



FISCAL AND ACCOUNTING POLICIES
(Amended September, 2011)

Board of Directors
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GENERAL

Mission Statement

The mission of the Early Learning Coalition of Pasco and Hernando Counties, Inc. is to prepare children in our counties to enter and succeed in school.

The Coalition's Guiding Beliefs

Children are our community's most precious resource. A nurturing family environment is essential to allow children to reach their full potential. Prevention and early intervention are the most effective approaches, in both human and financial terms, to preserving the family, nurturing the child and enriching the community. Committed and qualified staff, volunteers and community members deserve to be valued, supported and involved in efforts to improve the community.

Role of the Board of Directors

The Coalition Board is responsible for direction and oversight regarding the overall financial management of the Coalition including:

1. Reviewing and approving the Coalition's annual budget.
2. Long-term financial planning.
3. Evaluating and approving facility decisions (i.e. leasing, purchasing property).
4. Monthly monitoring of actual vs. budgeted financial performance, and development of recommended budget amendments based on actual and planned spending.
5. Oversight of reserve funds.
6. Point of contact for any employee who suspects that fraud has been committed against the Coalition or by one of its employees or board members.

The review of the Coalition's financial statements shall involve the entire Board of Directors.

In addition, the Board of Directors is responsible for recommending the hiring of an independent CPA firm and for directly communicating with the CPA firm to fulfill the requirement for a single annual audit. The Board of Directors also reviews and approves the final audited financial statements, as well as any communications received from the auditor regarding internal controls, illegal acts, or fraud.

Role of the Executive Director

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 the Finance Director.

Accounting Responsibilities

The primary responsibilities of the accounting department consist of:

- General Ledger
- Budgeting
- Cash and Investment Management
- Asset Management
- Grants and Contracts Administration
 - Purchasing
 - Accounts Receivable and Billing
 - Cash Receipts
 - Accounts Payable
 - Cash Disbursements
 - Payroll and Benefits
- Financial Statement Processing
- External Reporting of Financial Information
- Bank Reconciliation
- Reconciliation of Sub-Ledgers
- Compliance with Government Reporting Requirements
 - Annual Audit
 - Leases
 - Insurance

Officers and employees who have financial responsibilities, and the abbreviations of each position used throughout this manual, are as follows:

- Executive Director (ED)
- Assistant Executive Director (AED)
- Finance Director (FD)
- Provider Specialists (PS)
- Administrative Assistant (AA)
- Reimbursement Specialists (RS)
- Office Manager (OM)
- Chair (C)
- Vice Chair (VC)

Treasurer (T)
Executive Committee (EC)
Finance and Audit Committee (F&AC)
Board of Directors (BOD)

Practice of Ethical Behavior

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of the Coalition depend to a very large extent on the following considerations.

Each employee must apply her/his own sense of personal ethics, which should extend beyond compliance with applicable laws and regulations in business situations, to govern behavior where no existing regulation provides a guideline. It is each employee's responsibility to apply common sense in business decisions where specific rules do not provide all the answers.

The Executive Director is responsible for the ethical business behavior of her/his subordinates. Managers must weigh carefully all courses of action suggested in ethical as well as economic terms, and base their final decisions on the guidelines provided by this policy as well as their personal sense of right and wrong.

Conflicts of Interest

In addition, no employee, officer, or agent of the Coalition shall participate in the selection, award, or administration of a contract involving the Coalition if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, or any member of her or his immediate family, his or her 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 firm selected.

Compliance with Laws, Regulations and Organizational Policies

The Coalition does not tolerate the willful violation or circumvention of any Federal, State, local, or foreign law by an employee during the course of that person's employment; nor does the Coalition tolerate the disregard or circumvention of the Coalition policy or engagement in unscrupulous dealings. Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly forbidden.

Implementation of the provisions of this policy is one of the standards by which the performance of all levels of employees will be measured.

Disciplinary Action

Failure to comply with the standards contained in this policy will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the Coalition or to the government, for any loss or damage resulting from the violation. As with all matters involving disciplinary action, principles of fairness will apply. Any employee charged with a violation of this policy will be afforded an opportunity to explain her/his actions before disciplinary action is taken.

Disciplinary action will be taken:

1. Against any employee who authorizes or participates directly in actions that are a violation of this policy.
2. Against any employee who has deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of this policy.
3. Against any Manager who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this policy.

FRAUD

Purpose

This policy applies to any fraud or suspected fraud involving employees, officers or directors, as well as members, vendors, consultants, contractors, funding sources and/or any other parties with a business relationship with the Coalition. Investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with the Coalition.

Definitions

Fraud, Misfeasance, Nonfeasance, or Malfeasance: In the operation of any program funded by State and Federal funds administered by the Agency for Workforce Innovation, actions which constitute the omission of an act a person ought to do, the improper performance of an act a person might lawfully do, or the performance of an act a person ought not to do. This includes, but is not limited to, indications of bribery, forgery, extortion, embezzlement, theft of participant's checks, kickbacks from participants, and intentional payments to a contractor without the expectation of receiving services. Further, this definition includes knowingly providing false information or failing to update information relating to eligibility in or to receive School Readiness Program Services.

Misapplication of Funds: Misapplication of funds is any alleged use of funds, assets or property not authorized or provided for in the grant or contract. This category includes, but is not limited to nepotism, political patronage, use of participants for political activities, ineligible enrollees, conflict of interest, not reporting income from Federal funds, violation of contract procedures, maintenance of effort violations, and the use of funds for other than their designated purposes.

Gross Mismanagement: Actions or situations arising out of the intentional failure to perform one's duties or responsibilities in reckless disregard of the consequences, which lead to major violations of contract provisions and/or which severely hamper the Coalition's ability to fulfill its mission.

Employee/Participant Misconduct: Employee/participant misconduct is occupational or professional actions occurring during or outside work hours, that reflect negatively on the Coalition or its mission, and may include, but is not limited to: conflict of interest or the appearance of conflict of interest involving outside employment business and professional activities; the receipt or giving of gifts, fees, entertainment or favors; misuse of Federal/State property; misuse of official information; and such other activities as

might adversely affect the confidence of the public in the integrity of Government as well as serious violations of Federal/State laws.

Responsibility

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any fraud that is detected or suspected must be reported immediately to the Executive Director, Assistant Executive Director, Treasurer and Coalition Board Chair (Fraud Investigation Team).

Investigation Responsibilities:

The Fraud Investigation Team has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The Fraud Investigation Team may utilize whatever internal and/or external resources it considers necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the team will issue reports to appropriate designated personnel and, if appropriate, to the Coalition's Board of Directors and/or the Executive Committee. Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel, as will final dispositions of the case. **The Fraud Investigation team will treat all information received confidentially.**

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Coalition from potential civil liability.

If suspected fraud or other wrongdoing involves programs funded in whole or in part with State or Federal funds, additional responsibilities, such as special reporting and disclosure to the awarding agency, may apply to the Coalition. It is the policy of the Coalition to fully comply with all additional reporting, disclosure and other requirements pertaining to suspected acts of fraud as described in award documents. In the event of a suspected fraud or other wrongdoing involving program funds, the Inspector General of the Agency for Workforce Innovation is designated the coordinator of all suspected fraud referrals to the Florida Department of Law Enforcement, Public Assistance Fraud Unit. School

Readiness Partners are responsible for immediately reporting to the Agency for Workforce Innovation Office of the Inspector General and the Florida Department of Law Enforcement Public Assistance Fraud Unit all such actual or suspected violations uncovered by, or reported to the School Readiness Partner using the Suspected Fraud Referral Record Form (*DPAF2013*).

Procedure:

ANY ACTIVITY OR INCIDENT THAT POSES A DANGER TO THE HEALTH, SAFETY OR WELFARE OF ANY INDIVIDUAL SHOULD BE REPORTED IMMEDIATELY TO LOCAL LAW ENFORCEMENT OR EMERGENCY RESPONSE PERSONNEL.

Any allegations, those judged to be of an emergency nature, those receiving public exposure, and those related to suspicions should be reported immediately to the Office of the Inspector General by telephone at (850) 245-7135.

All telephone reports should be followed by prompt written or electronic notification to the Office of the Inspector General, using the Suspected Fraud Referral Record form or other suitable means. The Suspected Fraud Referral Record form is designed for promptly reporting to the Agency for Workforce Innovation Inspector General, the Florida Department of Law Enforcement Public Assistance Unit and the School Readiness Program Office that an actual, potential, or suspected instance of fraud and abuse has occurred. The Suspected Fraud Referral Record form must be submitted simultaneously by fax to the following four (4) entities:

1. Agency for Workforce Innovation Office of the Inspector General, (850) 245-7144.
2. Florida Department of Law Enforcement Public Assistance Fraud Unit, (850) 922-1911.
3. Agency for Workforce Innovation/Office of Early Learning (850) 921-3188.
4. Early Learning Coalition of Pasco and Hernando Counties, Inc., Attention: Executive Director, (727) 233-8291.

In completing the Case Identification Number field on the Suspected Fraud Referral Record form, use the Social Security Number if the subject is an individual or leave blank if the subject is a business entity. Provide the business entity information in the Comments section of the form.

SECURITY

General

The Coalition's blank check stock shall be stored in a locked file cabinet in the Office Manager's office. Access to this file cabinet shall be by keys in the possession of the Executive Director and the Office Manager. In addition, the Coalition shall file at least 50 blank checks in the Coalition's emergency evacuation kit.

Storage of Back-Up Files

It is the policy of the Coalition to back-up electronic accounting data daily.

General Office Security

During normal business hours, all visitors are required to check in with the Administrative Assistant. After hours, a security key with alarm code is required for access to the offices of the Coalition. Keys are issued to management of the Coalition. Keys may only be issued to additional staff with the approval of the Executive Director or Assistant Executive Director.

GENERAL LEDGER AND CHART OF ACCOUNTS

Purpose

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 the Coalition, 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 the Coalition's accounting system. The chart of accounts will be numbered and described to conform to standard Generally Accepted Accounting Principles (GAAP) presentation formats. A descriptive Chart of Accounts will provide sufficient narrative on the account to allow for accurate recording, entering and approving financial data. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense and gain and loss account.

The Coalition's chart of accounts is comprised of six types of accounts:

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

Distribution of Chart of Accounts

The Finance Director and Office Manager whom are involved with account coding responsibilities (assignment or review of coding) or budgetary responsibilities will be issued a current chart of accounts. As the chart of accounts is revised, an updated copy of the chart of accounts shall be distributed to the Office Manager promptly by the Finance Director. A copy of the Chart of Accounts is provided to both the Executive Director and the Assistant Executive Director.

Control of Chart of Accounts

The Coalition's chart of accounts is monitored and controlled by the Finance Director. Responsibilities include the handling of all account maintenance, such as additions and

deletions. Any additions or deletions of accounts should be approved by the Finance Director, who ensures that the chart of accounts is consistent with the organizational structure of the Coalition and meets the needs the program. Access to this module is restricted to the Finance Director and the Executive Director.

Account Definitions

General Ledger

<u>Category</u>	<u>Definition</u>
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Assets	<u>Assets</u> are probable future economic benefits obtained or controlled by the Coalition as a result of past transactions or events. Assets of the Coalition are classified as current assets, fixed assets, contra-assets, and other assets.
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Current Assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.

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

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

Other Assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property and long-term investments.

Liabilities	<u>Liabilities</u> are probable future sacrifices of economic benefits arising from present obligations of the Coalition to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities of the Coalition are classified as current or long-term.
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Current Liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, short-term notes payables, and deferred revenue.

Long-Term Liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example is the non-current portion of a mortgage loan.

Net Assets Net Assets is the difference between total assets and total liabilities. See the next section for the Coalition's policies on classifying net assets.

Revenues Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute an organization's ongoing major or central operations. Revenues of the Coalition include membership dues, conference registrations, and sales of publications.

Revenues of the Coalition also include contributions received from donors and grants received from government agencies, private foundations and corporations.

Expenses Expenses are outflows or other using up of assets or incurrence of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute the Coalition's ongoing major or central operations.

Gains/Losses Gains are increases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the organization except those that result from revenues or contributions.

Losses are decreases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the organization except those that result from expenses.

Gains or losses occur when the Coalition sells a fixed asset or writes off a fixed asset as worthless with remaining book value.

Classification of Net Assets

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

Unrestricted Net Assets Net assets that are not subject to donor imposed stipulations.

Restricted Net Assets Net assets subject to donor-imposed stipulations that the Coalition maintain certain contributed assets. Generally, donors of such assets permit the Coalition to use all or part of the income earned from restricted net assets for general operations or for specific purposes.

Net assets accumulated by the Coalition that are not subject to donor imposed restrictions, but which the Board of Directors has earmarked for specific uses, shall be segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.

Changes to the Chart of Accounts

Additions to, deletions from or any other changes to the Coalition's standard chart of accounts shall only be done by the Finance Director.

Fiscal Year of the Coalition

The Coalition shall operate on a fiscal year that begins on July 1 and ends on June 30.

Journal Entries

All general ledgers entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, which shall include a reasonable explanation of each such entry. 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. Accretion of discounts on promises to give
4. Accruals of recurring expenses
5. 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 Purchase Order.

It is the policy of the Coalition that all journal entries not originating from subsidiary ledgers shall be authorized in writing by the Executive Director by initialing or signing the entries.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

Revenue Recognition Policies

The Coalition receives revenue from different types of transactions. Revenue from each of these types of transactions is recognized in the financial statements of the Coalition in the following manner:

1. **Grant 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. **Conference and seminar revenue** - Deferred as received, reclassified to income at close of the month in which the conference or seminar is held.
3. **Sponsorships** - Recognized as income when received, unless accompanied by restrictions or conditions (see the next section on contribution income).
4. **Contributions** - Recognized as income when received, unless accompanied by restrictions or conditions (see the next section on contribution income).

Immaterial categories of revenue may be recorded on the cash basis of accounting (i.e. recorded as revenue when received) as deemed appropriate by the Finance Director.

Receipts and Disclosures

The Coalition 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, the Coalition shall adhere to the following guidelines with respect to contributions received by the Coalition.

For any separate contribution received by the Coalition, it shall provide a receipt to the donor. The receipt shall be prepared by the Finance Director. All receipts prepared by the Coalition 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 the Coalition 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 Coalition from the donor, and
3. If any goods or services were provided to the donor by the Coalition, a description and good faith estimate of the value of those goods or services.

Responsibilities for Billing

The Finance Director is responsible for the Reimbursement Request invoice of program services by the 25th day of each month in accordance with the awarding agency requirements. The completed invoice is forwarded to the Executive Director for approval. When the Coalition receives a refund of current year grant funds, the refund amount shall be reduced from the next monthly current year Reimbursement Request Invoice. The Finance Director shall enter the refund on the Reimbursement Request Invoice as a reduction to the Other Cost Accumulators (OCA) originally impacted by the expenditure. Documentation explaining the reasons for the refund must be submitted with the Reimbursement Request.

When the Coalition receives a refund involving prior year grants, the Coalition shall remit a check for the refund amount made payable to the funding agency. Prior year grant refunds shall be submitted using the Reimbursement Request Invoice. The appropriate indications of prior grant year refund shall be documented. A written explanation describing the reason for the refund shall be provided and the OCA(s) original impacted by the expenditure shall be identified.

Accounts Receivable

Posting of revenue, invoices, credit memos and other adjustments to customer accounts receivable to the accounts receivable subsidiary ledger shall be performed by the Finance Director.

Classification of Income and Net Assets

All income received by the Coalition is classified as "unrestricted", with the exception of the following:

1. Grants and other awards received from government agencies or other grantors, which are classified as temporarily restricted, include interest earned on advance funds.
2. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes.

Electronic Funds Transfers/Warrants

The Coalition shall utilize electronic funds transfers to receive payments from the State of Florida and process reimbursement payments to all providers. In the event the Coalition experiences changes that will impact the electronic fund transfer, the Coalition shall follow the instructions provided by the funding agency.

Cash Receipts, Billing and Approval Process

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

The Office Manager will implement the following procedures when cash and/or checks are received:

1. All checks will be endorsed utilizing the “For Deposit Only” stamp received from the Coalition’s banking institution.
2. The Office Manager prepares a bank deposit slip in duplicate. The deposit slip will include the receipt number, account number and the amount of each receipt.
3. The Office Manager will insure all documentation for receipts are attached to the deposit receipt and then forward to the Finance Director for processing.
4. All deposits are made prior to the bank’s daily close by the Office Manager.
5. Current income sources are from the State government directly or as a pass-through from the Federal government.
6. The Coalition directly controls Administrative funds and some Quality Enhancement funds for both Pasco and Hernando County.
 - a. From time to time, the Executive Director may be required to attend meetings. Hotel/motel expenses are covered at the rate negotiated by the Office of Early Learning. The Coalition reimburses travel expenditures based upon 112.061 FS. Registration fees, if applicable, are paid by the Coalition.
 - b. The Coalition Chair and/or other Coalition officers or members and committee members attend meetings that are relevant to their responsibilities. The Coalition reimburses travel expenditures based on 112.061 FS. Requests for reimbursement must be processed through the Executive Director.
 - c. The Coalition has authorized the use of business cellular telephones by the Executive Director and designated staff, and the expenses incurred, with adequate documentation of use for business purposes.
8. Invoice Pay Vouchers (IPVs) have been developed as controls for all expenditures. Together with substantiating documentation, these are processed by the Office Manager after approval has been given by the Executive Director. The Finance Director also ensures that these expenditures are allowable for reimbursement through the State. All copies of the completed vouchers are filed and stored in the Coalition office.
9. Reports for all funds are presented monthly at the Coalition’s Board of Directors meeting.

10. An annual financial audit will be performed under contract with an awarding auditing firm.

Reconciliation of Deposits

On a monthly basis, the Finance Director, 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

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 Finance Director. All differences are immediately investigated and resolved, and the reconciliation is reviewed by the Executive Director or Assistant Executive Director.

ADDITIONAL POLICIES

SunTrust Debit Card

It is the policy of the Board of Directors to authorize the Executive Director and the Office Manager to utilize a SunTrust debit card to purchase commodities or services when it is not practical to utilize the Purchase Order Form prior to the purchase, due to timelines or other situations.

Travel Expenses

The authority for reimbursement of travel expenses is contained in s. 112.061, Florida Statutes (F.S.), which describes per diem and travel expenses of public officers, employees, and other authorized persons; and Chapter 3A-42, Florida Administrative Code (F.A.C.), wherein is established the Rules of the Bureau of Auditing in regard to authorizing and reimbursing travel expenses. Travel reimbursements will be made in accordance with utilizing the travel reimbursement form. (Refer to separate Travel Policy for additional information.)

Authorizations and Purchasing Limits

All completed Purchase Order Forms must be signed by the preparer and approved by both the Executive Director and Finance Director. In addition, the Board of Directors must approve all purchases in excess of \$5,000 with the exception of the following expenditures:

1. Health Insurance
2. Reimbursements/Payments to the Agency for Workforce Innovation/Office of Early Learning
3. Provider Reimbursement Payments for School Readiness and VPK
4. Office Space Rental Agreement Payments

A recurring action item for all expenditures in excess of \$5,000 will be presented during the monthly Finance and Audit Committee and Board of Directors meetings.

Required Solicitation of Quotations from Vendors

Purchase decisions in excess of \$1,000 for commodities or services shall be made only after receiving, when possible, written quotations from at least two vendors. If the purchase is funded through state funding sources, the purchase must be approved in writing by the funding agency.

Purchase decisions in excess of \$25,000 for commodities or services shall be made through a formal competitive proposal procedure in accordance with State policies and procedures.

Vendor Files and Required Documentation

The Finance Director shall create a vendor folder for each new vendor from whom the Coalition purchases goods or services.

Upon making the initial purchase from any vendor (regardless of whether a contract is involved), the Finance Director shall mail a blank Form W-9 to that vendor, along with a request for the vendor to complete and sign the W-9 or provide equivalent, substitute information and return it in the postage-paid envelope provided. Completed, signed Forms W-9 or substitute documentation shall be filed in each vendor's folder. Vendors who do not return a completed, signed Form W-9 or provide equivalent documentation shall be issued a Form 1099 at the end of each calendar year in accordance with the policies described in the section of this manual on "Government Returns."

Ethical Conduct in Purchasing

Ethical conduct in managing the Coalition's purchasing activities is an absolute essential. Staff must always be mindful that they represent the Board of Directors and share a professional trust with other staff and the general membership.

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

Conflicts of Interest Prohibited

No employee, officer, or agent of the Coalition shall participate in the selection, award, or administration of a contract involving the Coalition if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, or any member of her or his immediate family, his or her 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 firm selected.

Officers, board members, and employees of the Coalition 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

The Coalition's Office Manager shall inspect all goods received. Upon receipt of any item from a vendor, the following actions shall immediately be taken:

1. Review bill of lading for correct delivery point.
2. Verify the quantity of boxes/containers with the bill of lading.
3. Examine boxes/containers for exterior damage.
4. Note on the bill of lading any discrepancies (missing or damaged boxes, etc.).
5. Sign and date the bill of lading.
6. Retain a copy of the bill of lading.

Accounts Payable Management

The Coalition 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 the Coalition that the recording of assets or expenses is recorded based on the vendor invoice for the related goods or services. The vendor invoice should be supported by an approved Purchase Order Form. 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

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded in a timely manner.

Accounts payable are processed on a weekly basis. Information is entered into the system from the approved Purchase Order Form with appropriate documentation attached.

It is the policy of the Coalition that only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records.

All duplicated copies of vendor invoices should be stamped as “Certified Original” prior to processing. No vendor statements shall be processed for payment.

Check Preparation

It is the policy of the Coalition to print vendor checks and expense reimbursement checks on an as needed basis.

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 policies.
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 within 30 days of submitting a proper invoice upon delivery of the requested goods or services.
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks.
5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to the Executive Director, Assistant Executive Director, or an authorized check signer.
6. Checks shall be utilized in numerical order.
7. Checks shall never be made payable to “bearer” or “cash.”
8. Checks shall never be signed prior to being prepared.

Check Signing

It is the policy of the Coalition that checks equal to or less than \$5,000 will be signed by the Executive Director. However, checks greater than \$5,000 (other than checks to Providers for School Readiness and VPK payments) require dual signatures and must be signed by both the Executive Director and an additional authorized signer.

Check signers should examine all original supporting documentation to ensure that each item has been properly checked prior to signing a check. Checks should not be signed if supporting documentation appears to be missing or there are any questions about a disbursement. Once fully authorized, each payment packet (IPV, invoice, PO if applicable, cost allocation breakdown as needed and signed check) will be reviewed for accuracy and completeness regarding all required authorizations, by the Financial Director. Checks will be mailed only upon the Financial Director’s written and final authorization for payment.

In addition, it is the policy of the Coalition that reimbursements to contractors, State and Federal tax deposits may be made through Electronic Funds Transfer. The Finance Director is authorized to approve all transfers.

Mailing of Checks

After signature, checks and supporting documentation are returned to the Office Manager who attaches a copy of the signed check to the Purchase Order Form and mails checks immediately. Checks shall not be mailed by individuals who authorize expenditures.

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 online by the Finance Director. A journal entry is made to record the stop payment and any related bank fees.

Record-Keeping Associated with Independent Contractors

The Coalition shall obtain a completed Form W-9 or equivalent substitute documentation from all 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

Payroll is administered weekly by an outside contractor, Paychex, Inc.

Personnel Files

All employee personnel files are maintained by the Communications/HR Specialist. Information required to establish this file and to record changes thereto, originates only from the following sources:

1. Application/Resume
2. Form W-4
3. Form I-9
4. Insurance Application
5. Retirement Application

6. Properly executed and approved authorizations for miscellaneous payroll deductions
7. Documentation supporting approved employee rate of pay
8. Background check information

Payroll Preparation

Each employee will be responsible for submitting a weekly Personal Activity Report (PAR) to indicate hours worked, personal leave time, and/or holiday time. Each employee will forward a completed and signed PAR to his/her Manager for each payroll period.

Each Manager will sign to insure proper authorization and that appropriate forms have been completed for any personal leave time and submit all documentation to the Office Manager. The Office Manager will forward all completed time sheets to the Executive Director for approval. Once approved, the Office Manager will forward the request to the payroll company for processing.

Employee Leave Records

Leave records will be maintained on a weekly basis for each employee. The Coalition maintains a funded leave pool to account for accrued leave time in an account separate from operating funds. Accrued leave will be expensed to contracts when earned. The liability and the cash account will be recorded in the accounting system by the Finance Director and an adjustment to the funded staff leave pool will be made accordingly.

CASH AND CASH MANAGEMENT

Bank Reconciliations

Bank account statements are received each month and forwarded opened and date stamped by the Administrative Assistant to the Finance Director. The Finance Director shall review its contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. Unusual or unexplained items shall be reported immediately to the Executive Director or Assistant Executive Director.

The reconciliation between the bank balance and general ledger balance is prepared, signed and submitted to the Executive Director or Assistant Executive Director. The Finance Director reviews the bank statement and the reconciliation with the Executive Director or Assistant Executive Director. The Executive Director or Assistant Executive Director verifies transactions with the general ledger and the previous month's statement and indicates their approval by initialing and dating the reconciliation. It is the policy of the Coalition to complete the bank reconciliation process no later than the 20th of the month in which the statement is received.

Bank reconciliations and copies of resulting journal entries are filed in the current year's accounting files maintained by the Finance Director.

Cash Flow Management

The Finance Director monitors cash flow needs on a daily basis to eliminate idle funds and to ensure that payment obligations to our vendors, employees and providers can be met.

Disposition of Stale Checks

It is the policy of the Coalition to immediately notify payee of all outstanding checks that are more than six months old that have not cleared the Coalition's bank account. All stale checks, regardless of the stale period, must be addressed (reissued or voided) prior to the closing of the fiscal year the check was recorded. If payee is contacted, the Coalition will void original check and reissue. If the Coalition is unable contact payee, all stale checks are voided and credited to the same expense and/or asset account that was debited when the check was written or the expenditure incurred.

PREPAID EXPENSES

Accounting Treatment

It is the policy of the Coalition 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 \$1,000 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 Finance Director 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.

FIXED ASSET MANAGEMENT

Capitalization Policy

Physical assets acquired with unit costs in excess of \$1,000 are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

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.

Contributed Assets

Assets with fair market values in excess of \$1,000 (per unit) that are contributed to the Coalition 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.

Physical Inventory

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by the Coalition by July 1 of each fiscal year. This physical inventory shall be reconciled to the Master Property Inventory Form and shall include notations on the form designating the following conditions as appropriate.

Receipt of Newly-Purchased Equipment and Furniture

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

The Office Manager prepares the Property Tag Assignment Form, and assigns the appropriate number of tags, one for each item that has been ordered. The Office Manager will affix all property tags to the property items.

Lost or Stolen Property

The Office Manager (with oversight from the Finance Director) is responsible for the timely and accurate reporting of all lost or stolen property to the State.

Depreciation and Useful Life

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.

Repairs 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.

Dispositions of Fixed Assets

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the Master Property Inventory Form. 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. Only the Coalition's assigned Regional Analyst has the authority to inspect and approve designated assets before they are disposed.

Transferring Property

To maintain the integrity of the property system, it is essential that transfers of property from one office to another or from one location to another is properly documented and that the property records are subsequently adjusted to reflect these transfers. This ensures that those relocations or transfers are recorded for accountability and property management purposes.

Write-Off of Fixed Assets

If the Coalition determines that an item(s) of grant-purchased property is no longer needed, obsolete, not useable, or is not economical or efficient to use, the Coalition will adhere to the Program Instruction outlined within the Agency for Workforce Innovation/Office of Early Learning policy.

SERVICE PROVIDER/CONTRACTOR CASH MANAGEMENT

Cash Advances

Cash advances will be issued to service providers/contractors when management considers it appropriate. Generally the terms of the contract will specify that cash advances are to be issued. However any service providers/contractors may request cash advances if justifiable circumstances exist.

Procedure

The subcontractor will submit a request for advance to the Executive Director on the Coalition's prescribed forms.

Reporting

The recipient of the advance will be required to submit a monthly report of actual expenditures by the fifteenth of the month following the month of service.

The Finance Director will:

1. Record the advance as an asset (advance to subcontractor) at the time of disbursement.
2. Process the journal entry to record the actual expenditures based on the subcontractors monthly report.

The Executive Director will:

1. Review all request for advances to determine if they are necessary and reasonable.
2. Review all reports to determine if the cash advances are being expended in a reasonable time period and if reports are being submitted on a timely basis.
3. If the Executive Director determines that advances are not being properly requested or reported the subcontractor will be required to return all excess cash and will be placed on a cost reimbursement basis.

FINANCIAL STATEMENTS

Standard Financial Statements of the Coalition

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 Coalition. The Coalition's financial statements reflect current year-to-date budget to actual comparisons.

The basic financial statements of the Coalition 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 (Balance Sheet)
2. **Statement of Activities** - presents support, revenues, expenses, and other changes in net assets of the organization, by category of net asset (unrestricted, and permanently restricted)
3. **Statement of Cash Flows** - reports the cash inflows and outflows of the organization. (Revenue and Expenditures)

Frequency of Preparation

The objective of the Finance Director is to prepare accurate financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

A standard set of financial statements described in the preceding section shall be produced on a monthly basis prior to the Coalition's monthly Board of Directors meeting. The standard set of financial statements described in the preceding section shall be supplemented by the following schedules:

1. Individual statements of activities on an administrative and programmatic basis.
2. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts.

The monthly set of financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received, and actual depreciation expense.

Review and Distribution

All financial statements and supporting schedules shall be reviewed by the Finance and Audit Committee. After consensus is reached to accept the financial statements by this committee, a complete set of financial statements shall be forwarded to the Coalition's Treasurer. The Treasurer will present the Statement of Financials during the monthly scheduled Board of Director's meeting. The Board of Directors shall review and approve accordingly.

GOVERNMENT RETURNS

Overview

To legitimately conduct business, the Coalition 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 the Coalition include, but are not limited to, filing annual information returns with Internal Revenue Service.

Filing of Returns

It is the policy of the Coalition to become familiar with the obligations in each jurisdiction and to comply with all known filing requirements. The Finance Director shall be responsible for identifying all filing requirements and assuring that the Coalition is in compliance with all such requirements.

In addition, it is the policy of the Coalition to file complete and accurate returns with all authorities. The Coalition shall make all efforts to avoid filing misleading, inaccurate or incomplete returns.

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

Form 990 – The annual information return of tax-exempt organizations, filed with IRS. Form 990 for Example NPO 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.

Form 990-T - Annual tax return to report Example NPO'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.

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.

Form 940 - Annual Federal unemployment tax return filed with IRS, for all employers due January 31.

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.

UCT-6 – Quarterly state unemployment return filed with the State of Florida for all employers.

The Coalition's fiscal and tax year-end is June 30. All annual tax and information returns of the Coalition (Form 990) are filed on the accrual basis of reporting.

Public Access to Information Returns

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

1. The three most recent annual information returns (Form 990), [excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A], and
2. The Coalition'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 the Coalition to adhere to the guidelines stated in the Coalition's Records Management Operating Policy.

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 financial 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 the Coalition to adopt a final budget at least 30 days before the beginning of the new fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the Finance Director 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 fiscal year begins.

Monitoring Performance

It is the policy of the Coalition 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 Finance Director and distributed to the Board of Directors for adoption.

Budget Realignment

After a budget has been approved by the Board of Directors and adopted by the Coalition, reclassifications of budgeted expense amounts within a single category may be made by the Executive Director. All reclassifications are to be reported to the Finance and Audit Committee and the Board of Directors.

AUDIT/AUDIT RESOLUTION

Purpose

The purpose of this plan is to establish a program of audit of the Early Learning Coalition of Pasco and Hernando Counties, Inc., a Florida not-for-profit Corporation. This plan complies with the requirements of the State of Florida and OMB Circular A-133. The Audit Plan will be submitted annually no later than 30 days after the end of the prior fiscal year.

Audit

The Early Learning Coalition of Pasco and Hernando Counties, Inc. shall have a Single Audit conducted in accordance with OMB Circular A-133, applicable regulations, State laws, and Division Policies. The audit will be performed by an independent auditor in accordance with Government Auditing Standards (GAS) generally accepted in the United States of America covering financial and compliance audits. The audit will be conducted annually.

Scope of Audit

The auditor shall determine:

1. That the Early Learning Coalition of Pasco and Hernando Counties, Inc.'s financial statements fairly present its financial position and the results of its financial operations in accordance with generally accepted accounting principles in the United States of America and that the Schedule of Federal Awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
2. The Early Learning Coalition of Pasco and Hernando Counties, Inc. has an internal control structure and other control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations that could have a material impact on the financial statements.
3. The Early Learning Coalition of Pasco and Hernando Counties, Inc. has complied with laws and regulations that may have direct and material effects on its financial statements and on each major Federal assistance program.
4. The audit will be conducted in accordance with OMB Circular A-133 and the Florida Single Audit Act.

Target Dates

The annual audit for the fiscal year ended June 30 will be completed and submitted to the Early Learning Coalition of Pasco and Hernando Counties, Inc., by March 1. Two copies of the audit report along with the corrective action plan, including comments on the status of corrective action taken on prior year findings, and a copy of the dated transmittal letter from the audit firm will be submitted to the Agency for Workforce Innovation by March 31. One copy of the data collection form and one copy of the audit report will be forwarded to the Federal Audit Clearinghouse.

Funds to be Audited

The Early Learning Coalition of Pasco and Hernando Counties, Inc.'s independent audit will cover the entire operation including all funding sources, grants and contracts. Service providers will have their activities monitored to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and those performance goals are achieved.

Procurement of the Audit Firm

The Early Learning Coalition of Pasco and Hernando Counties, Inc. will contract on a three (3) year basis for the services of an independent certified public accounting firm. Any exception to this requires approval by the Executive Committee. Audit services are obtained through the same procurement procedures as are other services required by the Early Learning Coalition of Pasco and Hernando Counties, Inc. The procedures comply with OMB Circulars A-102 and A-110. Factors considered in awarding the audit contract include responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of external quality control reviews and price.

Requirement of the Audit Firm

The Early Learning Coalition of Pasco and Hernando Counties, Inc. will require the contracted audit firm to perform such financial and compliance reviews and testing procedures as deemed necessary to fulfill the requirements of the Scope of the Audit as described above.

The Early Learning Coalition of Pasco and Hernando Counties, Inc. will obtain an engagement letter containing a statement that the audit will be conducted in compliance with Agency for Workforce Innovation Policy.

Service Provider Monitoring

The Early Learning Coalition of Pasco and Hernando Counties, Inc. staff will provide ongoing monitoring of the activities of each service provider, including governmental, non-profit and commercial organizations. Activities will be monitored to ensure compliance with laws, regulations, and the provisions of the contracts and that performance goals are met.

The Coalition maintains a payment schedule for each service provider and verifies each invoice submitted against the provisions of the contract. Additionally, a random sampling of billing groups will be compared to actual reports printed from the EFS system. Any discrepancies will be reported and a copy submitted to the Executive Director.

A site visit will be made annually to each service provider to review financial procedures and internal control procedures. A report will be submitted for inclusion with the annual monitoring report.

Out of Business Service Providers

The Early Learning Coalition of Pasco and Hernando Counties, Inc. has developed a service provider contingency plan. The contingency plan implementation schedule provides a method for School Readiness Services to be continued within twenty four hours of activation. The plan is updated and revised as necessary.

COST ALLOCATION

General

All allowable costs are to be charged or allocated to particular program and cost centers within a program to the extent that benefits are received by these cost centers. The preferred method of allocation is a direct allocation, where a cost is assigned to one cost center. Where it is impractical to directly allocate certain costs, those costs may be pooled (i.e. initially charged to a cost pool used for the accumulation of those costs until the costs are distributed) through the application of an appropriate cost allocation formula, to the ultimate benefiting cost center. All expenditures of the Coalition will be allocated to the appropriate cost center in accordance with the Coalition's Cost Allocation Plan.

ADMINISTRATION OF FEDERAL AWARDS

Compliance with Laws, Regulations and Provisions of Awards

The Coalition recognizes that as a recipient of Federal funds, the Coalition is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. To ensure that the Coalition 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, the Finance Director shall be responsible for administering the award.
2. The Finance Director 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 the "OMB Circular A-133 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 applicable to the award.
3. The Finance Director and/or the Executive Director shall identify and communicate any special changes in policies and procedures necessitated by Federal awards as a result of the review of each award.
4. The Finance Director shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to the "OMB Circular A-133 Compliance Supplement", and communications with Federal awarding agency personnel.
5. The Finance Director shall cooperate with the Coalition's Independent Auditors by informing the CPA firm as to applicable laws, regulations, and provisions of contracts and grants and communicating known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Billing and Financial Reporting

The Coalition strives to provide management, staff and funding sources with timely and accurate financial reports applicable to Federal awards. These reports include monthly and cumulative expenditures, a project budget, and a balance remaining column.

The Coalition shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of Finance Director, subject to review and approval by the Executive Director.

The following policies shall apply to the preparation and submission of billings to Federal agencies under awards made to the Coalition:

1. It is the policy of the Coalition to request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. Each award normally specifies a particular billing cycle; therefore, a schedule is established for each grant to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
3. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.
4. All financial reports required by each Federal award will be prepared and filed on a timely basis. To the extent the Coalition's year-end audit results in adjustments to amounts previously reported to Federal agencies, revised reports shall be prepared and filed in accordance with the terms of each Federal award.

The Coalition shall maintain separate billing records in addition to the official general ledger accounting records. Billing records shall be reconciled to the general ledger on a monthly basis.

At the time invoices (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded on the books of the Coalition by the Finance Director.

If a Federal award authorizes the payment of cash advances to the Coalition, the Executive Director may request that a request for such an advance be made. Upon receipt of a cash advance from a Federal agency, the Coalition shall reflect a liability equal to the advance. As part of the monthly close-out and invoicing process, the liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period.

Procurement under Federal Awards

Procurement of goods and services whose costs are charged to Federal awards received by the Coalition are subject to all of the specific Coalition purchasing policies described earlier, under "Purchasing Policies and Procedures." In addition, procurements associated with Federal awards are subject to the following supplemental policies:

1. The Coalition shall avoid purchasing items that are not necessary for the performance of the activities required by a Federal award.
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.
3. Documentation of the cost and price analysis associated with each procurement decision shall be retained in the procurement files pertaining to each Federal award.
4. For all procurements in excess of the small purchase acquisition threshold (currently \$25,000), procurement records and files shall be maintained that include all of the following:
 - a. The basis for contractor selection.
 - b. Justification for lack of competition when competitive bids or offers are not obtained.
 - c. The basis for award cost or price.
5. The Coalition shall make all procurement files available for inspection upon request by a Federal Awarding Agency.
6. All contracts with vendors shall require the vendor to certify in writing that it has not been suspended or disbarred from doing business with any Federal agency.

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

Provisions Included in all Contracts

It is the policy of the Coalition to include all of the following provisions, as applicable, in all contracts (including small purchases) with vendors and sub-grants to grantees:

1. **Equal Employment Opportunity:** All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
2. **Rights to Inventions Made Under a Contract or Agreement:** Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and the Coalition in any

resulting invention in accordance with 37 CFR part 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements,” and any implementing regulations issued by the awarding agency.

3. **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended:** Contracts and sub grants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
4. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or sub-grants of \$100,000 or more, the Coalition shall obtain from the contractor or sub-grantee a certification that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Likewise, since each tier provides such certifications to the tier above it, the Coalition shall provide such certifications in all situations in which it acts as a sub-recipient of a sub-grant of \$100,000 or more.
5. **Debarment and Suspension (E.O.s 12549 and 12689):** For all contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11), the Coalition shall obtain from the contractor a certification that neither the contractor nor any of its principal employees are listed on the General Services Administration’s List of Parties Excluded from Federal Procurement or Non-procurement Programs.
6. **Remedies:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms.
7. **Termination:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) shall contain suitable provisions for termination by the Coalition, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default as well as conditions where the

contract may be terminated due to circumstances beyond the control of the contractor.

Standards for Financial Management Systems

In accordance with OMB Circular A-110, it is the policy of the Coalition to maintain a financial management system that provides for the following:

1. Accurate, current and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements of Circular A-110 and/or the award.
2. Records that identify adequately the source and application of funds for Federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, un-obligated balances, assets, outlays, income and interest.
3. Effective control over and accountability for all funds, property and other assets. The Coalition shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
4. Comparison of outlays with budget amounts for each award. Whenever possible, financial information shall be related to performance and unit cost data.
5. Written procedures to minimize the time elapsing between the transfer of funds to the Coalition from the U.S. Treasury and the issuance and redemption of checks, warrants or payments by other means for program purposes by the recipient.
6. Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
7. Accounting records including cost accounting records that are supported by source documentation.

Budget and Program Revisions

It is the policy of the Coalition to request prior approval from Federal awarding agencies for any of the following program or budget revisions:

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (project director, etc.) specified in the application or award document.
3. The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
4. The need for additional Federal funding.

5. The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the Federal awarding agency.
6. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-122.
7. The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.
8. Unless described in the application and funded in the approved awards, the sub-award, transfer or contracting out of any work under an award (however, this provision does not apply to purchases of supplies, materials, equipment or general support services).

Close Out of Federal Awards

The Coalition shall follow the close out procedures described in OMB Circular A-110 and in the grant agreements as specified by the granting agency. The Coalition shall liquidate all obligations incurred under the grant or contract within 60 days of the end of the grant or contract agreement.

In addition and more specifically, the Finance Director shall complete the following:

1. Reconcile expense accounts in the Chart of Accounts to Class expense accounts.
2. Reconcile payroll summary report to 941's and Personal Leave Time records.
3. Reconcile payroll liabilities.
4. Reconcile revenue accounts to Cash Receipts/Accounts Receivable Log.
5. Reconcile direct service expense accounts to the statewide reporting system.
6. Request the funding agency to submit a copy of the state's schedule of invoices received/paid and reconcile award expense accounts to the state's schedule of invoices received and paid. Review expenses against prior year expenses and document significant variances.
7. Reconcile revenue and expense accounts to the state's schedule of invoices received and paid.
8. Reconcile and close out award advances.
9. Reconcile award interest earned and disbursed to funding agency.
10. Review budget vs. actual report and amend/adjust budget if necessary.
11. Review and reconcile account maximum and minimum thresholds as determined by the award.
12. Review award deliverables and document compliance.
13. Reconcile fixed assets purchased to prior approval authorizations and record assets in the fixed assets account.
14. Record disposed fixed assets.
15. Calculate fixed assets depreciation schedule and record the depreciation.
16. Review prepaid expenses and confirm correct recording.

17. Prepare the following close out reports:
 - a. Statement Functional Expense
 - b. Breakout of Revenue between Program and Administration
 - c. Accounts Receivables Aging
 - d. Accounts Payables Aging
 - e. Lease Payment History
 - f. Profit and Loss by Class
 - g. Program/Provider Grant Summary
 - h. Prepaid Expense Report
 - i. Payroll Summary Report
18. Review and evaluate internal controls. Amend/create controls based on evaluation if necessary.
19. Submit close out documents and reports to the Executive Director for review and approval.

The Coalition shall liquidate all obligations incurred under the grant or contract within 60 days of the end of the grant or contract agreement.

Advance Payments

If the Coalition received an advance payment from a funding agency the repayment of the advance shall be completed prior to the last month of the fiscal year. The Coalition shall reconcile the advance payment to the actual expenditures for the current month and determine if the advance payment is needed to meet the actual cash requirements for the highest month. This procedure shall be documented and maintained in the Coalition's financial records. If the advance funds exceed the immediate cash needs of the Coalition, the Coalition shall immediately return any excess funds to the funding agency. In the event the advance does not meet the cash needs of the Coalition, the Finance Director shall request a second advance request in compliance with the funding agency's policies.

Advance Payments shall be deposited into an interest bearing account. In compliance with Title 45, Section 92.21(i) CFR the Coalition shall promptly, but at least quarterly, remit interest earned on advances to the funding agency. Documentation to support the interest income calculation including bank statements shall be retained in the Coalition's financial documents. Remittance of interest earned shall be conducted in compliance with the funding agency's requirements.

Certified Forward Process

Each year, unspent grant award balances are certified forward, at the state level, so that

goods and services received by the Coalition in June can be invoiced by the Coalition and reimbursed by funding agencies in subsequent months. To ensure proper receipt and payment of purchases, the Coalition shall implement the following year end purchasing procedures:

1. Any purchase request after April 30 shall have a stipulated delivery date of no later than June 20.
2. Appropriated processing of invoices received up to June 20 must be completed immediately.
3. Any outstanding purchase request not received by June 20 shall be cancelled immediately.

Prepayment for Goods and Services

The Coalition is authorized to prepay for goods and services not received by year end; however the prepayment must meet one of the following criteria:

1. The prepayment is a result of an obligation, as defined in the OMB Circulars that occurred during the funding period.
2. The prepayment circumstances are reasonable (e.g., it is ordinary and necessary; it is of sound business practice).
3. The prepayment is a reasonable allocated cost to the funding agency based on the benefits received.

If the prepayment meets one of the above, the following documentation must be included with the prepayment request:

1. A description of the cost to be pre-paid and the grant program to be charged for the cost, along with applicable funding periods of the grants charged.
2. The cost saving or other business rationale for making the prepayment.
3. A description of the methodology used to allocate the cost among the various benefiting grant programs.
4. The time period covered by the prepayment.

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 Finance Director shall review the terms, time periods, award amounts and expected expenditures

- associated with the award. A CFDA (*Catalog of Federal Domestic Assistance*) number shall be determined for each award. All reporting requirements under the contract or award shall be summarized.
2. **Create new general ledger account numbers.** New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget as deemed necessary.
 3. **Gather documentation.** A file is established for each grant or contract. The file contains the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funding sources.

CHARGING OF COSTS TO FEDERAL AWARDS

Overview

It is the policy of the Coalition 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 Program Income 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 OMB Circular A-122, "Cost Principles for Non-Profit Organizations."
3. No costs shall be charged directly to any Federal award or Program Income until the cost has been determined to be allowable under the terms of the award and/or OMB Circular A-122.
4. For each Federal award or Program Income, an appropriate set of general ledger accounts shall be established in the chart of accounts of the Coalition 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 un-cashed 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 or Program Income. 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.)
6. If the Coalition receives an audit/monitoring that indicates a disallowance involving current year grant funds, the amount of repayment due from the Coalition shall be reduced on the next Reimbursement Request Invoice. The amount of the disallowance shall be entered as a reduction to the OCA(s) originally impacted by the expenditure. The Reimbursement Request Invoice shall include a written explanation indicating that the invoice reflects a reduction due to an audit/monitoring disallowance referenced in the supporting documentation provided.
7. Prior year audit disallowances shall be repaid to the funding agency from the Coalition's unrestricted/reserve account. For prior year disallowances, the

Coalition shall remit a check in the amount of the disallowance including an explanation for the repayment. The OCA(s) originally impacted by the disallowance shall be identified and supportive documentation referencing the audit/monitoring shall be provided. The appropriate indications for prior year disallowance shall be indicated on the Reimbursement Request Invoice form.

Criteria for Allowability

It is the policy of the Coalition 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 Coalition, 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 Coalition, 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 Coalition.
5. Costs must be consistently treated over time.
6. The cost must be determined in accordance with Generally Accepted Accounting Principles (GAAP).
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. The Coalition charges these costs 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 Executive Director.

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 the Coalition (management and general costs).

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

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

The Coalition's independent auditor has the responsibility of reviewing the Coalition's indirect cost rates. These rates are submitted to the Coalition'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

The Coalition 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.

Employee Benefits - The total cost of all of employee benefits shall be determined by summing the cost associated with each benefit. This total employee benefit cost 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 the Coalition 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 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. Costs are charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.

Outside Services - The Coalition incurs outside service costs for its annual audit, legal fees, for staff development specialists, etc. 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 OMB Circular A-133 shall 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.

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

Credits - The applicable portion of any credits resulting from cash discounts, volume discounts, refunds, and 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 the Coalition 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.

The Coalition 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 Coalition records.
2. They are not included as contributions 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 OMB Circular A-122.
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 OMB Circular A-110.
8. In the case of donated space, the space is subject to an independent appraisal 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 Coalition (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 Coalition, rates used shall be consistent with those paid for similar work in the labor market in which the Coalition competes.

It is the policy of the Coalition to require volunteers to document and account for their contributed time in a manner similar to the time-keeping system followed by the Coalition's employees.

Amendment #1

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Early Learning Coalition of Pasco and Hernando Counties, Inc.

Fiscal and Accounting Policies

Amended November 2009; Board of Directors Approved: May 27, 2010

Amended July 2010; Board of Directors Approved: November 18, 2010

Amended March 2011, Board of Directors Approved: May 26, 2011

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