program monitoring reports. Directors, officers and employees are responsible for ensuring that the organization is accountable to the public and government regulators. Accountability requires that the organization: Comply with all applicable laws and ethical standards. Adhere to the organization's mission. Create and adhere to conflict of interest, ethics, personnel, and accounting policies. Protect the rights of members. Prepare and file financial reports with the IRS, state regulatory authorities and funding sources. Make the reports available to all board members and members of the public who request them. Internal controls help ensure accountability to the public and to funding sources.

Internal controls protect the assets of an organization, create reliable financial reporting, promote compliance with laws and regulations, and facilitate effective and efficient operations. They relate to accounting, to reporting, and to the organization's communication processes. Internal controls include

procedures for handling funds received and expended by the organization. They also include preparing appropriate and timely financial reporting, conducting the annual audit of the organization's financial statements, evaluating staff and programs, maintaining inventory records of real and personal property and implementing personnel and conflicts of interest policies. The Fiscal Director is also responsible for maintaining passwords, back-ups and proper rights assignment for the accounting software.

Effective internal controls are imposed to protect both the employee and the employer against fraud, theft and errors.

The Agency must disclose, in a timely manner, 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 (2 CFR 200.113).

EMAA will follow all federal and state regulations and laws including but not limited to 2 CFR part 200.

ACCOUNTING DEPARTMENT OVERVIEW

Organization

The accounting department consists of staff that manages and processes financial information for East Missouri Action Agency, Inc. The positions comprising the accounting department of East Missouri Action Agency, Inc., and the abbreviations of each position used throughout this manual, are as follows:

Certified Public Accountant (CPA)
Staff Accountant (SA)
Financial Specialist (FS)

Other officers and employees of East Missouri Action Agency, Inc. who have financial responsibilities, and the abbreviations of each position used throughout this manual, are as follows:

Executive Director (ED)
Program Directors (PD)
Executive Committee (EC)
Full Board of Directors (BOD)

Responsibilities

The primary responsibilities of the accounting department consist of:

- General ledger transactions and reconciliations
- Budgeting
- Cash and investment management
- Asset management
- Grants and contracts administration
- Purchasing
- Accounts receivable and billing
- Cash receipts
- Accounts payable
- Cash disbursements
- Payroll
- Financial statement processing
- External reporting of financial information
- Bank reconciliations
- Reconciliation of subsidiary ledgers
- Compliance with government financial reporting requirements
- Annual financial statement audit and fiscal monitoring visits
- Leases
- Insurance
- Fiscal records retention

Standards for Financial Management Systems

In accordance with 2 CFR Part 200.302(b), of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, East Missouri Action Agency, Inc. maintains a financial management system that provides for the following. Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.

1. Identification, in all its accounts, of all federal awards received and expended and the federal programs under which they were received. (*2 CFR Part 200.302(b)(1)*)
2. Accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements of *2 CFR Parts 200.327, Financial Reporting, and 200.328, Monitoring and Reporting Program Performance*, and/or the award.
3. Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be fully supported by source documentation.
4. Effective control over and accountability for all funds, property, and other assets. East Missouri Action Agency, Inc. must adequately safeguard all such assets and ensure they are used solely for authorized purposes.
5. Comparison of expenditures with budget amounts for each award.
6. Information that relates financial data to performance accomplishments and demonstrates cost effective practices as required by funding sources. (*2 CFR Part 200.301, Performance Measurement*)
7. Written procedures to minimize the time elapsing between the transfer of funds and disbursement by East Missouri Action Agency, Inc.. Advance payments must be limited to the minimum amount needed and be timed to be in accordance with actual, immediate cash requirements. (*2 CFR Part 200.305 Payment*) See East Missouri Action Agency, Inc.'s written procedures in the Federal Awards section in this manual.
8. Written procedures for determining the reasonableness, allocability, and allow ability of costs in accordance with the provisions of the *2 CFR Part 200 Subpart E, Cost Principles*, and the terms and conditions of the award. See East Missouri Action Agency, Inc.'s written procedures in the Federal Awards section in this manual.

SECURITY

Accounting Department

All confidential information will be kept locked in secure areas when accounting staff are not present.

The East Missouri Action Agency, Inc. blank check stock shall be stored in a locked area in the Accounting Department.

Access to Electronically Stored Accounting Data

It is the policy of East Missouri Action Agency, Inc. to utilize passwords to restrict access to accounting software and data. Only duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system.

Accounting personnel are expected to keep their passwords secret. The program support specialist or a designated individual shall be responsible for password administration.

Each password enables a user to gain access to only the software and data files necessary for each employee's required duties.

Creation, Storage and Testing of Back-Up Files

It is the policy of East Missouri Action Agency, Inc. to maintain back-up copies of electronic data files for the network off-site. These files are housed in the cloud. The vendor tests the file as they are stored.

The Accounting Department makes a back-up of data daily, which is stored on the server. The back-up is restored periodically to test for corruption.

TECHNOLOGY AND ELECTRONIC COMMUNICATIONS

Purpose and Scope

The purpose of this policy is to identify guidelines for the use of East Missouri Action Agency, Inc. technologies and communications systems. This policy establishes a minimum standard that must be upheld and enforced by users of the organization's technologies and communications systems.

The term "user" as used in these policies refers to employees (whether full-time, part-time or limited-term), independent contractors, consultants, and any other user having authorized access to, and using any of, the organization's computers or electronic communications resources.

Computer and electronic communications resources include, but are not limited to, host computers, file servers, stand alone computers, laptops, printers, fax machines, phones, on-line services, E-mail systems, bulletin board systems, and all software that is owned, licensed or operated by East Missouri Action Agency, Inc.

Acceptable Use of Organization Property

Use of the organization's computers and electronic communications technologies is for programmatic and business activities of East Missouri Action Agency, Inc. All use of such resources shall be in an honest, ethical, and legal manner that conforms to applicable license agreements, contracts, and policies regarding their intended use. Although incidental and occasional personal use of the organization's communications systems are permitted, users automatically waive any rights to privacy.

In addition, the information, ideas, concepts and knowledge described, documented or contained in the organization's electronic systems are the intellectual property of East Missouri Action Agency, Inc. The copying or use of the organization's intellectual property for personal use or benefit during or after employment (or period of contract) with East Missouri Action Agency, Inc. is prohibited unless approved in advance by the Executive Director.

All hardware (laptops, computers, monitors, mice, keyboards, printers, telephones, fax machines, etc) issued by East Missouri Action Agency, Inc. is the property of the organization and should be treated as such. Users may not physically alter or attempt repairs on any hardware at any time. Users must report any problems with hardware to the appropriate department computer person.

Password Security

Users are responsible for safeguarding their login passwords. Passwords may not be shared, nor should they be printed or stored on-line. Users should not leave their computers unattended without logging off.

Confidentiality

All information about individuals, families or organizations served by East Missouri Action Agency, Inc. is confidential. No information may be shared with any person or organization outside East Missouri Action Agency, Inc. without the prior written approval of the individual, family or organization and the Executive Director.

Copyrighted Information

Use of East Missouri Action Agency, Inc. electronic communication systems to copy, modify, or transmit documents, software, information or other materials protected by copyright, trademark, patent or trade secrecy laws, without obtaining prior written permission from the owner of such rights in such materials, is prohibited.

Installation of Software

The installation of new software on the computers of East Missouri Action Agency, Inc. without the prior approval of Program Director is prohibited. If an employee desires to install any new programs onto an East Missouri Action Agency, Inc. computer, written permission should first be obtained.

Other Prohibited Uses

Other prohibited uses of the organization's communication systems include, but are not limited to:

1. Engaging in any communication that is discriminatory, defamatory, pornographic, obscene, racist, and sexist or that evidences religious bias, or is otherwise of a derogatory nature toward any specific person, or toward any race, nationality, gender, marital status, sexual orientation, religion, disability, physical characteristic, or age group.
2. Browsing or downloading and/or forwarding and/or printing pornographic, profane, discriminatory, threatening or otherwise offensive material from any source including, but not limited to, the Internet.
3. Engaging in any communication that is in violation of federal, state or local laws.
4. Proselytizing or promoting and religious belief or tenet.
5. Campaigning for or against any candidate for political office or any ballot proposal or issue.
6. Sending, forwarding, redistributing or replying to "chain letters."
7. Unauthorized use of passwords to gain access to another user's information or communications on East Missouri Action Agency, Inc. systems or elsewhere.
8. Advertising, solicitation or other commercial, non-programmatic use.
9. Knowingly introducing a computer virus into the organization's communication system or otherwise knowingly causing damage to the organization's systems.

10. Using the organization's systems in a manner that interferes with normal business functions in any way, including but not limited to, streaming audio from the Internet during business hours, stock tickers, installing unauthorized software, etc.
11. Excessive personal use of the organization's technologies that preempts any business activity or interferes with organizational productivity (i.e. social networking and game playing).
12. Sending E-mail messages under an assumed name or obscuring the origin of an E-mail message sent or received.

Disciplinary Action for Violations

East Missouri Action Agency, Inc. requires all users to adhere to this policy. Violations of this policy will result in disciplinary action, which could include termination of employment or cancellation of contracts.

Reporting of Suspected Violations

Suspected violations of these policies should be immediately and confidentially reported to your immediate supervisor. If you prefer not to discuss it with your supervisor, you may contact the Executive Director.

East Missouri Action Agency, Inc. reserves the right to install programs that monitor employee use of the Internet and electronic communication systems and to act on any violations of these policies found through use of such programs. East Missouri Action Agency, Inc. further reserves the right to examine any and all electronic communications sent or received by employees via the organization's electronic communications systems.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of East Missouri Action Agency, Inc., 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.

Chart of Accounts Overview

The chart of accounts is the framework for the general ledger system, and therefore the basis for East Missouri Action Agency, Inc.'s accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense and interfund transfer account.

East Missouri Action Agency, Inc.'s chart of accounts is comprised of six types of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues
5. Expenses
6. Interfund Transfers

Distribution of Chart of Accounts

All East Missouri Action Agency, Inc. employees involved with account coding responsibilities (assignment or review of coding) or budgetary responsibilities will be issued a current chart of accounts relative to their program. As the chart of accounts is revised, an updated copy of the chart of accounts shall be distributed to these individuals promptly.

Control of Chart of Accounts

East Missouri Action Agency, Inc.'s chart of accounts is monitored and controlled by the Accounting Department. Responsibilities include the handling of all account maintenance, such as additions and deletions.

Account Definitions

Fund Number

Example: **XXX** 0000 000 000 00000

The fund number is a three-digit number that the financial specialist assigns as needed for new funds.

Object number

Example: 000 **XXXX** 000 000 00000

The object number is a four-digit number that is assigned to represent the class of account.

<u>Account Range</u>	<u>Category</u>
1000 - 1999	Assets
2000 – 2499	Liabilities
2500 – 2999	Inter-fund receivables/payables
3000 - 3999	Net Assets
4000 - 4999	Revenues
6000 - 9999	Expenses

Type Code

Example: 000 0000 **XXX** 000 00000

The type code is a three-digit number that defines costs within a fund as need by the grant/contract.

Object Code

Example: 000 0000 000 **XXX** 00000

The object code is a three-digit number that further defines costs within a fund as needed by the grant/contract.

Location Code

Example: 000 0000 000 000 **XXXXX**

The location code is a three to five-digit number that defines costs to locations by county or site within a fund as needed by the grant/contract.

Classification of Net Assets

Net assets of the Organization shall be classified based upon the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed stipulations. Equipment purchased with restricted funds will be considered unrestricted one the time restriction of such equipment is purchased. However, if there is no time restriction, the equipment will be considered unrestricted at the time of purchase.

Net Assets With Donor Restrictions - Net assets subject to donor imposed stipulations for a certain period of time or specific use. Some restrictions may or will be satisfied through the actions of the Organization and/or the passage of time. Some donors might stipulate that the Organization permanently maintain certain contributed assets. Generally, donors of such assets permit the Organization to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes.

Board Designated Net Assets - Net assets accumulated by East Missouri Action Agency, Inc. that are not subject to donor imposed restrictions, but which the board of directors of the Organization has earmarked for specific uses, shall be segregated in the accounting records as "board-designated" funds within the net assets without donor restriction category of net assets.

Fiscal Year of Organization

East Missouri Action Agency, Inc. shall operate on a fiscal year that begins on October 1 and ends on September 30. Any changes to the fiscal year of the organization must be ratified by majority vote of East Missouri Action Agency, Inc.'s Board of Directors.

Journal Entries

Journal vouchers or other documentation, which shall include a reasonable explanation of each such entry, shall support all general ledgers entries that do not originate from a subsidiary ledger. Examples of such journal entries include:

1. Recording of non-cash transactions
2. Corrections of posting errors
3. Non-recurring accruals of income and expenses

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Depreciation of fixed assets
2. Amortization of prepaid expenses
3. Accruals of recurring expenses
4. Amortization of deferred revenue

Support for recurring journal entries shall be in the form of a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, in the form of a journal voucher.

All journal vouchers will be approved by an individual other than the staff accountant or financial specialist that is responsible for those entries.

Accounting Estimates

Agency utilizes numerous estimates in the preparation of its interim and annual financial statements. Some of those estimates include:

1. Useful lives of property and equipment
2. Fair market values of investments
3. Fair market values of donated assets
4. Values of contributed services
5. Cost allocation calculations

Month End Close

Month end close will be performed for each accounting period and will be completed by the 15th of the following month. Month end close will include reconciliations of all asset, liability, and net asset accounts to supporting documentation. It will also include a comparison of the relationships between the balance sheet accounts to the respective revenue and expense accounts. Revenue and expense reports will be looked at on both program years and the Agency year.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Revenue Recognition Policies

East Missouri Action Agency, Inc. receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements of East Missouri Action Agency, Inc. in the following manner:

1. **Grant/Contract income** - Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards)
2. **Rent income** - Monthly accrual, based on the terms of each sublease
3. **Contributions** - Recognized as income when received, unless accompanied by restrictions or conditions (see the next section on contribution income)
4. **Program Income**- Recognized as income when received, unless accompanied by restrictions or conditions. Examples: patient fees, proceeds from sale of asset, etc.

Immaterial categories of revenue and revenue not mentioned may be recorded on the cash basis of accounting (i.e. recorded as revenue when received).

The agency must minimize the time between transfer of funds and disbursement. Advance payments are limited to the minimum amount needed and timed with actual, immediate cash requirements. Time and amount of advances must be close as administratively feasible to actual disbursements (2 CFR 200.305) (45 CFR 74.21(b)(5)).

Refunds of Revenue Received

The following policies apply to refunds associated with revenue collected by East Missouri Action Agency, Inc.:

Security Deposits:

Tenant security deposits will be refunded in accordance with the specific terms of each tenant's sublease with East Missouri Action Agency, Inc.

CONTRIBUTIONS RECEIVED

Definitions

The following definitions shall apply with respect to the policies described in this section:

Contribution - An unconditional transfer of cash or other assets to the Organization, or a settlement or cancellation of the Organization's liabilities, in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

Condition - A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promissory a right of return of the assets it has transferred to the Organization or releases the promissory from its obligation to transfer its assets.

Restriction - A donor-imposed stipulation that specifies a use for the contributed asset that is more specific than broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in East Missouri Action Agency, Inc.'s articles of incorporation and bylaws. Restrictions on East Missouri Action Agency, Inc.'s use of an asset may be temporary or permanent.

Nonreciprocal Transfer - A transaction in which an entity incurs a liability or transfers assets to East Missouri Action Agency, Inc. without directly receiving value from East Missouri Action Agency, Inc. in exchange.

Promise to Give - A written or oral agreement to contribute cash or other assets to East Missouri Action Agency, Inc.

Exchange Transaction - A reciprocal transaction in which East Missouri Action Agency, Inc. and another entity each receive and sacrifice something of approximately equal value.

Distinguishing Contributions from Exchange Transactions

East Missouri Action Agency, Inc. receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. East Missouri Action Agency, Inc. shall consider the following criteria, and any other relevant factors, in determining whether income will be accounted for as contribution income, exchange transaction revenue, or both:

1. East Missouri Action Agency, Inc.'s intent in soliciting the asset, as stated in the accompanying materials;
2. The expressed intent of the entity providing resources to East Missouri Action Agency, Inc. (i.e. does the resource provider state its intent is to support East Missouri Action Agency, Inc.'s programs or that it anticipates specified benefits in exchange?);

3. Whether the method of delivery of the asset is specified by the resource provider (exchange transaction) or is at the discretion of East Missouri Action Agency, Inc. (contribution);
4. Whether payment received by East Missouri Action Agency, Inc. is determined by the resource provider (contribution) or is equal to the value of the assets/services provided by East Missouri Action Agency, Inc., or the cost of those assets plus a markup (exchange transaction);
5. Whether there are provisions for penalties (due to nonperformance) beyond the amount of payment (exchange transaction) or whether penalties are limited to the delivery of assets already produced and return of unspent funds (contribution); and
6. Whether assets are to be delivered by East Missouri Action Agency, Inc. to individuals or organizations other than the resource provider (contribution) or whether they are delivered directly to the resource provider or to individuals or organizations closely connected to the resource provider.

Accounting for Contributions

East Missouri Action Agency, Inc. shall recognize contribution income in the period in which the Organization receives restricted or unrestricted assets in nonreciprocal transfers, or unconditional promises of future nonreciprocal asset transfers, from donors. Contribution income shall be classified as increases in unrestricted, temporarily restricted, or permanently restricted net assets based on the existence or absence of such restrictions.

Unconditional promises to give shall be recorded as assets and increases in temporarily restricted net assets (contribution income) of East Missouri Action Agency, Inc. in the period that East Missouri Action Agency, Inc. receives evidence that a promise to support the Organization has been made. Unconditional promises to give that are to be collected within one year shall be recorded at their face value, less any reserve for uncollectible promises, as estimated by management. Unconditional promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value. Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to East Missouri Action Agency, Inc. at the time the Organization receives a promise from a donor.

When the final time or use restriction associated with a contributed asset has been met, a reclassification between temporarily restricted and unrestricted net assets shall be recorded.

When it receives support in the form of volunteer labor, East Missouri Action Agency, Inc. shall record contribution income and assets or expenses if one of the following two criteria is met:

1. The contributed service creates or enhances a non-financial asset (such as a building or equipment), or
2. The contributed service possesses both of the following characteristics:
 - a. It is the type of service that would typically need to be purchased by East Missouri Action Agency, Inc. if it had not been contributed,
 - b. The individual is providing the service

Examples of contributed services received and recorded as income and expense by East Missouri Action Agency, Inc. include volunteer teachers, center aides cooks, etc.

Contributed services that meet one of the two preceding criteria shall be recorded at the fair market value of the service rendered.

Receipts and Disclosures

East Missouri Action Agency, Inc. and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying Regulations. To comply with those rules, East Missouri Action Agency, Inc. shall adhere to the following guidelines with respect to contributions received by the Organization.

For any separate contribution received by East Missouri Action Agency, Inc., a staff member shall provide a receipt to the donor. All receipts prepared by East Missouri Action Agency, Inc. shall include the following information:

1. The amount of cash received and/or a description (but not an assessment of the value) of any non-cash property received;
2. A statement of whether East Missouri Action Agency, Inc. provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received by the Organization from the donor, and
3. A description and good faith estimate of the value of those goods or services provided by East Missouri Action Agency, Inc.

When East Missouri Action Agency, Inc. receives cash in excess of \$75, or non-cash property with a value in excess of \$75, as part of a quid pro quo transaction; the Organization shall follow additional disclosure procedures. For purposes of this paragraph, a "quid pro quo" transaction is one in which East Missouri Action Agency, Inc. receives cash or property in a transaction that is part contribution and part exchange transaction (i.e. the value of the goods or services provided to the donor by East Missouri Action Agency, Inc. is less than the value of cash or property provided by the donor). In such instances, East Missouri Action Agency, Inc. shall provide to the donor a receipt stating that only the amount contributed in excess of the fair market value of the goods or services provided by East Missouri Action Agency, Inc. may be deducted as a charitable contribution. The receipt shall also include a good-faith estimate of the fair market value of the goods or services provided to the donor by East Missouri Action Agency, Inc.

IRS rules provide for certain exceptions to the preceding disclosure rules applicable to quid pro quo transactions. As such, East Missouri Action Agency, Inc. shall not provide receipts when it receives cash or property in excess of \$75 in any of the following circumstances:

1. The goods provided to the donor bear East Missouri Action Agency, Inc.'s name or logo and have an aggregate cost that is equal to or less than the IRS rate;
2. The goods provided to the donor have a fair market value equal to no more than 2% of the contribution or equal to or less than the IRS rate, whichever is less; or

3. The gift received by East Missouri Action Agency, Inc. resulted from the Organization's fundraising appeal that included articles worth is equal to or less than the IRS rate, as well as a request for contributions and a statement that the recipient may keep the article even if a contribution is not made.

Each department shall prepare all estimates of the fair market value of goods or services provided to East Missouri Action Agency, Inc. This information will be forwarded to the accounting department.

It is the policy of East Missouri Action Agency, Inc. to comply with all current federal and state rules regarding solicitation and collection of charitable contributions, whether specifically addressed in this manual or not, as well as all future revisions to those rules.

Accounting for Exchange Transactions

East Missouri Action Agency, Inc. will use the following five step process to determine when to record revenue from customers/grantors on each contract:

1. Identify the contract(s) with the customers/grantors.
2. Identify the separate performance obligations within the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations.
5. Recognize revenue when, or as, the performance obligation is satisfied.

BILLING/INVOICING POLICIES

Overview

The following is a list of items billed and/or accrued and received by East Missouri Action Agency, Inc. and the frequency with which each is billed:

Quarterly Billings

1. Grants and contracts (See separate section on “Policies Associated with Federal Awards” for billing policies associated with federal grant agreements)
2. Patient Accounts

Monthly Billings

1. Grants and contracts (See separate section on “Policies Associated with Federal Awards” for billing policies associated with federal grant agreements)

As needed

1. Grants and contracts (See separate section on “Policies Associated with Federal Awards” for billing policies associated with federal grant agreements)

Responsibilities for Billing and Collection

In most instances, East Missouri Action Agency, Inc.’s Accounting Department is responsible for the invoicing of goods and services as well as the collection of outstanding receivables. However some programs are responsible for their own billing when it is more practical. These departments will furnish a copy of the billing to the Accounting Department at the time of submission. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections).

See the section on “Accounts Receivable Management” for policies regarding follow-up on uncollected receivables.

Accounts Receivable Entry Policies

Posting of customer invoices to the accounts receivable subsidiary ledger shall be performed by individuals independent of the cash receipts function of East Missouri Action Agency, Inc.

Posting of credit memos and other adjustments to customer accounts shall also be performed by an individual independent of the cash receipts function of East Missouri Action Agency, Inc. and will be periodically reviewed by the Program Director.

Classification of Income and Net Assets

All income received by East Missouri Action Agency, Inc. is classified as "without donor restrictions", with the exception of the following:

1. Grants and other awards received from government agencies or other grantors that are for a specific use, are classified as with donor restrictions..
2. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes will be classified as with donor restrictions.

From time to time, East Missouri Action Agency, Inc. may raise other forms of contribution income which carry stipulations that East Missouri Action Agency, Inc. utilize the funds for a specific purpose or within a specified time period identified by the donor of the funds. When this form of contribution income is received, East Missouri Action Agency, Inc. shall classify this income as with donor restrictions..

As with all Temporarily Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), East Missouri Action Agency, Inc. will reclassify the related net assets from "with donor restrictions" to "without donor restrictions" in its Statement of Financial Position and reflect this reclassification in its Statement of Activities.

From time to time, the East Missouri Action Agency, Inc. Board of Directors may determine that it is appropriate to set funds aside for specific projects. To the extent these set-asides result from a Board action, rather than a donor-imposed requirement, the resulting set-aside shall be classified as "without donor restrictions". However, to identify these funds as being set aside for special projects, such set-asides shall be labeled "Board-Designated" funds within the without donor restrictions net assets of East Missouri Action Agency, Inc., and shall be reported as a separate component of net assets without donor restrictions in the East Missouri Action Agency, Inc. financial statements.

CASH RECEIPTS

Overview

Cash (including checks payable to the organization) is the most liquid asset an organization has. Therefore, it is the objective of East Missouri Action Agency, Inc. to establish and follow the strongest possible internal controls in this area.

Processing of Checks and Cash Received in the Mail

For funds that are received directly at East Missouri Action Agency, Inc., cash receipts are centralized to ensure that cash received is appropriately directed, recorded and deposited on a timely basis.

Checks received at the outreach offices should be sent to Central Office as soon as possible. The checks should be endorsed on the back as "For Deposit Only-East Missouri Action Agency".

The patient accounts will be maintained at the clinic locations. The money received will be forwarded to the Accounting Department on a daily basis. Some off site locations deposit directly as instructed by the Accounting Department.

The following process will be utilized in the recording of daily receipts by the Accounting Department to ensure that no individual employee is responsible for all aspects of the daily receipts.

A designated staff person is responsible for receiving the receipts, stamping checks "For Deposit Only", going on-line to see if any money has been directly deposited into the Agency's accounts. Copies of the checks and other supporting documentation are made. A listing of these items are made and totaled.

Another designated individual enters all of the receipts into the cash management system and prints out a schedule of payments report that agrees back to the daily total.

A designated person within the accounting department not involved in the previous two steps prepares the deposit and compares it back to the schedule of payments and the original listing.

The deposit is then taken to the bank by another individual. The deposit receipt is attached to all the other documentation.

The coding of the schedule of payments is reviewed and initialed off on prior to the payments being posted in the accounting software.

Reconciliation of Deposits

On a periodic basis, a financial specialist who does not prepare the initial cash receipts listing or bank deposit, shall reconcile the listings of receipts to bank deposits reflected on the monthly bank statement. Any discrepancies shall be immediately investigated.

ACCOUNTS RECEIVABLE MANAGEMENT

Monitoring and Reconciliation

On a monthly basis, a detailed accounts receivable report (showing aged, outstanding invoices by customer) is generated and reconciled to the general ledger by the Accounting Department. All differences are immediately investigated and resolved.

Collections

Collections, when allowed by funding source, are performed on a quarterly basis, according to a review of the outstanding items shown on the accounts receivable aging report. This report shows the current month's activity for each customer and prior months' balances outstanding for 90, and 180 days.

If 90 days have elapsed without payment, a letter will be sent to the customer requesting payment or documentation that payment has already been made. In addition, monthly telephone calls will be placed in an attempt to collect the amount due.

If 180 days have elapsed without payment, a second letter will be sent to the customer requesting payment or documentation that payment has already been made. In addition, weekly contacts will be made in an attempt to collect the amount due.

See section related to Title X funds for related collection policies.

Credits and Other Adjustments to Accounts Receivable

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include adjustments for billing errors. An employee who is independent of the cash receipts function shall process all credits.

Accounts Receivable Write-Off Authorization Procedures

It is the policy of East Missouri Action Agency, Inc. to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. The Department associated with the amount to be written off, in conjunction with the Accounting Department initiates write-offs.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING POLICIES AND PROCEDURES

Overview

THE POLICIES DESCRIBED IN THIS SECTION APPLY TO ALL PURCHASES MADE BY EAST MISSOURI ACTION AGENCY, INC.

ADDITIONAL POLICIES APPLICABLE ONLY TO THOSE PURCHASES MADE UNDER FEDERAL AWARDS ARE DESCRIBED IN THE SECTION “POLICIES ASSOCIATED WITH FEDERAL AWARDS.”

It is the policy of East Missouri Action Agency, Inc. to follow a practice of ethical, responsible and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. The policies in this section describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

Cost Principles

The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits. (2 CFR 200.402)

Costs charged to a Federal award must be necessary and reasonable, conform to limitations, be consistent with other organization activities and be treated consistently. Costs must be determined in accordance with generally accepted accounting principles, as appropriate. They cannot be included as cost or match in any other federally funded program. They also must be adequately documented. (2 CFR 200.403)

Responsibility for Purchasing

All program directors shall have the authority to initiate purchases on behalf of their department, within the guidelines described in this policies manual. In addition, department directors may delegate purchasing authority to responsible individuals within their department.

Each department shall be responsible for processing purchase orders. The Department Director has approval authority over all purchases and contractual commitments as defined in this policy.

Code of Conduct In Purchasing

(2 CFR Part 200.318 (c)(1))

Ethical conduct in managing the Organization's purchasing activities is absolutely essential. Staff must always be mindful that they represent the Board of Directors and share a professional trust with other staff and funding sources.

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of that might influence the purchase of supplies, equipment, and/or services.
- Staff shall notify their immediate supervisor if they are offered such gifts.
- No officer, Board member, employee, or agent shall participate in the selection or administration of a contractor 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 or her immediate family, his or her spouse or 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 contractor selected.
- Officers, Board members, employees, and agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to sub-agreements.

Unsolicited gifts with a value of \$25 or less may be accepted with the approval of the Executive Director.

Competition

(2 CFR Part 200.319)

In order to promote open and full competition, purchasers will:

- Be alert to any internal potential conflicts of interest.
- Be alert to any noncompetitive practices among contractors that may restrict, eliminate, or restrain trade.
- Not permit contractors who develop specifications, requirements, or proposals to bid on such procurements.
- Award contracts to bidders whose product or service is most advantageous in terms of price, quality, and other factors.
- Issue solicitations that clearly set forth all requirements to be evaluated.
- Reserve the right to reject any and all bids when it is in the Organization's best interest.
- Not give preference to state or local geographical areas unless such preference is mandated by federal statute. *(200.319(b))*
- "Name brand or equivalent" description may be used as a means to define the performance or requirements. *(200.319(c)(1))*

Non-Discrimination Policy

All vendors/contractors who are the recipients of Organization funds, or who propose to perform any work or furnish any goods under agreements with East Missouri Action Agency, Inc. shall agree to these 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 provisions 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.

Procurement Procedures

The following are East Missouri Action Agency, Inc.'s procurement procedures:

1. East Missouri Action Agency shall avoid purchasing items that are not necessary or duplicative for the performance of the activities required by a federal award. *(2 CFR Part 200.318(d))*
2. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the federal government. *(2 CFR Part 200.318(d))*. This analysis should only be made when both lease and purchase alternatives are available to the program.
3. Purchasers are encouraged to enter into state and local inter-governmental or inter-entity agreements where appropriate for procurement or use of common or shared goods and services. *(2 CFR Part 200.318(e))*
4. Purchasers are encouraged to use federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs. *(2 CFR Part 200.318(f))*
5. Documentation of the cost and price analysis associated with each procurement decision in excess of the simplified acquisition threshold (\$150,000) shall be retained in the procurement files pertaining to each federal award. *(2 CFR Part 200.323)*
6. If sealed bids are used, then bids will be opened at the time and place specified in the advertisement for the bid.
7. All pre-qualified lists of persons, firms or products which are used in acquiring goods and services must be current and include enough qualified sources to ensure maximum open and full competition. *(2 CFR Part 200.319(d))*

8. The agency will maintain records sufficient to detail the history of procurement, including:
(2 CFR Part 200.318(i))
 - a. Rationale for the method of procurement;
 - b. Selection of contract type;
 - c. Contractor selection or rejection; and
 - d. The basis for the contract price.
9. The agency shall make all procurement files available for inspection upon request by a federal or pass-through awarding agency.
10. The agency shall not utilize the cost-plus-a-percentage-of-costs or percentage of construction cost methods of contracting. (2 CFR Part 200.323(d))

All staff members with the authority to approve purchases will receive a copy of, and be familiar with, 2 CFR Part 200.400 – 475, Cost Principles.

Authorizations and Purchasing Limits

The Executive Director or designee in his or her absence, must approve all purchases in excess of \$3,500. The Board of Directors must approve purchases of a single item in excess of \$25,000 except for services approved through funding source contracts/grants.

All purchases for the weatherization program shall be made by competitive procurement except those that are single source, local purchases or repetitive purchase of like items within a 12 month period, with a total value of less than \$10,000.

All contracts including lease agreements in excess of \$1000 between East Missouri Action Agency, Inc. and outside parties must be reviewed and approved by the Program Director, as well as the Executive Director. The Executive Director is authorized to enter into any contract on behalf of East Missouri Action Agency, Inc. Contracts of \$1000 or less must be reviewed and approved by the Program Director, but do not require approval from the Executive Director. These policies shall also apply to renewals of existing contracts.

The following table lists required approval levels and solicitation processes:

Amount of Purchase	Required Approvals	Required Solicitation	Required Documentation
<p>≤ \$10,000 (micro-purchase limit (≤ \$2,000 for purchases subject to Davis-Bacon)</p>	<p>Program Director Executive Director over \$3,500/</p>	<ul style="list-style-type: none"> ● Price must be considered reasonable based on similar purchases in the past ● Purchase can be made from a contractor successfully used in the past ● If a contractor used in the past cannot be used, at least 2 price quotes are required ● As much as possible, micro-purchases should be rotated among qualified suppliers as long as the price is comparable 	<ul style="list-style-type: none"> ● Receipt approved by Program Director ● Evidence of price comparison, if not using past contractor
<p>\$10,001 ≤ \$25,000</p>	<ul style="list-style-type: none"> ● Program Director ● Executive Director 	<p>3 bids (catalogue, Internet, written)</p>	<ul style="list-style-type: none"> ● Documentation of bids received ● How decision was made ● Procurement checklist
<p>>\$25,000 ≤ \$150,000</p>	<ul style="list-style-type: none"> ● Program Director ● Executive Director ● Board of Directors 	<p>3 written bids (Request for Bids or Request for Proposals)</p>	<ul style="list-style-type: none"> ● Copy of RFB or RFP ● Proposal scoring grids including who participated in the scoring ● Proposal and contract of winning bid ● Procurement checklist

<p>> \$150,000</p>	<ul style="list-style-type: none"> ● Program Director ● Executive Director ● Board of Directors 	<p>3 written bids (Request for Bids or Request for Proposals)</p>	<ul style="list-style-type: none"> ● Copy of RFB or RFP ● Proposal scoring grids including who participated in the scoring ● Proposal and contract of winning bidder ● Procurement checklist
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Pre-Qualified Contractors

East Missouri Action Agency, Inc. encourages departments to develop lists of approved contractors that can be used throughout the year to be used for purchases in excess of the micro-purchase limit. The process to identify an approved contractor is as follows.

1. Develop a list of similar, commonly-purchased items that can be acquired from a single contractor. Examples are office supplies and classroom supplies.
2. Get cost estimates for the list in total, not for each item. Include shipping costs, if necessary.
3. Obtain 2 or 3 quotes, depending on the level of expected spending for the year
4. Compare the quotes.
5. The contractors with lowest prices, including shipping, will be approved for use during the year.
6. This process could result in multiple approved contractors if the prices are within 5% of each other.

This process should be repeated annually, with the approved list produced by January 15. Contractors may be added throughout the year, but all contractors will be reevaluated January 1.

Use of Purchase Orders

It is the policy of East Missouri Action Agency, Inc. to utilize a purchase order system. A properly completed purchase order shall be required for each purchase decision (i.e. total amount of goods and services purchased, not unit cost) in **excess of \$3,500**, with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this manual. A properly completed Purchase Order shall contain the following information, at a minimum:

1. Specifications or statement of services required
2. Vendor name, address, point of contact and phone number
3. Source of funding (if applicable)
4. Special conditions (if applicable)
5. Catalog number, page number, etc. (if applicable)
6. Net price per unit, less discount, if any
7. Estimated range of amount of order
8. Date PO prepared
9. All proper signatures: initiator, program director and executive director.

The Purchase Order is a 3-page form. The white page goes to the vendor; the pink page goes to the financial specialist who does property; and the yellow page goes to the financial specialist for payment. Purchase orders shall be pre-numbered, kept in a secure area in the Accounting Department, and issued upon request from an authorized purchaser.

One purchase order can apply to multiple purchases as long as the purchase amount does not exceed the purchase order amount.

Required Solicitation of Quotations from Contractors

Solicitations for goods and services (requests for proposals (RFPs)) 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. Descriptions shall not contain features which unduly restrict competition. *(2 CFR Part 200.319(c)(1))*
2. Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals. (See EVALUATION OF ALTERNATIVE CONTRACTORS below for required criteria.) *(2 CFR Part 200.319(c)(2))*
3. Technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards. *(2 CFR Part 200.319(c)(1))*
4. The specific features of "brand name or equal" descriptions that bidders are required to meet when appropriate. *(2 CFR Part 200.319(c)(1))*
5. A description of the format, if any, in which proposals must be submitted, including the name of the person to whom proposals should be sent.
6. The date by which proposals are due.
7. Required delivery or performance dates/schedules.
8. Clear indications of the quantity(ies) requested and unit(s) of measure.

Extension of Due Dates and Receipt of Late Proposals

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 vendor requests an extension to a due date specified in a solicitation, and such an extension is both justified and compatible with the requirement of East Missouri Action Agency, Inc., an extension may be granted by the purchasing representative. Vendor proposals are considered late if received after the due date and time specified in the solicitation. All such late proposals shall be marked "Late Proposal" on the outside of the envelope and retained, unopened, in the procurement folder. Vendors that submit late proposals shall be sent a letter notifying them that their proposal was late and could not be considered for award.

Evaluation of Alternative Vendors

Alternative vendors shall be evaluated on a weighted scale that considers the following criteria:

1. Adequacy of the proposed methodology of the vendor
2. Skill and experience of key personnel
3. Demonstrated company experience
4. Other technical specifications (designated by department requesting proposals)
5. Compliance with administrative requirements of the request for proposal (format, due date, etc.)
6. Vendor's financial stability
7. Vendor's demonstrated commitment to the nonprofit sector
8. Results of communications with references supplied by vendor
9. Ability/commitment to meeting time deadlines
10. Cost
11. Minority-or-women-owned business status of vendor
12. Other criteria (to be specified by department requesting proposal)

Not all of the preceding criteria may apply in each purchasing scenario. However, in each situation requiring consideration of alternative vendors, the department responsible for the purchase shall establish the relative importance of each criterion prior to requesting proposals and shall evaluate each proposal on the basis of the criteria and weighting that have been determined.

After a vendor has been selected and approved by the Program Director, the Executive Director shall approve the proposal prior to entering into the contract.

Affirmative Consideration of Minority, Small Business, Women-Owned Businesses, and Labor Surplus Area Firms (2 CFR Part 200.321)

Positive efforts shall be made by East Missouri Action Agency, Inc. to utilize small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms whenever possible.

Therefore, the following steps shall be taken:

1. Ensure that small business, minority-owned firms, women's business enterprises, and labor surplus area firms are used to the fullest extent practicable. (2 CFR Part 200.321)

2. 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, women's business enterprises, and labor surplus area firms. *(2 CFR Part 200.321(b)(4))*
3. Consider in the contract process whether firms competing for larger contracts tend to subcontract with small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms. *(2 CFR Part 200.321(b)(6))*
4. Encourage contracting with consortiums of small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms when a contract is too large for one of these firms to handle individually. *(2 CFR Part 200.321(b)(3))*
5. Use services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency. *(2 CFR Part 200.321(b)(5))*

Special Purchasing Conditions

Emergencies:

Where equipment, materials, parts, and/or services are needed, quotations will not be necessary if the health, welfare, safety, etc., of staff and protection of Organization property is involved. The reasons for such purchases will be documented in the procurement file.

Single Distributor/Source:

Sole source purchases may be made when one or more of the following circumstances apply:

- The item or service is only available from a single source;
- The situation is an emergency and will not permit a delay resulting from competitive solicitation;
- The awarding agency expressly authorizes a noncompetitive proposal in response to a written request; or
- After solicitation, competition is deemed inadequate (insufficient bidders).

Approval from the awarding agency may be required.

Federal-Funded Program:

Purchases that will be charged to program funded with federal awards will be subject to additional policies. These policies are described in a separate section, "Policies Associated With Federal Awards".

Availability of Procurement Records

(2 CFR Part 200.324(b))

East Missouri Action Agency, Inc. shall, on request, make available for the federal awarding agency, pre-award review and procurement documents, such as requests for proposals, when any of the following conditions apply:

- The process does not comply with the procurement standards in 2 CFR Part 200. (2 CFR Part 200.324(b)(1))
- The procurement is expected to exceed the federally-defined simplified acquisition threshold (\$150,000) and is to be awarded without competition or only one bid is received. (2 CFR Part 200.324(b)(2))
- The procurement exceeds the simplified acquisition threshold and specifies a “name brand” product. (2 CFR Part 200.324(b)(3))
- The proposed award exceeds the federally-defined simplified acquisition threshold and is to be awarded to other than the apparent low bidder under a sealed-bid procurement. (2 CFR Part 200.324(b)(4))
- A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the federally-defined simplified acquisition threshold. (2 CFR Part 200.324(b)(5))

Provisions Included in All Contracts

(2 CFR Part 200 Appendix II)

East Missouri Action Agency, Inc. includes all of the following provisions, as applicable, in all contracts charged to federal awards (including small purchases) with contractors and subgrants to grantees:

1. **Contracts** for more than the simplified acquisition threshold currently set at \$150,000, must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.
2. All contracts in excess of \$10,000 must address termination for cause and for convenience by the non-federal entity including the manner by which it will be effected and the basis for settlement.
3. **Equal Employment Opportunity:** All contracts that meet the definition of “federally assisted construction contract” in 41 CFR Part 60-1.3 must include the equal opportunity clause provided under 41 CFR 60-1.4(b), in accordance 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.”
4. **Davis-Bacon Act, as amended (40 U.S.C. 3141-3148):** When required by federal program legislation, all prime construction contracts in excess of \$2,000 awarded by East Missouri Action Agency, Inc. and its sub-recipients must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144 and 3146-3148) and as supplemented by Department of Labor regulations (29 CFR part 5, “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”).

5. The contracts must also include a provision for compliance with the **Copeland “Anti-Kickback” Act (40 U.S.C. 3145)**, as supplemented by Department of Labor regulations (29 CFR part 3). The Act provides that each contractor or sub-recipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled.
 6. **Contract Work Hours and Safety Standards Act (40 U.S.C. 3701-3708)**. Where applicable, all contracts awarded by the non-federal entity in excess of \$100,000 that involve the employment of mechanics or laborers must include provisions concerning overtime pay and working conditions in compliance with 40 U.S.C. 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR Part 5).
 7. **Rights to Inventions Made Under a Contract or Agreement:** If the federal award meets the definition of “funding agreement” under 37 CFR 401.2(a) and the recipient or sub-recipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, the recipient or sub-recipient must comply with the requirements of 37 CFR Part 401, “Rights to Inventions Made by Nonprofit Organization and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements,” and any implementing regulations issued by the award agency.
 8. **Clean Air Act (42 U.S.C. 7401-7671q) and the Federal Water Pollution Control Act (33 U.S.C. 1251-1387), as amended:** Contracts and subgrants of amounts in excess of \$150,000 must contain a provision that requires the non-federal award to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401-7671q) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251-13287). Violations must be reported to the federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
 9. **Debarment and Suspension (E.O.s 12549 and 12689):** A contract award must not be made to the parties listed on the government-wide exclusions in the System for Award Management (SAM), in accordance with E.O.’s 12549 and 12689, “Debarment and Suspension.” SAM Exclusions contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than E.O. 12549.
- A list of excluded parties can be found at www.sam.gov. Note that some federal grants require evidence that a search for debarment or suspension status was completed for every purchase.***
10. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** Contractors that apply or bid for an award exceeding \$100,000 must file the required 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.

Right to Audit Clause

East Missouri Action Agency, Inc. may require a "Right to Audit" clause in all contracts between the Organizations and contractors that either:

1. Take any form of temporary possession of assets directed for the Organization, or
2. Process data that will be used in any financial function of the Organization.

This Right to Audit clause shall permit access to, and review of, all documentation and processes relating to the contractor's operations that apply to East Missouri Action Agency, Inc., as well as all documents maintained or processed on behalf of East Missouri Action Agency, Inc., for a period of three years. The clause shall state that such audit procedures may be performed by East Missouri Action Agency, Inc. employees or any outside auditor or contractor designated by the Organization.

Contractor Files and Required Documentation

The Accounting department shall create a contractor file for each new contractor or re-activated contractor from whom East Missouri Action Agency, Inc. purchases goods or services.

Contractor files shall have the following information:

1. Completed and signed Form W-9 and copy of current liability and workers' compensation insurance. Contractors being reactivated are required to complete a new Form W-9 to verify current name, address, and tax ID number. Contractors who do not comply with completing a new W-9 and providing applicable insurance coverages will have payment withheld.
2. All appropriate contractors will be issued a form 1099 at the end of each calendar year.
3. Contractors with a post office (PO) box shall provide a physical location address for the master file. The PO Box number may be used for postal purposes. The contractor name and physical address will be verified by performing an online search and or mailing of contractor forms that are required to be returned.
4. An exception will be made on case to case instances for individuals not required to have workers compensation based on the type of work performed. This decision will be by the executive director.

The following procedures will be performed prior to creating or re-activating all contractor files to help ensure that each contractor only has one master file:

1. Search for existence of the tax ID number in the master file
2. Search for name variations and name standardization (entity resolution) (e.g. Doe, John; J Doe; John Doe)
3. Search for matching or similar addresses
4. Perform an online search of the contractor and the physical address to determine validity
5. Search for matches against the employee master file

Contractor Master File Maintenance

East Missouri Action Agency, Inc. will monitor the contractor master file on a regular basis, with a full review of the master listing completed every year prior to year-end.

The Accounting Department will review the master file for:

1. Duplicate contractors. Contractors with the same or similar tax ID number, name, address, email, contact, and other information. Duplicate contractors will be merged.
2. Contractors with a post office (PO) box address. Contractors with only a PO Box will be required to provide a physical location address for the master file.
3. Contractors without activity in the past three years will be inactivated. Inactivated contractors must go through the contractor creation process before being re-activated.

Vendor Files and Required Documentation

See the section on "Payroll and Related Policies" for guidance on determining whether a vendor should be treated as an employee. Vendors must have a completed signed W-9 form in the Accounting Department files prior to payments being processed.

Officers, board members, employees and agents of East Missouri Action Agency, Inc, shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements. However, unsolicited gifts of a nominal value \$25 or less may be accepted with the approval of the Executive Director.

Receipt and Acceptance of Goods

When goods are received from vendors the following inspection procedures shall be 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
5. Record an indication of counts on the purchase order, if applicable
6. If multiple items are listed on a purchase order, and/or packing slip the inspector may write "all" on the purchase order indicating that all items have been received

It is the policy of East Missouri Action Agency, Inc. to perform the preceding inspection procedures in a timely manner in order to facilitate prompt return of goods and/or communication with vendors.

Contract Administration

Agency is required to have policies and procedures on contract administration. (2 CFR Part 200.318(b)) Therefore, all contract managers will adhere to the following procedures.

1. Contract administration files shall be maintained:
 - a. For each contract greater than \$10,000 a separate file shall be maintained.
 - b. For contracts less than \$10,000, contract records may be combined in a single file by grant or other funding source.

2. Contract administration files shall contain:
 - a. The required documentation specified in the authorizations and purchasing limits table for the original scope of work and for all amendments.
 - b. Where the contract work is identified in the grant award or budget, the identification and scope of the work contained in the award or budget, and all approved changes.
3. Authorization of work:
 - a. No work shall be authorized until the contract for the work has been approved and fully executed.
 - b. No change in the work shall be authorized until an amendment to the contract for the work has been approved and fully executed.
 - c. No amendment of a contract for work shall be executed until it has been approved and authorized as required in the Authorizations and Purchasing Limits table and, where required by the terms of the grant award or budget, approval by the funding source.
4. Conformance of work:
 - a. For each grant award, based on applicable laws, regulations and grant provisions, the Program Director shall establish and maintain a system to reasonably assure that the contractor:
 - i. Is in conformance with the terms, conditions, and specifications of the contract, and
 - ii. Provides timely follow-up of all purchases to assure such conformance and adequate documentation.
5. The Program Manager will authorize payment of invoices to contracts after final approval of work products.

Credit Card Policy

The Agency currently uses credit cards. The following procedures are to be used to monitor the use of the credit cards:

1. Cards are issued to the Agency and distributed to authorized employees by the appropriate program directors. Those employees are responsible for the safekeeping of the cards and are allowed to only make authorized purchases.
2. Credit limits and purchasing limitations will be established for each employee individually.
3. The accounting department will keep a master list of all cards with the name of the individual, account number, department and credit limit.
4. Purchases of \$3500 or less must be approved by the program director. Purchases greater than \$3500 must be approved by the program director and executive director.
5. After allowed purchases are made, signed receipts and other supporting documentation are given to the appropriate program director for approval and coding. The receipt and supporting

documentation are then forwarded through the electronic accounts payable system within two business days of purchase.

6. The credit card statements are reconciled with tickets turned in. Inquiries regarding missing tickets are forwarded to the appropriate departments. It is imperative that tickets be turned in timely to ensure that the Agency isn't charged finance charges and fees.
7. Credit card activity will be monitored by the accounting department on at least a weekly basis to make sure that receipts are coming in on a timely basis.
8. On a regular basis credit card information will be provided to the board of directors.
9. Personal use of corporate purchasing cards is strictly prohibited. Any personal use will subject the employee to disciplinary actions of the Agency's personnel policies.

SUB-RECIPIENTS

Making of Sub-awards

From time to time, Agency may find it practical to make sub-awards of federal funds to other organizations. All sub-awards in excess of the simplified acquisition threshold (\$150,000) shall be subject to the conflict of interest policies described in the PURCHASING POLICIES AND PROCEDURES section. In addition, all sub-recipients must be approved in writing by the federal awarding agency and agree to the sub recipient monitoring provisions described in the next section.

The Agency is required to evaluate each sub-recipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the sub-award to determine the appropriate monitoring. Evaluations may include such factors as: *(2 CFR Part 200.331(b))*

- The sub-recipient's prior experience with the same or similar sub-awards;
- The results of previous audits including whether or not the sub-recipient receives a Single Audit, and the extent to which the same or similar sub-award has been audited as a major program;
- Whether the sub-recipient has new personnel, or new or substantially changed systems; and
- The extent and results of federal awarding agency monitoring (e.g., if the sub-recipient also receives federal awards directly from a federal awarding agency).

In addition, the Agency shall obtain the following documents from all new sub-recipients:

1. Articles of Incorporation
2. Bylaws or other governing documents
3. Determination letter from the IRS (recognizing the sub-recipient as exempt from income taxes under IRC section 501(c)(3))
4. Last three years' Forms 990 or 990-EZ, including all supporting schedules and attachments (also Form 990-T, if applicable)
5. Copies of the last three years' audit reports and management letters received from sub-recipient's independent auditor (including all reports associated with audits performed in accordance with 2 CFR Part 200.500 – 521, if applicable)

6. Copy of the most recent internally-prepared financial statements and current budget
7. Copies of reports of government agencies (Inspector General, state or local government auditors, etc.) resulting from audits, examinations, or monitoring procedures performed in the last three years

Monitoring of Sub-recipients

When the Agency utilizes federal funds to make sub-awards to sub-recipients, Agency is subject to a requirement to monitor each sub-recipient in order to provide reasonable assurance that sub-recipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program.

In fulfillment of its obligation to monitor sub-recipients, the following policies apply to all sub-awards of federal funds made by the Agency to sub-recipients:

The following required information will be provided to all sub-recipients:

1. Federal Award Identification.
 - a. Sub-recipient name (which must match the name associated with its unique entity identifier);
 - b. Sub-recipient's unique entity identifier;
 - c. Federal Award Identification Number (FAIN);
 - d. Federal Award Date;
 - e. Sub-award Period of Performance Start and End Date;
 - f. Amount of federal funds obligated by this action;
 - g. Total Amount of federal funds obligated to the sub-recipient;
 - h. Total Amount of the federal award;
 - i. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - j. Name of federal awarding agency, pass-through entity, and contact information for awarding official;
 - k. Catalogue of Federal Domestic Assistance (CFDA) Number and Name. Agency must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement;
 - l. Identification of whether the award is research and development (R & D); and
 - m. Indirect cost rate for the federal award (including if the de minimis rate is charged per 2 CFR Part 200.414 Indirect (F&A) costs).
2. All requirements are imposed by the Agency on the sub-recipient so that the federal award is used in accordance with federal statutes, regulations and the terms and conditions of the federal award.

3. Any additional requirements that the Agency imposes on the sub-recipient in order for Agency to meet its own responsibility to the federal awarding agency including identification of any required financial and performance reports.
4. An approved federally recognized indirect cost rate negotiated between the sub-recipient and the federal government or, if no such rate exists, either a rate negotiated between the Agency and the sub-recipient (in compliance with this part), or a de minimis indirect cost rate as defined in 2 CFR Part 200.414(f), Indirect Costs.
5. A requirement that the sub-recipient permit Agency and auditors to have access to the sub-recipient's records and financial statements as necessary for the Agency to meet the monitoring requirements of 2 CFR Part 200.
6. Appropriate terms and conditions concerning closeout of the sub-award.
7. Sub-awards shall require that sub-recipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.
8. Sub-awards shall require that sub-recipients submit financial and program reports to Agency on a basis no less frequently than monthly.
9. The Agency will follow up with all sub-recipients to determine whether all required audits have been completed. Agency will cease all funding of sub-recipients failing to meet the requirement to undergo an audit in accordance with 2 CFR Part 220.501. For sub-recipients that properly obtain an audit in accordance with 2 CFR Part 200.501, the Agency shall obtain and review the resulting audit reports for possible effects on the Agency's accounting records or audit.
10. The Agency shall assign a staff member the responsibility of monitoring each sub-recipient on an ongoing basis during the period of performance. This employee will establish and document, based on her or his understanding of the requirements that have been delegated to the sub-recipient, a system for the ongoing monitoring of the sub-recipient.
11. Ongoing monitoring of sub-recipients will vary from sub-recipient to sub-recipient based on the nature of work assigned to each. However, ongoing monitoring activities may involve any or all of the following:
 - a. Regular contacts with sub-recipients and appropriate inquiries regarding the program.
 - b. Reviewing programmatic and financial reports prepared and submitted by the sub-recipient and following up on areas of concern.
 - c. Monitoring sub-recipient budgets.
 - d. Performing site visits to the sub-recipient to review financial and programmatic records and assess compliance with applicable laws, regulations, and provisions of the sub-award.
 - e. Offering sub-recipients technical assistance where needed.

- f. Maintaining a system to track and follow up on deficiencies noted at the sub-recipient in order to ensure that appropriate corrective action is taken.
 - g. Establishing and maintaining a tracking system to ensure timely submission of all reports required of the sub-recipient.
12. Documentation shall be maintained in support of all efforts associated with monitoring of sub-recipients.
13. In connection with any sub-recipient that has been found to be out of compliance with provisions of its sub-award with Agency, responsive actions by the Organization shall be determined by the appropriate Department Director and the Agency CPA. Such actions may consist of any of the following actions:
- a. Increasing the level of supporting documentation that the sub-recipient is required to submit to Agency on a monthly or periodic basis.
 - b. Requiring that sub-recipient prepare a formal corrective action plan for submission to Agency.
 - c. Requiring that certain employees of the sub-recipient undergo training in areas identified as needing improvement.
 - d. Requiring documentation of changes made to policies or forms used in administering the sub-award.
 - e. Arranging for on-site (at the sub-recipient's office) oversight on a periodic basis by a member of the Agency accounting or grant administration staff.
 - f. Providing copies of pertinent laws, regulations, federal agency guidelines, or other documents that may help the sub-recipient.
 - g. Arranging with an outside party (such as Agency's own independent auditors) for periodic on-site monitoring visits.
 - h. Reimbursing after-the-fact, and not provide advances.
 - i. Requiring review and approval for each disbursement and all out-of-area travel.
 - j. As a last resort, terminating the sub-award relationship and seeking an alternative.

ACCOUNTS PAYABLE MANAGEMENT

Overview

East Missouri Action Agency, Inc. strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

It is the policy of East Missouri Action Agency, Inc. that an employee independent of ordering and receiving performs the recording of assets or expenses and the related liability. The amounts recorded are based on the vendor invoice for the related goods or services. The vendor invoice should be supported by an approved purchase order where necessary, and should be reviewed, coded and approved by a Program Director or designee prior to being processed for payment. Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

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

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

1. All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner
2. Information is entered into the electronic payment system from approved invoices or disbursement vouchers with appropriate documentation attached with the exception of garnishments.
3. No vendor statements shall be processed for payment.

Accounts Payable Cut-Off

1. For purposes of the preparation of the Organization's monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation by the seventh business day of the following month shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end.
2. An aged accounts payable report is printed and reviewed on a monthly basis.

Receipt of Invoices

Invoices need to be coded and approved prior to being submitted to the accounting department. A financial specialist establishes invoice control as soon as invoices are received in the accounting department.

Preparation of a Voucher Package

Prior to any accounts payable being submitted for payment, a package called a "voucher package" shall be assembled. Each voucher package shall contain the following documents:

1. Vendor invoice (or employee expense report);
2. Packing slip (where appropriate);
3. Documentation of receipt of merchandise and authorization of acceptance;

4. Purchase order (for purchases in excess of \$3500 or notation of blanket purchase order number);
5. Any other supporting documentation deemed appropriate;
6. Document the general ledger distribution, using the Organization's current chart of accounts, including notation of blanket purchase order number if appropriate;
7. Obtain the review and approval of the Program Director (or their designee) associated with the goods or services purchased;
8. **Weatherization Department invoices must have Program Director or Executive Director approval;**
9. **Prior to payment, the Weatherization Department will attach a completed preliminary inspection form for work completed as specified. Prior to final payment at the completion of the work, a final inspection will be attached to final invoice.**
10. Approved invoices are received and posted into the accounting software either manually or through the paperless accounts payable software;

Approvals by Program Directors or designated signatory indicate their acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with general ledger account codes, and agreement to pay vendor in full. Approvals shall be documented with initials or signatures of the approving individual. For those payments made through the accounts payable processing system, approvals will be made electronically.

Processing of Voucher Packages

Approved accounts payable invoices will be processed in the following manner by the Accounting Department to ensure that the individual who enters the invoice for payment is not the same individual who approves or mails the payment to the vendor.

1. As needed, but at least once a week, checks, ach payments and auto payments are processed by a designated individual who is responsible for printing the checks, attaching the proper documentation to the check stub and forwarding the entire check batch to a designated individual for review.
2. Checks, ach and auto pay vendor payments are carefully checked for proper payment amounts and documentation.
3. Payments made using the paperless accounts payable software will be spot checked back to supporting documentation.
4. The check register is examined to ensure that all checks are accounted for as well as the comparison of the last check number from the previous batch and the first number of the current check run.
5. Any missing check numbers or a check that is processed out of order will be thoroughly investigated.
6. Following the review, the check register is dated and initialed indicating the information is correct. The checks and paperwork are given to a designated employee who is responsible for mailing them out.
7. ACH files are not submitted to bank until after all payments have been approved.
8. All documentation will be scanned and stored in the electronic file system.

Payment Discounts

To the extent practical, it is the policy of East Missouri Action Agency, Inc. to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be schedule so as to take full advantage of the discounts.

Employee Expense Reports

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form (see further policies under "Business Travel"). 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 for payment in the next vendor payment cycle if received within 5 business days of the deadline.

BUSINESS TRAVEL

Mileage

The Agency uses a web based mileage software to record and monitor mileage. The following procedures are currently in place:

1. Employees are set up in the mileage software.
2. Employees enter in trip information to create mileage for individual trips.
3. An appropriate supervisor approves mileage amounts and cost codes.
4. A review is done in the accounting department of overrides and system flags.
5. Payments are made from approved trip reports at least once a month.

Travel Request

The request must have prior approval by the appropriate Program Director and the Executive Director or designee prior to being submitted to the Accounting Department along with the meeting agenda if available. The travel request will be submitted to the Accounting Department at least five (5) working days prior to the anticipated travel. If the employee has not received notification of the meeting in advance, the accounting department will make every effort to issue the check. If the travel advance is requested and approved, the Accounting Department will issue a check or ach in a timely manner.

The Accounting Department will follow the personnel policy manual for the processing of the travel advance.

Within five (5) working days following his/her return the traveler will submit to the Accounting Department the following documents, which have been approved by the Program Director and the Executive Director.

1. Documentation must justify that participation of the traveler is necessary for the federal award and costs are reasonable and consistent with East Missouri Action Agency, Inc.'s (*2 CFR Part 200.474(b)(1) and (2)*);
2. Completed out of town travel reconciliation between actual expenses and advance;
3. Complete meeting report form;
4. Agenda, if not available when the advance is received;
5. Executive Director's approval of actual expenses will be required under two (2) circumstances: when the traveler is an individual who reports directly to the Executive Director or when the actual expenses exceed the travel advance by more than 20%.

The Accounting Department will reimburse any additional out-of-pocket expenses through the accounts payable process. Any excess travel advance will be paid back by the traveler with the submission of the out of town travel reconciliation.

No out-of-area travel will be approved for anyone who has failed to turn in a final travel claim for a trip made more than one month prior to the proposed trip.

The Accounting Department will notify the Executive Director of travel that has occurred and for which no final travel claim has been filed. If the employee does not return the travel form, the entire amount of the travel advance can be deducted from their payroll check.

The Accounting Department will provide a monthly out of area travel report to be included in the Board book provided to the Board of Directors.

Reasonableness of Travel Costs

East Missouri Action Agency, Inc. shall reimburse travelers only for those business-related costs that are reasonably incurred. Accordingly, the following guidelines shall apply:

1. Suites and other upgraded rooms at hotels shall not be allowed. Travelers should stay in standard rooms
2. When utilizing rental cars, travelers should rent midsize or smaller vehicles. Share rental cars whenever possible
3. Personal long-distance calls while away on business are reimbursable if kept to a minimum such as one nightly call home to family. Personal calls in excess of this shall not be reimbursed.
4. Reasonable tips for baggage handling shall be reimbursed. No receipts are required.
5. Parking fees are allowed with a receipt.

Special Rules Pertaining to Air Travel

The following additional rules apply 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. Cost of upgrade certificates is not reimbursable
5. 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.)
6. 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. East Missouri Action Agency, Inc. will not reimburse for the personal legs of a trip)

Spouse/Partner Travel

It is the policy of East Missouri Action Agency, Inc. not to reimburse any employee/director or board member for additional travel costs (air fare, etc.) associated with his/her spouse or partner. The cost of a shared hotel room need not be allocated between employee/director or board member and spouse/partner if no additional cost is incurred for purposes of the policy.

Refer to Personnel Policies and Procedures for most updated travel policies

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Payments

It is the policy of East Missouri Action Agency, Inc. to print vendor checks and expense reimbursement checks on a weekly basis, excluding mileage. Persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers shall prepare checks.

All vendor and expense reimbursement checks shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment policies described in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors
3. Generally, all vendors shall be paid ten business days after programs submitting a correct invoice package to the Accounting Department.
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. Check numbers will be assigned in numerical order (unused check stock are stored in a locked area in the Accounting Department)
6. Checks shall never be made payable to "bearer" or "cash"
7. No payments for gift cards unless the appropriate program director authorizes;
8. Checks shall never be signed prior to being prepared
9. All paid invoices will be marked in a manner to show that they have been paid.
10. All documentation will be scanned and stored in the electronic file system.

Check Signing

Checks are signed as they are printed. All documentation and approvals must be obtained prior to processing vendor payments. Manual checks are signed after the check is typed.

Mailing of Checks

After printing, checks are reviewed for errors by a financial specialist. Once errors, if any or resolved, a designated employee then mails checks immediately. Individuals who process payments shall not review or mail checks. All documentation will be scanned and stored in the electronic file system.

Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "VOID". All voided checks shall be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction and written authorization to the bank by accounting personnel with this authority. Prior to re-issuing of checks the Accounting Department needs written verification from the payee stating they did not receive their check. The check will be re-issued with the next check run. All documentation will be scanned and stored in the electronic file system.

ACH and Auto Withdrawal Payments

It is the policy of East Missouri Action Agency, Inc. to make payments by ach and automatic withdrawal when possible. The following procedures are followed

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel policies described in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors
3. Generally, all vendors shall be paid ten business days after programs submitting a correct invoice package to the Accounting Department.
4. Total cash requirements associated with each ach and automatic withdrawal is monitored in conjunction with available cash balance in bank prior to payments being processed.

Record-Keeping Associated with Independent Contractors

East Missouri Action Agency, Inc. shall obtain a completed Form W-9 from vendors to whom payments are made. 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 accumulated over the course of a calendar year.

PAYROLL AND RELATED POLICIES

Classification of Workers as Independent Contractors or Employees

It is the policy of East Missouri Action Agency, Inc. to consider all relevant facts and circumstances regarding the relationship between East Missouri Action Agency, Inc. and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between East Missouri Action Agency, Inc. and the individual. Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral control
2. Financial control
3. The type of relationship of the parties

Facts associated with each of these categories that will be considered by East Missouri Action Agency, Inc. in making employee/contractor determinations shall include:

1. Behavioral control:
 - a. Instructions given by East Missouri Action Agency, Inc. to the worker that indicates control over the worker (suggesting an employee relationship) such as:
 - i. When and where to work
 - ii. What tools or equipment to use
 - iii. What workers to hire or to assist with the work
 - iv. Where to purchase supplies and services
 - v. What work must be performed by a specified individual
 - vi. What order or sequence to follow
 - b. Training provided by East Missouri Action Agency, Inc. to the worker (i.e. employees typically are trained by their employer, whereas contractors typically provide their own training)
2. Financial control:
 - a. The extent to which the worker has unreimbursed business expenses (i.e. employees are more likely to be fully reimbursed for their expenses than is a contractor)
 - b. The extent of the worker's investment in the facilities/assets used in performing services for East Missouri Action Agency, Inc. (greater investment associated with contractors)
 - c. The extent to which the worker makes services available to the relevant market
 - d. How East Missouri Action Agency, Inc., pays the worker (i.e. guaranteed regular wage for employees vs. flat fee paid to some contractors)?
 - e. The extent to which the worker can realize a profit or loss
3. Type of Relationship:
 - a. Written contracts describing the relationship that East Missouri Action Agency, Inc. and the individual intend to create
 - b. Whether East Missouri Action Agency, Inc. provides the worker with employee-type benefits, such as insurance, paid leave, etc.
 - c. The permanency of the relationship
 - d. The extent to which services performed by the worker is a key aspect of the regular business of East Missouri Action Agency, Inc.

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 as required by the IRS. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis).

If an individual qualifies as an employee, a personnel file will be created for that individual and all documentation required by the East Missouri Action Agency, Inc personnel policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

Payroll Administration

East Missouri Action Agency, Inc. operates a bi-weekly payroll. For all East Missouri Action Agency, Inc. employees, a personnel file is established and maintained with current documentation, as described throughout this section and more fully described in East Missouri Action Agency, Inc.'s Personnel Manual

The following forms, documents and information shall be obtained and included in the personnel files of all new employees:

1. East Missouri Action Agency, Inc. Employment Application (or resume, if applicable)
2. Form W-4 Employee Federal Withholding Certificate
3. Form MO-W4 State Withholding Certificate
4. Copy of driver's license
5. Copy of Social Security card issued by the Social Security Administration
6. Starting date and schedule hours
7. Job title and starting salary
8. Authorization for direct deposit of paycheck, along with a voided check

For employees without a current, valid driver's license, acceptable alternative documents shall include:

1. U.S. Passport
2. Certificate of U.S. Citizenship (INS Form N-560 or N-561)
3. Voter's registration card
4. U.S. Military card
5. ID card issued by a federal, state or local government, provided it contains a photo
6. School record or report card (for persons under age 18 only)

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

1. U.S. Passport
2. Certificate of U.S. Citizenship (NS 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 1-197)
6. Native American tribal document
7. ID Card for use of Resident Citizen in the United States (ins Form 1-179)

Each employee payroll file shall also indicate whether the employee is exempt or non-exempt from the provisions of the Fair Labor Standards Act.

Changes in Payroll Data

It is the policy of East Missouri Action Agency, Inc. that all of the following 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

The appropriate Program Director and Executive Director must authorize changes in salaries, new hires, and terminations.

The individual employee shall authorize in writing changes in voluntary payroll deductions and changes in income tax withholding status.

Documentation of all changes in payroll data shall be maintained in each employee's personnel file. If a one-time adjustment is authorized by an employee, this information will be kept in the employee's personnel file as well as attached to the personnel action report it concerns.

Payroll Taxes

The Accounting Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. Withholding of federal income taxes shall be based on the most current Form W-4 prepared by each employee.

Standards of Documentation for Personnel Expenses

The Agency follows the requirements in 2 CFR Part 200.430(i), Standards for Documentation of Personnel Expenses, as well as requirements in specific grants.

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

1. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
2. Be incorporated into the official records of the Organization;
3. Reasonably reflect the total activity for which the employee is compensated;
4. Encompass both federally assisted and all other activities compensated by the Organization on an integrated basis;
5. Comply with the established accounting and financial policies and practices of Organization;
and

6. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and non-federal award; an indirect cost activity and a direct cost activity; two or more indirect cost activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Preparation of Personnel Activity Reports

The Agency follows the requirements in 2 CFR Part 200.430(i), Standards for Documentation of Personnel Expenses, as well as requirements in specific grants.

Each East Missouri Action Agency, Inc. employee must complete and approve a personnel activity report no later than 12:00 on the first business day following the close of each pay period. The employee will use the Agency's timekeeping software to complete the personnel activity report. Personnel activity reports shall be prepared in accordance with the following guidelines:

1. Each personnel activity report shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties).
2. Personnel activity reports shall have a description of the work being performed and charged to each program. The employee can use the comments field to list this information.
3. Employees shall identify and record hours worked based on the nature of the work performed.
4. Compensated absences (eto, holiday, sick leave, personal leave, etc.) will be clearly identified as such.
5. The employee approves Personnel Activity Report.
6. The employee's immediate supervisor will approve the Personnel Activity report.

An Organization employee who is on leave, on travel, or is ill on the day that Personnel Activity Reports are due may authorize his/her supervisor (or designated alternate) to approve the report. Time so submitted must reflect the actual time worked and the appropriate classifications. The supervisor or the designated alternate shall approve the Personnel Activity Report.

Processing of Personnel Activity Reports

A designated Financial Specialist performs processing of Personnel Activity Reports in the Accounting Department. This person reviews all Personnel Activity Reports then exports the information for upload into the MIP payroll software.

Tampering with, altering, or falsifying time records, recording time on another employee's time record or willfully violating any other time sheet policy or procedure may result in disciplinary action, up to and including discharge.

If a payday falls on a banking holiday, the Accounting Department will issue the ACH allowing the employee's bank to receive the transfer before the holiday.

Review of Payroll

The Financial Specialist completes an audit of the payroll, including gross pay and deductions, and compares this information to the calculated check register. All appropriate payroll checklists are

updated and utilized to make sure that all deductions, benefits, and payroll taxes have been computed correctly. This information is reviewed prior to posting by an individual other than the person preparing the payroll.

Distribution of Payroll

Payroll vouchers are transferred automatically into the timekeeping software. Employees can view the vouchers in the software.

Payment of All Taxes and Withholdings

After each payroll, all appropriate taxes are paid by the same date of the payroll to ensure timely payment. All appropriate retirement, garnishment and insurance payments shall be paid immediately after the payroll. Proof of these payment shall be forwarded to a designated person for review. All appropriate checklists will be utilized.

Final Pay Check

Final pay checks for employees who have been terminated will be processed following federal and state regulations.

Salary Advance

Salary advances must be requested in writing and approved by the supervisor, Program Director, and Executive Director. The Accounting Department will then have three (3) days to issue a check.

Cost of Living Adjustments (COLA)

COLA's are generally awarded through a grant amendment. Once approved by the funding source, wages will be adjusted based on funder instructions. A COLA shall not allow an employee to be paid past the maximum established compensation for her of his salary range. To be eligible for a COLA, an employee must be currently employed by the Agency.

General Ledger Review of Payroll Liability Accounts

After each payroll, general ledger accounts related to payroll are reconciled to make sure that all balances are accurate and that all activity has posted correctly. At the end of the month the salary accrual entry and accrued eto entry will be calculated and posted after review by a staff accountant. The balances in the general ledger accounts after these entries shall agree to corresponding support for these entries.

POLICIES PERTAINING TO SPECIFIC ASSET AND LIABILITY ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

General Checking Account (operating account):

The primary operating account provides for routine business check disbursements. All cash deposits are made to this account. Cash draws are done on an as needed basis to cover disbursements.

Payroll Account:

The payroll account is separate from the operating account. Only the amount needed to cover each payroll is transferred into this account from the operating account, based on the amount calculated.

The Financial Specialist initiates transfers from the operating account into the payroll account by preparing a cash transfer request to be approved by two Program Directors. Authorized signers on the payroll account will be the same as those on the operating account.

Bank Reconciliation

The entire bank statement is forwarded to the Accounting Department, where someone who is not an authorized check signer prepares reconciliation between the bank balance and general ledger balance. It is the policy of East Missouri Action Agency, Inc. to complete all bank reconciliations within **15 working** days of receipt of each bank statement. All reconciliations must be completed by the end of the following month. **If the bank statement is not received in by the 5th working day, EMAA will download the statement from the internet.** All reconciliations must be completed by the end of the following month.

Bank reconciliations and faxed images are filed in the current year's accounting files each month.

Cash Flow Management

The Accounting Department monitors cash flow needs on an as needed basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as needed basis.

Stale Checks

It is the policy of East Missouri Action Agency, Inc. to write off checks more than 90 days old that have not cleared the Organization's bank. For outstanding checks more than 90 days old, contact will be made with the payee to resolve the issue. After 180 days, stale checks will be transferred to an account called "unclaimed property payable". This will be submitted to the Missouri State Treasurer on the schedule provided in the Mo Revised Statute, Section 447.539.

Opening Cash

It is the policy of East Missouri Action Agency, Inc. to provide for imprest funds (used for clinics to provide change) of \$50.

No disbursements will be made from this cash.

Opening cash reconciliation's are subject to review by the Accounting Department, who may also perform periodic surprise cash counts and reconciliation's.

PREPAID EXPENSES

Accounting Treatment

It is the policy of East Missouri Action Agency, Inc. to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses and to amortize these items over the corresponding time period. For purposes of this policy, payments of less than \$500 shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

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

Procedures

As part of the account coding process performed during the processing of accounts payable, all incoming vendor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account.

The Accounting Department shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule shall be reconciled to the general ledger balance as part of the monthly closeout process.

INVESTMENT POLICIES

Introduction

It is the policy of East Missouri Action Agency, Inc. to treat all assets of the organization, including those funds that are legally unrestricted, as though they are held by East Missouri Action Agency, Inc. in a fiduciary capacity for the purpose of accomplishing the organization's tax-exempt mission. As such, the policies described in this section are to be interpreted in light of that overall sense of stewardship, and the investment standards of East Missouri Action Agency, Inc. shall be those of a prudent investor.

Delegation of Authority

The board of directors of East Missouri Action Agency, Inc. has delegated supervisory authority over its investing activities to the Finance Committee of the board. The Finance Committee is responsible for regularly reporting on the organization's investments to the full board of directors.

The Finance Committee is authorized to retain one or more Investment Counselors to assume the investment management function. In that regard, the Finance Committee may enter into agreements with, delegate investment authority to, pay compensation to, and receive reports from one or more Investment Counselors.

Investment Objectives

East Missouri Action Agency, Inc.'s investment objectives are the preservation and protection of the organization's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments.

Allowable Investments

Investments of East Missouri Action Agency, Inc. shall be made exclusively with the following securities:

1. Federally-insured Certificates of Deposit, not to exceed \$250,000, including interest, at commercial banks or savings and loan institutions;
2. U.S. Treasury securities and securities of Federal agencies and instrumentalities;
3. Repurchase agreements with financial institutions collateralized by U.S. Treasury or Federal agency securities;
4. Corporate bonds and notes rated A or better by Moody's and Standard & Pools;
5. Commercial paper rated P-1/A-1 by Moody's and Standard & Pools.
6. Money market funds that invest in securities approved under these guidelines.

East Missouri Action Agency, Inc. shall not engage in margin transactions, short selling, commodity transactions or use of derivatives.

Diversification

No more than ten percent of the investments of East Missouri Action Agency, Inc. shall be in the securities of any one issuer, with the exception of obligations of the U.S. government, its agencies and instrumentalities, and federally insured certificates of deposit.

Accounting Treatment

All purchased investments shall initially be recorded at cost. All investments acquired by donation to East Missouri Action Agency, Inc. shall initially be recorded at their fair market value as of the date of donation. Donated investments shall be recorded as unrestricted, temporarily restricted, or permanently restricted income and net assets based on the existence or absence of such restrictions, as defined earlier.

Subsequent to acquisition, it shall be the policy of East Missouri Action Agency, Inc. to carry all equity securities with readily determinable fair market values and all debt securities at their market values. Adjustments to market value shall be made in the accounting records and financial statements of East Missouri Action Agency, Inc. on a quarterly basis.

Adjustments to market value result in unrealized gains and losses on investments. Such gains and losses resulting from contributed investments shall be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of explicit restrictions on such appreciation and depreciation from the donor, as defined earlier.

Procedures and Reporting

The following procedures will be followed to ensure that investments are properly managed and that these investment policies are consistent with the mission of East Missouri Action Agency, Inc. and accurately reflect the current financial condition of the Organization:

1. The accounting department shall maintain a schedule of investments and reconcile this schedule with the general ledger and with investment account statements on a monthly basis. The schedule of investments shall include the following information with respect to each investment:
 - a. Date acquired
 - b. Method of acquisition (purchase or donation)
 - c. Cost or basis at acquisition
 - d. Description of investment
 - e. Interest rate (if applicable)
 - f. Date of maturity (if applicable)
 - g. Holder/issuer of security
 - h. Current market value
 - i. Unrealized gain or loss
 - j. Accrued interest receivable (if applicable)
 - k. Income received, year-to-date (i.e. interest, dividends, etc.)
2. The Accounting Department shall prepare a schedule of investments for presentation on a quarterly basis for the Finance Committee and on an annual basis for the Board of Directors.
3. The Contracted CPA and the Executive Director will review investment policies working with the Finance Committee, to determine any appropriate modifications.

4. Recommendations for any revisions or modifications to the investment policy will be made by the Finance Committee to the Board of Directors for their approval.

FIXED ASSET MANAGEMENT

(2 CFR Part 200.313)

Capitalization Policy

Physical assets acquired with unit costs in excess of \$5000 and a useful life of more than a year are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased. Deviations from this policy will be made when a funding source does not allow capitalization of equipment.

Capitalized fixed assets are accounted for at their historical cost and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

If an awarding agency requires a lower amount for equipment, the Agency will adhere to that dollar amount only for that program or contract.

Capitalized assets will be reported as expensed for grants if they were so budgeted in the grant application. However, for the Organization's financial statements, these assets will be capitalized and depreciated according to these policies.

Contributed Assets

Assets with fair market values in excess of \$5000 (per unit) that are contributed to East Missouri Action Agency, Inc. shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset: *(2 CFR part 200.313(d)(1))*

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number or other identification number)
4. Source of the funds used to purchase the equipment, including the federal award number, if applicable
5. Whether the title vests in the Organization or the federal government
6. Information to calculate the federal share of the cost of the equipment, if applicable
7. Location, use, and condition of asset
8. Depreciation method
9. Estimated useful life
10. Ultimate disposition data including the date of disposal and sale price

Insurance Coverage

Adequate insurance coverage will be maintained with respect to equipment and furniture charged to federal awards.

Physical Inventory

A physical inventory of all assets capitalized under the preceding policies will be taken on a bi-annual basis by East Missouri Action Agency, Inc. This physical inventory shall be reconciled to the property log and adjustments made as necessary.

Receipt of Newly Purchased Equipment and Furniture

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

In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the contractor immediately.

Depreciation and Useful Lives

All capitalized assets are maintained in the special fixed assets account group and are not to be included as an operating expense. Fixed assets are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have 8 full months of depreciation (eight-twelfths of one year) recorded for that year.

Estimated useful lives of capitalized assets shall be determined by the Accounting Department in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	Up to 10 yrs
General office equipment	5 yrs
Computer hardware and peripherals	3 yrs
Leased assets	life of lease
Leasehold Improvements	remaining lease term
Buildings	40 years

For accounting and interim financial reporting purposes, depreciation expense will be recorded on a monthly basis.

Repair of Fixed Assets

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

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. Property deemed stolen will be reported to the insurance company as well as the local law enforcement.

If the remaining per unit fair market value is \$5,000 or more, East Missouri Action Agency, Inc. shall gain a written understanding with the federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less \$500 or 10% of the proceeds, whichever is less, to the federal agency. (2 CFR Part 200.313(e)(2))

If the fair market value is under \$5,000 the Agency can dispose of the asset in any manner it wishes. This may include advertising the assets for sale or transferring to another program.

Write-Off of Fixed Assets

If required, funding source approval must be obtained for items purchased with grant/contract dollars prior to writing off a fixed asset.

The Executive Director approves 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 Accounting Department. If not located, this property will be written off the books with the proper notation specifying the reason.

LEASES

Classification of Leases

It is the policy of East Missouri Action Agency, Inc. to classify all leases in which the Organization is a lessee as either capital or operating leases. East Missouri Action Agency, Inc. shall utilize the criteria described in Accounting Standards Codification 840 in determining whether a lease is a capital or operating in nature. Under those criteria, 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 East Missouri Action Agency, Inc. at the end of the lease term.
2. The lease contains a bargain purchase option.
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 (using, as the interest rate, the lesser of East Missouri Action Agency, Inc.'s incremental borrowing rate or, if known, the lessor's implicit rate).

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

Reasonableness of Leases

The Agency assesses the value of leases according to the requirements of 2 CFR Part 200.465, Rental Costs of Real Property and Equipment, considering the following factors;

- The rate is reasonable when compared to similar property in the same area;
- The rate of any alternatives; and
- The type, life expectancy, condition, and value of the property leased.

Rental arrangements will be reviewed every 3 to 5 years to determine if circumstances have changed and other options are available.

Accounting for Leases

All leases that are classified as operating leases and immaterial capital leases shall be 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 East Missouri Action Agency, Inc. 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 of East Missouri Action Agency, Inc.

All leases that are classified as capital leases shall be treated as fixed asset additions of East Missouri Action Agency, Inc. As such, upon the inception of a capital lease, East Missouri Action Agency, Inc. shall record a fixed asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and

interest expense. The fixed asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.

East Missouri Action Agency, Inc. shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms.

ACCRUED LIABILITIES

Identification of Liabilities

The Accounting Department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by East Missouri Action Agency, Inc. at the end of an accounting period are:

- Salaries and wages
- Payroll taxes
- ETO (see policy below)
- Rent
- Interest on notes payable

In addition, East Missouri Action Agency, Inc. shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual. Adjustments to deferred revenue accounts shall be made monthly.

Accrued Leave

Leave will be accrued and paid according to the established personnel policies.

Leave that does not “vest” with employees (i.e. leave that is not paid to employees if unused at the time of termination of employment), such as sick leave, shall not be accrued as a liability of East Missouri Action Agency.

NOTES PAYABLE

Record-Keeping

It is the policy of East Missouri Action Agency, Inc. to maintain a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender
2. Date of agreement or renewal/extension
3. Total amount of debt or available credit
4. Amounts and dates borrowed
5. Description of collateral, if any
6. Interest rate
7. Repayment terms
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender

Accounting and Classification

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position of East Missouri Action Agency. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position.

Demand notes and any other notes without established repayment dates shall always be classified as current liabilities.

Unpaid interest expense shall be accrued as a liability at the end of each accounting period.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

Non-Interest-Bearing Notes Payable

As a charitable organization, East Missouri Action Agency, Inc. may from time to time receive notes payable that do not require the payment of interest, or that require the payment of a below-market rate of interest for the type of obligation involved. In such cases, it shall be the policy of East Missouri Action Agency, Inc. to record contribution income for any unpaid interest.

For demand loans, recording of interest expense and contribution income shall be performed at the end of each accounting period, based on the outstanding principal balance of the loan during that period, multiplied by the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid by East Missouri Action Agency, Inc.

For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate the difference between a normal interest rate for that type of loan and the rate, if any that is required to be paid by East Missouri Action Agency, Inc. The difference between the cash proceeds of the note and the present value shall be recorded as contribution income in the period the loan is made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amount(s) that shall be repaid.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

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

The basic financial statements of East Missouri Action Agency, Inc. that are maintained on an organization-wide basis shall include:

1. **Statement of Financial Position** - reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or non-current/long-term
2. **Statement of Activities** - presents support, revenues, expenses, and other changes in net assets of the organization, by category of net asset (unrestricted, temporarily restricted and permanently restricted)
3. **Statement of Cash Flows** - reports the cash inflows and outflows of the organization in three categories: operating activities, investing activities, and financing activities

A formal presentation of the Organization's annual financial statements shall be provided by the Independent Auditor to the full Board of Directors at the monthly meeting. A meeting will precede this presentation with East Missouri Action Agency, Inc.'s Finance Committee, at which the Finance Committee will vote to accept or reject the annual financial statements. See separate policies regarding the annual audit under "Financial Management Policies."

Frequency of Preparation

The objective of the accounting department is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner.

A monthly set of financial statements shall be prepared on the accrual method of accounting.

Monthly revenue and expense reports will be prepared on the accrual method of accounting.

Review and Distribution

A complete set of budget to actual reports, including the supplemental schedules described above, shall be distributed to the following individuals:

1. Executive Director
2. Program Directors and any other employee with budget-monitoring responsibilities

Financial statements may include an additional supplemental schedule prepared or compiled by the accounting department. The purpose of this schedule is to provide known explanations for material budget variances in accordance with East Missouri Action Agency, Inc.'s budget monitoring policies described later in this manual (under the "Financial Management Policies" section).

GOVERNMENT RETURNS

Overview

To legitimately conduct business, East Missouri Action Agency, Inc. must be aware of its tax and information return filing obligations and comply with all such requirements of federal, state and local jurisdictions. Filing requirements of East Missouri Action Agency, Inc. include, but are not limited to, filing annual information returns with IRS, state charitable solicitation reports, reports for funding sources, annual reporting of compensation paid, and payroll tax withholding tax returns.

Filing of Returns

It is the policy of East Missouri Action Agency, Inc. to become familiar with the obligations in each jurisdiction and to comply with all known filing requirements. The accounting department shall be responsible for identifying all filing requirements and assuring that East Missouri Action Agency, Inc. is in compliance with all such requirements.

It is also the policy of East Missouri Action Agency, Inc. to file complete and accurate returns with all authorities. East Missouri Action Agency, Inc. shall make all efforts to avoid filing misleading, inaccurate or incomplete returns.

Filings made by East Missouri Action Agency, Inc. include, but are not limited to, the following returns:

1. **Form 990** - Annual information return of tax-exempt organizations, filed with IRS. Form 990 for East Missouri Action Agency, Inc. is due on the fifteenth day of the fifth month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.
2. **Form 990-T** - Annual tax return to report East Missouri Action Agency, Inc.'s unrelated trade or business activities (if any), filed with IRS. Form 990-T is due on the fifteenth day of the fifth month following year-end. An automatic 6-month extension of time to file Form 990-T may be obtained by filing Form 8868.
3. **W-2's and 1099's** - Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to federal government by February 28 for manual returns and on March 31 if electronic returns.
4. **Form 941** - Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter.

It is the policy of East Missouri Action Agency, Inc. to comply with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each East Missouri Action Agency, Inc. employee.

Public Access to Information Returns

Under regulations that became effective in 1999, East Missouri Action Agency, Inc. 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. East Missouri Action Agency, Inc.'s original application for recognition of its tax-exempt status (Form 1023 or Form 1024), filed with IRS, and all accompanying schedules and attachments.

It is the policy of East Missouri Action Agency, Inc. to adhere to the following guidelines in order to comply with the preceding public disclosure requirements:

1. Anyone appearing in person at the offices of East Missouri Action Agency, Inc. during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The accounting department 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 by East Missouri Action Agency, Inc., the Organization shall require pre-payment of all copying and shipping charges. For requests for copies that are received without pre-payment, East Missouri Action Agency, Inc. will notify the requester of this policy via phone call or by letter within 7 days of receipt of the original request.
3. After receiving payment, all requested copies should be shipped to requesters within 30 days. Making of all copies and shipping within the 30-day time period shall be the responsibility of the accounting department.
4. For requests for copies made in person during normal business hours, copies shall be provided while the requester waits.
5. East Missouri Action Agency, Inc. shall accept certified checks and money orders for requests for copies made in person. East Missouri Action Agency, Inc. shall accept certified checks, money orders and personal checks as payment for copies of forms requested in writing.

UNRELATED BUSINESS ACTIVITIES

Identification and Classification

It is the policy of East Missouri Action Agency, Inc. to properly identify and classify income-producing activities that are unrelated to the Organization's tax-exempt purpose using the guidelines described in the Internal Revenue Code and underlying regulations. Such income accounts shall be segregated in separate accounts in the general ledger of East Missouri Action Agency, Inc. in order to facilitate tracking and accumulation of unrelated trade or business activities.

Reporting

It is the Policy of East Missouri Action Agency, Inc. to file IRS Form 990-T to report taxable income from unrelated trade or business activities. Form 990-T is not subject to any public access or disclosure requirements. Accordingly, it is the policy of East Missouri Action Agency, Inc. not to distribute copies of Form 990-T to anyone other than management of the Organization.

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview

Budgeting is an integral part of managing any organization in that it is concerned with the translation of organizational goals and objectives into financial and human resource terms. A budget should be designed and prepared to direct the most efficient and prudent use of the organization's financial and human resources. A budget is a management commitment of a plan for present and future organizational activities that will ensure survival. It provides an opportunity to examine the composition and viability of the organization's programs and activities simultaneously in light of the available resources.

Preparation and Adoption

It is the policy of East Missouri Action Agency, Inc. to prepare an annual agency budget on the accrual basis of accounting. To prepare the Organization budget, the Accounting department shall gather proposed budget information from all Program Directors and others with budgetary responsibilities and prepares the first draft of the budget. Annual budgets are developed based on expectations of funds to be received throughout the year.

The budget is then submitted to the Finance Committee of the Board of Directors, and finally to the entire Board of Directors for adoption.

Program budgets that make up the agency overall budgets are developed when funds are awarded.

It is the policy of East Missouri Action Agency, Inc. to adopt a final budget prior to the beginning of the Organization's fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the accounting department to input 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 once the year begins.

Monitoring Performance

It is the policy of East Missouri Action Agency, Inc. to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the Accounting Department and distributed to each Program Director or designee with budgetary responsibilities.

Budget Modifications

Budget modifications are made as necessary by the Program Directors with the assistance of the Accounting Department.

Prior approval of budget modifications may be required by some funding sources.

OPERATING RESERVES

Purpose

The Agency has established an Operating Reserve fund to provide an internal resource of funds to assist the Organization during periods of an unexpected loss of funding, uninsured losses, or unexpected increase in expenses. These reserves may not be used to replace a permanent loss of funding or eliminate an ongoing budget gap.

Establishment and Calculation

The Operating Reserve Fund will be unrestricted, Board designated funds, set aside by action of the Board of Directors. The target minimum amount to be designated as Operating Reserves will be equal to a three month's average of monthly operating expenses consisting of recurring predictable expenses, such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, non-federal share (in-kind), capital purchases, one-time purchases, pass-through payments, and other non-cash expenses are not included in the calculation. Calculation of the average monthly amount will be completed each year after the approval of the annual budget.

Funding of Reserves

The Agency will fund its Operating Reserves with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific revenue source be set aside for Operating Reserves i.e. one-time gifts, bequests, special grants, and/or special funding appeals.

Use of Reserves

The Executive Director will identify the need for accessing the reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this policy. Identification of need will include an analysis of the reason for the shortfall, the availability of other sources of funds before the use of the reserves, and evaluation of the time period that the funds will be required and replenished.

The Executive Director will submit a request to use Operating Reserves to the Finance Committee, including the analysis and determination of the use of funds and plans for replenishment. The Finance Committee will approve or modify the request and authorize transfer from the fund.

The goal of the Agency is to replenish the Operating Reserve funds within six months to restore the fund to the target minimum. Requests that include plans to replenish exceeding six months will be scrutinized more carefully.

Reporting and Monitoring

The Executive Director is responsible for ensuring the Operating Reserves fund is maintained and used only as described in this policy. The Executive Director will be responsible for maintaining records of

the use of these funds and plan for replenishment. Monthly reporting will be provided to the Board of Directors of progress to restore the fund to the target minimum amount.

ANNUAL AUDIT

Arranging for the Annual Audit

Agency will arrange for an annual audit of the Organization's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the Board of Directors will be required to communicate directly with the Organization's Finance Committee upon the completion of their audit. In addition, members of the Finance Committee and Executive Committee are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the independent accounting firm at the Organization's Annual Meeting, after the financial statements have been reviewed and approved by the Finance Committee.

Auditor Independence

Agency may from time to time request the independent auditor to provide services outside the scope of the annual audit and Form 990 preparation. In connection with these non-audit services, it is imperative that the independent auditor remain independent in fact and in appearance in order to continue serving the Organization as its auditor.

Generally, in order to remain independent with respect to the audit, the Organization's auditors should not provide non-audit services that involve performing management functions or making management decisions nor should they provide non-audit services in situations where the non-audit services are significant/material to the subject matter of the audits (or where they would be auditing their own work in connection with the annual audit).

Therefore, it is the Organization's policy to evaluate any non-audit service requested from the independent auditor for possible impairments to the firm's independence, and to not permit the performance of any services that would impair independence. This evaluation shall be performed by the Agency CPA, who may consult the independent auditor or other external sources in making this determination.

In addition, for each non-audit service that is to be provided by the Organization's independent auditor, the Organization shall:

1. Designate a management level individual to be responsible and accountable for overseeing the non-audit service (to be determined by the Executive Director).
2. Establish and monitor performance of the non-audit service to ensure that it meets management's objectives (to be performed by the person designated in step 1).

3. Make any decisions that involve management functions related to the non-audit service and accept full responsibility for such decisions.
4. Evaluate the adequacy of the services performed and findings that result.

How Often to Review the Selection of the Auditor

Agency shall review the selection of its independent auditor in the following circumstances:

1. Any time there is dissatisfaction with the service of the current firm;
2. When a fresh perspective and new ideas are desired; or
3. Every 5 years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every five years, but simply to reevaluate the selection).

Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors shall be considered by Agency in selecting an accounting firm:

1. The firm's reputation in the nonprofit community.
2. The depth of the firm's understanding of and experience with grant-funded not-for-profit organizations and federal reporting requirements under 2 CFR Part 200.
3. The firm's demonstrated ability to provide the services requested in a timely manner.
4. The ability of firm personnel to communicate with Organization personnel in a professional and congenial manner.

The following information should be included in the written Request for Proposal (RFP) to be sent to prospective audit firms:

1. Period of services required
2. Complete description of the services requested (audit, management letter, tax returns, etc.)
3. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
4. Organization chart
5. Chart of account information
6. Financial information about the Organization
7. Copy of prior year reports (financial statements, management letters, etc.)
8. Identification of need to perform audit in accordance with 2 CFR Part 200.500 – 521, and the appropriate OMB Compliance Supplements
9. Other information considered appropriate
10. Description of proposal and format requirements
11. Due date of proposals
12. Overview of selection process (i.e., whether finalists will be interviewed, when a decision shall be made, etc.)
13. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resumes) of key firm members who will serve Agency
3. Client references
4. Information about the firm's capabilities
5. Firm's approach to performing an audit
6. Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings
7. Other resources available from the firm
8. Expected timing and completion of the audit
9. Expected timing of delivery of reports
10. Cost estimate including estimated number of hours per staff member
11. Rate per hour for each auditor
12. Other information as appropriate

In order to narrow down the proposals to the top selections, the Agency CPA shall meet with the prospective engagement teams from each proposing firm to discuss their proposal. Copies of all proposals shall be forwarded to each member of the Finance Committee. After the Agency CPA narrows down the field of prospective auditors to three firms, the Finance Committee makes the final recommendation to the Board of Directors for approval.

Preparation for the Annual Audit

Agency shall be actively involved in planning for and assisting with the Organization's independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the Accounting department shall provide assistance to the independent auditors in the following areas:

Planning

The Agency CPA is responsible for delegating the assignments and responsibilities to finance staff in preparation for the audit. The Agency CPA shall review the list of information requested by the auditors and assign responsibility for each item to the appropriate staff. The Agency CPA shall then schedule and direct status meetings in the weeks leading up to the audit in order to review the progress of staff in preparing for the audit.

The Agency CPA shall arrange and coordinate any and all meetings, interviews, telephone discussions, and conference calls requested by the auditor with Agency Board members, Audit or Finance Committee members, or employees to facilitate the auditor's work. Prior to any such meetings or discussions, the Agency CPA shall inform each Organization participant of the nature of the discussion or meeting and what, if any, preparations they should do prior to the meeting. The Agency CPA shall communicate to each Agency participant in such meetings or discussions the importance of being open, honest, and frank with the auditors with respect to all questions posed by the auditors.

Involvement

Organization staff will do as much work as possible in order to assist the auditors and, therefore, 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 Organization's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Organization staff will provide requested schedules and documents to assist the auditors during any interim audit fieldwork.

Throughout the audit process, Agency will make every effort 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 from its independent auditor, the Agency CPA shall perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical errors.
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of Agency.
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 to the satisfaction of the Agency CPA.

It shall also be the responsibility of the Agency CPA to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor.

In addition, the Single Audit Clearinghouse form shall be completed and a copy submitted to the Finance Committee.

Audit Adjustments

It is the policy of Agency to review all adjustments prepared by the independent auditor in connection with the annual audit, and, if in concurrence, record them in the general ledger.

The Organization may also receive a list of unadjusted differences (or passed audit adjustments) from the independent auditor in connection with the audit. If the Organization receives such a list, it shall be the responsibility of the Agency CPA to review them and determine whether or not to record them in the current year.

Internal Control Deficiencies Noted During the Audit

In accordance with generally accepted auditing standards, at the conclusion of the audit the Organization's independent auditors may provide a written communication of internal control deficiencies noted in connection with their audit. Not all deficiencies in internal control are required to be reported by the auditor. Only the following two types of deficiencies are required to be communicated:

1. **Material weakness** – A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
2. **Significant deficiency** – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Organization's independent auditors are required to provide written communication to the Audit Committee of all significant deficiencies and material weaknesses (i.e., only those control deficiencies that rise to the level of materiality at which they qualify under the definitions provided above, in the opinion of the auditor).

It is the Organization's policy that all internal control deficiencies that are communicated by the auditor in writing shall be formally addressed by the Audit Committee, the Executive Director, and the Agency CPA. The Executive Director and the Agency CPA shall prepare a written response, which shall include a corrective action plan, to each internal control finding and such response shall be presented to the Finance Committee for its review and approval.

Board or Finance Committee Communications with the Auditors

In accordance with generally accepted auditing standards, in connection with and at the conclusion of each annual audit, the auditors are required to make certain communications directly to the Audit Committee. The Agency CPA shall facilitate all of these communications, arranging for face-to-face meetings, telephone or conference calls, or delivery of electronic or paper documents between auditor and Audit Committee members.

Some of the communications that Agency's auditors may have with the Organization's Audit Committee include:

1. Planning discussions prior to commencing the audit, such as by inquiring of audit committee members their perception of where the risk of material misstatements in the Organization's financial statements may be greatest, the various risks of fraud, and other inquiries.

2. Planning stage communications informing the Audit Committee of the planned scope and nature of certain audit procedures that the auditors plan to perform, to aid in the Audit Committee members having a thorough understanding of the audit.
3. Internal control deficiencies noted during the audit, communicated in writing at the conclusion of the audit.
4. Any material fraud detected by the auditor, or any fraud, regardless of materiality, involving senior management, noted at any time during the audit.
5. Significant problems or other issues that arose during the audit (e.g., disagreements with management and certain other items that the auditors may be required to report to the audit committee).
6. Audit adjustments made by the auditors as a result of their audit.
7. Certain audit differences noted by the auditors that they deemed not material enough to warrant making an adjustment for.

Audit Committee members should be aware of these communications and engage in active discussions with the auditors whenever it is considered appropriate in the fulfillment of these or their other duties.

FRAUD RISK MONITORING

On an annual basis the Board of Directors conduct and approve a fraud risk assessment. Semi-annually the Accounting Department will perform specific tests to make sure that controls are in place and working effectively to address the areas where material fraud could occur.

INSURANCE

Overview

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of East Missouri Action Agency.

It is the policy of East Missouri Action Agency, Inc. to maintain adequate insurance against general liability, as well as coverage for buildings, contents, computers, fine arts, equipment, machinery and other items of value.

Coverage Guidelines

As a guideline, East Missouri Action Agency, Inc. will arrange for the following types and levels of insurance as a minimum:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
General Comprehensive Liability	\$1,000,000
Automobile Liability for Employees, Volunteers, or Escorts	\$1,000,000
Commercial Crime	\$1,000,000 for all accounting department employees and the Executive Director
Fire and Water Damage	\$100,000
Directors and Officers	\$1,000,000 (with an appropriate deductible level)
Workers' Compensation	To the extent required by law
Health/Dental/Life/Retirement Insurance	Provided as per Personnel Policy Manual, The Affordable Care Act and any applicable laws

East Missouri Action Agency, Inc. shall maintain a detailed listing of all insurance policies in effect. These insurance policies will be maintained in the Accounting Department. This listing shall include the following information, at a minimum:

1. Description (type of insurance)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles
4. Premium amounts
5. Policy effective dates

Insurance Definitions

Workers' Compensation and Employer's Liability

Contractors are required to comply with applicable Federal and State workers' compensation and occupational disease statutes. If occupation diseases are not compensated under those statutes, they shall be covered under the employer's liability insurance policy except when contract operations are so commingled that it would not be practical to require this coverage.

Fidelity Bond

For all personnel handling cash, preparing or signing checks, East Missouri Action Agency, Inc. shall obtain insurance 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, buildings, contents, computers, fine arts, boilers and machinery.

RECORD RETENTION

Policy

It is the policy of East Missouri Action Agency, Inc. to retain records as required by law and to destroy them when appropriate.

The Agency should collect, transmit and store award-related information in open and machine-readable formats rather than paper. There is no need to print electronic records and we can scan paper record if there are quality controls, the electronic records can't be changed and are readable (2 CFR 200.335).

All awarding and pass-through entities have access to records as long as they exist (2 CFR 200.336).

The Freedom of Information Act does not apply to records under a non-Federal entity's control. Unless required by statute, non-Federal entities are not required to permit public access to their records (2 CFR 200.337).

The formal records retention policy of East Missouri Action Agency, Inc. is as follows:

1. Board meeting minutes will be kept permanently.
2. Audit reports and management letters will be kept permanently.
3. Tax returns will be kept permanently.
4. Contracts, fixed asset records, workers compensation claims, and legal records will be kept five years after finalized.
5. IRS reports, including W-2s and 1099s will be kept seven years.
6. All other files and records will be destroyed on a rolling five year basis.

All files, both hard copy and electronic, shall be labeled with topic, year (if applicable), and destruction date. Electronic copies shall be saved in appropriate folders on the network storage device. Hard copies should be stored in file cabinets or archived in the storage area. Archived hard copy files shall be stored in water and animal proof containers.

The destruction of records must be approved by the Executive Director and logged into the Organization's Destroyed Records Log. The review and purging of files can occur throughout the year, but must occur at least once per year, and must follow the minimum retention requirements outlined below.

The destruction of any documents containing social security numbers or any other "consumer data" as defined under federal laws and regulations shall be done via shredding using an approved shredding service provider.

The Agency prohibits the knowing destruction, alteration, mutilation, or concealment of any record, document, or tangible object with the intent to obstruct or influence the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States government, or in relation to or contemplation of any such matter or case.

FUNCTIONAL EXPENSE ALLOCATIONS

Overview

As one of its financial management objectives, East Missouri Action Agency, Inc. strives to determine the actual costs of carrying out each of its program service and supporting activities. In this regard, it is the policy of East Missouri Action Agency, Inc. to charge expenses to the appropriate category of program service or supporting activity. Expenses that serve multiple functions or are not readily identifiable with one function shall be allocated between functions whenever possible.

Direct Charging of Costs

There is no universal rule for classifying certain cost as either direct or indirect under every accounting system. It is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or indirect cost (2 CFR 200.412).

Direct costs are those that can be easily and accurately assigned to a specific award. Costs can be charged as direct cost if they are integral to the project, specifically identified with the project, explicitly included in the budget or have prior written approval and not recovered as indirect (2 CFR 200.413).

Certain internal costs shall be directly charged to the appropriate East Missouri Action Agency, Inc. function based upon underlying documentation. The following costs shall be directly charged based on the documentation or factor listed next to each:

<u>Cost</u>	<u>Basis for Charge</u>
Salaries	Personnel activity reports (hours) or number of employees in a function
Occupancy (facilities) costs	Actual square footage used by each function
Photocopying	Actual use, based on codes
Postage	Actual use, based on report provided by postal vendor
Supplies	Actual, per usage forms
Telecommunications	Based on number of phones and computers

General and administrative costs shall not be allocated to program service or other supporting functions of the Organization.

Other costs will be charged out based on a fair and reasonable allocation method.

POLICIES PERTAINING TO FEDERAL AWARDS

ADMINISTRATION OF FEDERAL AWARDS

Definitions

Agency may receive financial assistance from a donor/grantor agency through the following types of agreements:

Grant – A financial assistance award given to the Agency to carry out its programmatic purpose.

Cooperative Agreement – A legal agreement where the Agency implements a program with the direct involvement of the funder.

Throughout this manual, federal assistance received in any of these forms will be referred to as a federal “award.”

Preparation and Review of Proposals

Individual departments are responsible for preparing proposals for projects that the department intends to pursue, with the assistance of the accounting department to ensure the proposed budget includes all appropriate costs. Final proposals shall be reviewed and approved by the Executive Director and board of directors if necessary..

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 Accounting department shall review the terms, time periods, award amounts, and expected expenditures associated with the award. A *Catalog of Federal Domestic Assistance (CFDA)* 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 (or segments). New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.
3. Gather documentation. See the following Document Administration section for details.

Compliance with Laws, Regulations, and Provisions of Awards

The Agency recognizes that as a recipient of federal funds, the Agency is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. To ensure that the Agency meets this responsibility, the following policies apply with respect to every grant or contract received directly or indirectly from a federal agency:

1. For each federal award, an employee within the department responsible for administering the award will be designated as "grant manager."
2. Each grant manager shall attend a training on grant management prior to beginning his or her role as a grant manager (or as early in their functioning as a grant manager as practical). Thereafter, all grant managers shall attend refresher/update courses on grant management every two years.
3. The grant manager shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
 - a. Read each award and prepare a summary of key compliance requirements and references to specific laws and regulations.
 - b. Review *2 CFR Part 200 Appendix XI, Compliance Supplement* (updated annually) published by the Office of Management and Budget (OMB) for compliance requirements unique to the award and for compliance requirements common to all federal awards.
 - c. Review the section of the *Catalog of Federal Domestic Assistance* (CFDA) applicable to the award.
 - d. The grant manager will communicate grant requirements to those who will be responsible for carrying them out, or impacted by them.
4. The Accounting department shall forward copies of applicable law's regulations to the grant manager (such as OMB regulations, pertinent sections of compliance supplements, and other regulations).
5. The grant manager and/or the Accounting department shall identify and communicate any special changes in policies and procedures necessitated by federal awards as a result of the review of each award.
6. The grant 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 *2 CFR Part 200 Appendix XI, Compliance Supplement*, and communications with federal awarding agency personnel.
7. The grant manager shall inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants. The grant manager shall also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Document Administration

For each grant/award received by Agency from a federal, state, or local government agency, a master file of documents applicable to the award shall be prepared and maintained. The responsibility for

assembling each master file shall be assigned to the grant manager assigned to administer the program.

The master file assembled for each government award shall include all of the following documents (including originals of all documents received from the awarding agency):

1. Copy of the initial application for the award and corresponding budget
2. All correspondence to and from the awarding agency post-application, leading up to the award
3. The final, approved budget and program plan, after making any modifications
4. The grant agreement and any other documents associated with the initial making of the award
5. Copies of pertinent laws and regulations, including awarding agency guidelines, associated with the award
6. Subsequent grant modifications (financial and programmatic)
7. Copies of program and financial reports
8. Subsequent correspondence to/from the awarding agency
9. Results of any monitoring visits conducted by the awarding agency, including resolution by Agency of any findings arising from such visits
10. Correspondence and other documents resulting from the closeout process of the award

The preceding grant document file shall be organized into four sections as follows:

1. Pre-award documents
2. Post-award documents, including reports
3. Laws, regulations, and agency guidelines
4. Audit/monitoring-related documents

On the inside front cover of the grant document file shall be a Summary of Critical Award Provisions, prepared by the grant manager. This summary shall include, at a minimum, the following:

1. Key compliance requirements, including citations of applicable laws and regulations
2. Important deadlines
3. Correspondence contact information at the awarding agency

The original grant document file shall remain in the office of the grant manager. The grant manager shall maintain a separate file of frequently requested documents that shall consist of photocopies of the documents included in the secure grant document file. The purpose of this file of copied documents is to limit the potential for loss of valuable documents. Any other Agency employee making a valid request for access to grant documents shall be provided with the file of copied documents and shall be asked to sign this file out of the grant manager's office.

Closeout of Federal Awards

The Agency shall follow the closeout procedures described in *2 CFR 200.343 – 345, Closeout*, and in the grant agreements as specified by the granting agency.

The Agency and all sub-recipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

CHARGING OF COSTS TO FEDERAL AWARDS

Overview

It is the policy of East Missouri Action Agency, Inc. that only costs that are reasonable, allowable and allocable to a Federal 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 Federal awards.

Segregating Unallowable From Allowable Costs

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each federal 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 allow ability of costs provisions of the Uniform Guidance.
 - a. The list of specifically unallowable costs.
 - b. Those costs requiring advance approval from Federal agencies in order to be allowable.
3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or Uniform Guidance.
4. For each Federal award, an appropriate set of general ledger accounts shall be established in the chart of accounts of East Missouri Action Agency, Inc. to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of outstanding checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a Federal award or to activity associated with a Federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e. if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit.)

Criteria for Allowability

It is the policy of East Missouri Action Agency, Inc. that all costs must meet the following criteria in order to be treated as allowable direct or indirect costs under a Federal 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 following criteria:
 - a. The cost is incurred specifically for a Federal award.
 - b. The cost benefits both the Federal 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 award itself.
4. Treatment of costs must be consistent with policies and procedures that apply to both federally 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 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 non-Federal function. East Missouri Action Agency, Inc. identifies and charges these cost 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 appropriate project director and reviewed by the accounting department.

Time sheets or personnel activity reports, described earlier, are also submitted on a regular basis reflecting employees' work and which programs directly benefited from their effort. Time sheets or personnel activity reports shall serve as the basis for charging salaries directly to Federal awards and non-Federal functions.

Equipment purchased for exclusive use on a federal award and reimbursed by a federal agency shall be accounted for as a direct cost of that award (i.e. such equipment shall not be capitalized and depreciated).

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 of East Missouri Action Agency, Inc. (management and general costs).

East Missouri Action Agency, Inc. maintains an annual indirect cost budget. Each year a new indirect cost budget is prepared and submitted to East Missouri Action Agency, Inc.'s Cognizant Agency for approval. The indirect cost rate approved is used when determining the overhead applied to each federal award.

Examples of the types of expenditures normally included in the indirect cost pool are:

1. General administration
2. Salaries and benefits of the executive officers, finance, accounting and administrative personnel
3. Depreciation of equipment and buildings
4. Office rent and maintenance
5. General office repairs and maintenance

East Missouri Action Agency, Inc.'s independent auditor has the responsibility of reviewing East Missouri Action Agency, Inc.'s indirect cost rates. These rates are submitted to East Missouri Action Agency, Inc.'s Oversight Agency and will be binding on all other federal agencies and their contracting officers unless specifically prohibited by statute.

Accounting for Specific Elements of Cost

East Missouri Action Agency, Inc. shall utilize the following methods of charging specific elements of cost to federal awards as direct or indirect costs:

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, as follows:

Direct costs – The majority of the employees of East Missouri Action Agency, Inc. charge their time directly since their work is specifically identifiable to specific grants or other (non-federal) programs or functions of the organization.

Indirect costs – The following staff charge 100 percent of their salary costs indirectly:

Executive Department staff
Accounting Department staff
Human Resource staff

Mixed charges – The following employees may charge their salary costs to both direct and indirect activities:

Executive Director

Compensated absences (earned time off, sick leave used, and holiday pay) are considered part of salary costs. The accounting system of East Missouri Action Agency, Inc. records salaries associated with compensated absences as a direct or indirect cost in the same manner that salary costs are recorded.

Employee Benefits – East Missouri Action Agency, Inc. incurs costs for the following statutory and non-statutory employee benefits:

- FICA
- Unemployment insurance
- Worker's compensation
- Health insurance
- Employee Assistance Program
- Dental insurance
- Life insurance
- Retirement insurance

The total cost of all of the preceding employee benefits shall be determined by summing the cost associated with each benefit. This total employee benefit costs shall then be allocated directly and indirectly in the same proportions as salaries and wages.

Occupancy Expenses – Monthly rent expense and related pass-through expenses shall be allocated directly and indirectly, based on approximate square footage of space utilized, as follows:

Direct costs – The cost of space occupied by staff whose salaries are directly charged to federal awards is charged directly to those same awards

Indirect costs – The costs of space occupied by staff whose salaries are indirectly charged is also charged indirectly. The cost of space for staff whose salaries are charged on a mixed basis (directly and indirectly) shall be allocated on a mixed basis in the same ratio as their salaries are allocated.

The cost of space associated with common areas, such as hallways, restrooms, and conference rooms, shall be accounted for as an indirect cost.

Utilities – Utilities costs incurred by East Missouri Action Agency, Inc. include electricity and water. Such utilities costs shall be charged directly and indirectly in the same proportion as occupancy costs.

Supplies and Materials – To the maximum extent possible, office supplies and materials are charged directly to the grant or program/function that uses the supplies or materials, based on the completion of a supplies usage form. All supplies and materials used by staff that is engaged in indirect activities shall be charged indirectly.

Postage and Shipping – To the maximum extent possible, postage and shipping costs shall be charged directly to the grant or program/function that benefits from the postage or shipping costs, based on the postage log kept near the postage machine and the UPS/FedEx shipping logs.

Photocopying and Printing – Photocopying costs include all paper and copy supplies, copier maintenance charges and the actual lease cost or depreciation expense of the copier. Photocopying costs shall be charged directly and indirectly based on the user codes input into the copier prior to making photocopies.

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

Communications – Communications costs include the costs of local telephone service and long-distance telephone charges, including charges associated with telephone calls, facsimile transmissions, and Internet dial-up connections.

Central Office

Local telephone service costs are charged directly and indirectly based upon the number of telephone units assigned to East Missouri Action Agency. Each telephone unit of East Missouri Action Agency, Inc. is identified to either a direct or an indirect activity, as determined annually based on an approximation of time charges of employees associated with each telephone unit. No telephone units shall be charged as mixed-use units due to the immateriality of the costs involved. For example, if East Missouri Action Agency, Inc. has 100 telephone units and 15 of those units are assigned to employees who work directly on a particular grant, 15 percent of each month's local telephone service costs shall be allocated to that grant.

Cape Girardeau Office

Local service is charged by percentage determined by department directors.

Outreach Offices

Local service is split equally among programs utilizing space.

Long-distance telephone calls are charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.

Outside Services – East Missouri Action Agency, Inc. incurs outside service costs for its annual audit, legal fees, independent consultant, independent building contractors, and for staff development specialists. Outside service costs shall be charged as follows:

Audit fees – Cost of the financial statement audit and preparation of Form 990 shall be charged as an indirect cost. Additional audit costs associated with that portion of the audit associated with the single audit can be charged directly to the audited programs, based on estimates received from the independent CPA firm.

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 charged indirectly.

Independent Consultants – Costs associated with independent consultants 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 charged indirectly.

Independent Building Contractors – Costs associated with independent building consultants 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 charged indirectly.

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 shall be charged indirectly.

Credits – The applicable portion of any credits resulting from cash discounts, volume discounts, refunds, write-off of stale outstanding checks, trade-ins, scrap sales or similar credits shall be credited directly or indirectly in the same manner as the purchase that resulted in the credit.

Cost Sharing and Matching

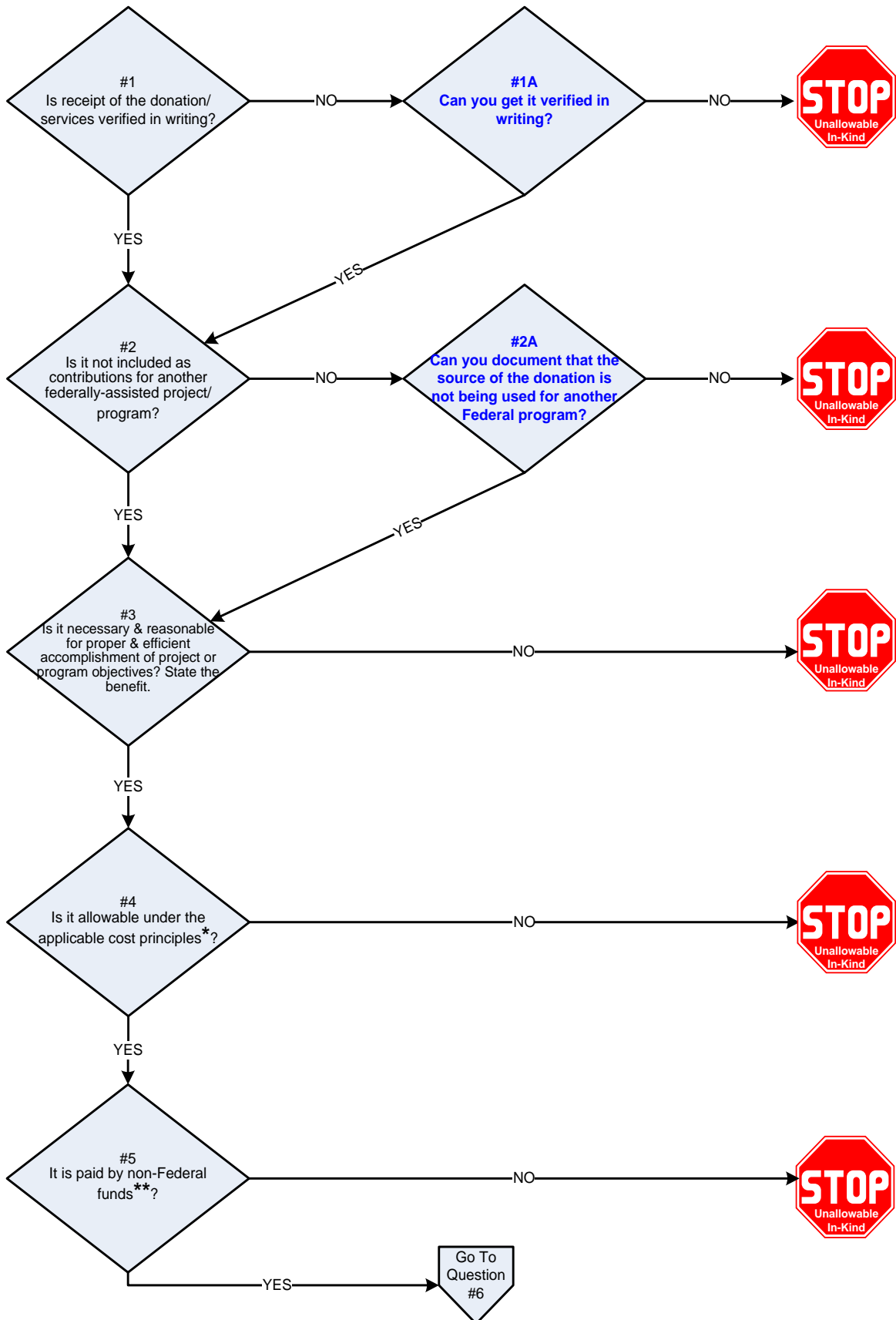
It is the policy of East Missouri Action Agency, Inc. to value contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or Federal agency regulations identify specific values to be used.

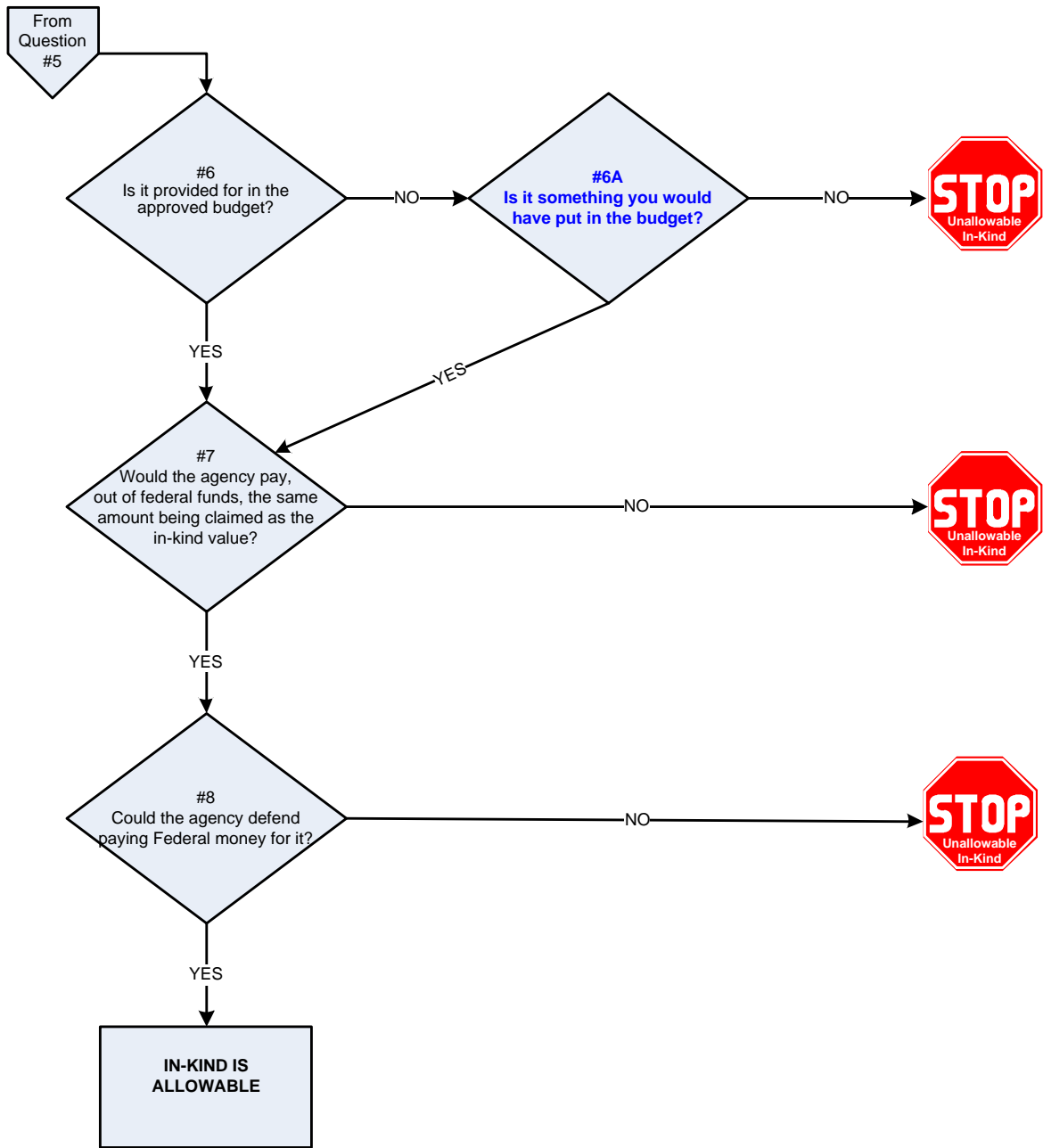
East Missouri Action Agency, Inc. shall claim contributions as meeting a cost sharing or matching requirement of a Federal award only if all of the following criteria are met:

1. They are verifiable from Agency records.
2. They are not included as contributions (or match) for any other federally-assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under the federal cost principles, 2 CFR Part 200 Subpart E, Cost Principles.
5. They are not paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the federal awarding agency.
7. They conform to all provisions of federal administrative regulations, 2 CFR Part 200 Subpart D, Post Federal Awards Requirements.
8. In the case of donated space, (or donated use of space), the space is subject to an independent appraisal performed by a certified appraiser as defined by 2 CFR Part 200.306(i)(1) to establish its value.

Contributed services used for cost sharing or matching purposes shall be valued at rates consistent with those rates paid for similar work in the Agency (match up experience and skill level), including an estimate of reasonable fringe benefits. In cases in which the required skills are not found in the Agency, rates used shall be consistent with those paid for similar work in the labor market in which East Missouri Action Agency, Inc. competes.

It is the policy of East Missouri Action Agency, Inc. to require volunteers to document and account for their contributed time in a manner similar to the time-keeping system followed by East Missouri Action Agency, Inc. employees.





* **2 CFR Part 200** Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

** Except where authorized by Federal statute to be used for cost sharing or matching:

Determinations have been made on a case-by-case basis on whether Federal funds from other programs are allowable match for an ACF program. These determinations are based on specific requirements of ACF programs and language in applicable statutes. Specifically:

1. USDA funds are of Federal origin and, therefore, cannot be counted as match.
2. Bureau of Indian Affairs - Indian Self-Determination and Education Assistance Act (P.L. 93-638, as amended). The Act authorizes the use of funds for matching purposes as long as the identified use is specifically related to the approved grant activities.
3. Title XX Social Services Block Grant funds are considered to be Federal funds and, therefore, may not be used as match for ACF programs.
4. Expenditure of funds from the Housing and Community Development Act of 1974, P.L. 93-383 may count as allowable match for a Head Start program for renovation of a building. The determination is dependent on whether or not the Head Start grant is included as part of the "Community Development Program," as required by the Housing and Community Development Act. (Grants Administration Manual, Section 3.05.408(b)(1-4))

POLICIES ASSOCIATED WITH TITLE X FUNDS

Billing, Collections and Client Income

1. Billing:
 - a. Charges must be based on a cost analysis for all services provided by the project. At the time of services, clients who are responsible for paying any fee for their services must be given a bill directly. In cases where a third party is responsible, bills must be submitted to that party.
 - b. A schedule of discounts is required for individuals with family incomes between 101% and 250% of the Federal poverty level. Fees must be waived for individuals with family incomes above this amount, who, as determined by the program director or an authorized individual, are unable, for good cause, to pay for family planning services. Clients will not be denied services due to their inability to pay.
 - c. Eligibility for discounts for minors who receive confidential services must be based on the income of the minor.
 - d. Clients whose documented incomes are at or below 100% of the Federal poverty level must not be charged, although the Agency will bill all third parties authorized or legally obligated to pay for services.
 - e. Client eligibility for a discount must be documented in the client's financial record.
 - f. Bills to third parties will be the total charge without any discounts. Bills to clients must show the total charge less any allowable discounts.
2. Collections:
 - a. A reasonable effort to collect charges without jeopardizing client confidentiality must be made.
 - b. A method for the "aging" of outstanding accounts must be established. Receivables over 180 days are deemed uncollectible. If a client with a past due amount returns, the client's previous balance is reinstated.
 - c. Voluntary donations from clients are permissible. However, clients must not be pressured to make donations, and donations must not be a prerequisite to the provision of services or supplies. Donations from clients do not waive the billing/charging requirements set above.
3. Client income should be re-evaluated at least annually.

LOBBYING

Introduction

Unlike political intervention, described in the preceding section, expenditures by a section 501(c)(3) public charity for lobbying activities are allowable under the Internal Revenue Code. However, **no** lobbying expenditures may be charged directly or indirectly to any federal award (i.e., the Organization must have a nonfederal source of funds to which such lobbying costs can be charged).

Definition of Lobbying Activities

Lobbying activities conducted by the Agency may be either direct or indirect. Direct lobbying activities consist of attempts to influence legislation through communication with any member or employee of a legislative body (federal, state, or local levels) or, if the principal purpose of the communication is lobbying, with any government official or employee who may participate in the formulation of the legislation. Direct lobbying occurs when employees of the Agency or paid lobbyists communicate directly in attempts to influence legislation. Lobbying is distinguishable from advocacy activities, which involve efforts to advocate certain positions which may have legislative implications, as long as a nonpartisan analysis of the relevant facts is performed.

Lobbying occurs only when there is a specific piece of legislation or legislative proposal pending that the Agency is attempting to influence. Therefore, lobbying is considered to have taken place only if both of the following elements are present:

1. The communication refers to specific legislation (legislation that has been introduced or a specific legislative proposal that the Agency supports or opposes), and
2. The communication reflects a view on the legislation (supporting or opposing it).

Indirect lobbying involves communications with the general public (rather than directly with legislators, etc.) where the communication includes the same two preceding characteristics, plus it encourages the recipient of the communication to take action with respect to the specific legislation (by contacting legislators, etc.).

Segregation of Lobbying Expenditures

Lobbying expenditures are allowable for charities under the Internal Revenue Code. However, lobbying may not represent a substantial portion of the Agency's overall activities. The Agency's tax exemption would be at risk if lobbying becomes a substantial portion of the Agency's activities.

Accordingly, the Agency segregates all direct and indirect lobbying expenditures in a separate section of the chart of accounts in the general ledger. Where appropriate, lobbying expenditures shall also be allocated their fair and reasonable share of employee benefits and other allocated costs in accordance with cost allocation policies described elsewhere in this manual.

Lobbying Election

As a public charity, the Agency has two options with respect to the Internal Revenue Code's restriction against lobbying being a "substantial" portion of its activities. One option is to make a formal lobbying election, which results in the Agency following a specific mathematical formula to determine its lobbying limitations. Exceeding the limitation would result in an excise tax assessed to the Agency. Exceeding the limitation by 50 percent or more over a four-year period would result in loss of the Agency's overall tax exemption. The other option is to not make the election, resulting in an entirely judgmental assessment of its lobbying activities by the IRS. If it is deemed by the IRS to have engaged in substantial lobbying for any period, the Agency would lose its overall tax exemption under this option.

If Sample Agency incurs lobbying expense, it will make the Internal Revenue Code section 501(h) lobbying election by filing Form 5768 and will leave that election in place. As a result, the Agency shall report its lobbying expenditures by completing the section for "Electing Charities" on Schedule A that accompanies its annual Form 990 information return filed with IRS.