



Houston-Galveston Area Council

# **Accounting & Financial Policies and Procedures Manual**

March 20, 2018



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# **1.0 INTRODUCTION**

## **1.01 PURPOSE**

The following accounting manual is intended to provide an overview of the accounting policies and procedures for the Houston-Galveston Area Council, which shall be referred to as “H-GAC” or “the Organization” throughout this manual.

This manual shall document the financial operations of the Organization. Its primary purpose is to formalize accounting policies and selected procedures for the accounting staff, to document internal controls and to reflect Super Circular and Uniform Guidance updates.

The contents of this manual were approved as official policy of the Organization by the Board of Directors. All H-GAC staff are bound by the policies herein, and any deviation from established policy is prohibited.

## **1.02 THE ROLE OF THE BOARD OF DIRECTORS**

The Houston-Galveston Area Council is governed by its Board of Directors, which is responsible for the oversight of the Organization by:

1. Establishing broad policies, including financial and personnel policies and procedures
2. Approving grant applications
3. Reviewing and approving the annual audit
4. Reviewing financial information
5. Identifying and proactively addressing emerging issues
6. Interpreting the Organization’s mission to the public
7. Hiring, evaluating, and working with the Executive Director
8. Authorizing establishment of all bank accounts and check signatories

The Executive Director shall be responsible for the day-to-day oversight and management of H-GAC.

## **1.03 FINANCE COMMITTEE RESPONSIBILITIES**

The Finance Committee is responsible for direction and oversight regarding the overall financial management of H-GAC. Functions of the Finance Committee include:

1. Review and recommendation of the Organization’s annual budget (prepared by the staff) for final approval by the full Board
2. Long-term financial planning
3. Establishment of investment policy and monitoring investment performance
4. Evaluation and approval of facilities decisions (i.e., leasing, purchasing property)
5. Monitoring of actual vs. budgeted financial performance
6. Review of financial procedures

The review of the Organization’s financial statements shall not be limited to the Finance Committee, but shall involve the entire Board of Directors.

#### **1.04 AUDIT COMMITTEE RESPONSIBILITIES**

The Audit Committee recommends the hiring of an independent CPA firm to the Board of Directors, and communicates directly with the CPA firm for an annual audit. The Audit Committee shall review and approve the final audited financial statements, and any other communications received from the auditor regarding internal controls, illegal acts, or fraud.

#### **1.05 THE ROLES OF THE EXECUTIVE AND STAFF**

The Finance and Budget Committee of the Board of Directors hires the Executive Director, who reports directly to the Board. The Executive Director is ultimately responsible for hiring and evaluating the performance of H-GAC staff. The Executive Director hires the Chief Operating (“COO”) Officer, the Chief Financial Officer (“CFO”), the Internal Auditor, and the Intergovernmental Relations Manager. The COO recommends employment of Department Directors for each of the Organization’s departments. Each Department Director reports to the COO.

Each Department Director is responsible for making recommendations on hiring employees to work in their department with approval from the COO and the Executive Director. All employees within a department shall report directly to that department’s Director, or to one or more designated managers within the department. Departmental managers evaluate their subordinate staff and make recommendations to the Director of their department regarding performance and job assignments.

## **2.0 ACCOUNTING CONCEPTS AND PRINCIPLES**

### **2.01 BASIC CONCEPTS OF ACCOUNTING**

Financial accounting is the process of recording, classifying and summarizing, in quantitative terms, the economic events of a business. The result of this process is a compilation of information which reports the financial position of a business at a certain point in time and the results of its operations during a period of time. A basic objective of financial statements is to provide reliable and relevant financial information for the evaluation of a business.

The accounting process records the economic events of an organization by making additions to and removals from specific classifications known as accounts. There are five general types of accounts: assets, liabilities, net position (fund balance), revenues, and expenditures.

Assets are economic resources over which an organization has control and ownership. Examples of these include cash, claims to receive cash (accounts receivable), buildings, land, equipment, etc. Liabilities are economic obligations of the Organization such as taxes, outstanding bills (accounts payable), leases, and other debts. Net position represents the excess of assets of an organization over its liabilities.

The two remaining categories of accounts, revenues and expenditures, are used to record the inflows and outflows of financial resources of the Organization during a specific period of time. Total revenues over expenditures are compared at the end of each accounting period (usually months) and the excess of revenues over expenditures is accumulated throughout the fiscal year. This amount is referred to as the Change in Net Position (fund balance). At the end of the fiscal year, this amount will be combined with the Net Position (fund balance) for the organization and the total Net Position (fund balance) will be carried forward to the next fiscal year. Likewise, if expenditures exceed revenues then a reduction to the Net Position (fund balance) is recorded.

#### Accounting Entity

H-GAC is a voluntary association of local governments that administers planning and action programs from various federal state, and local agencies for the benefit of the citizens of the region. H-GAC is a legally separate entity, formed under authority of State Law under the Local Government Code, Chapter 391. For the purposes of these financial policies, the accounting entity consists of H-GAC and all of its blended and component units. H-GAC applies the same financial policies and procedures to all fiscal entities, grants, departments, and programs regardless of funding source.

#### Fiscal Year

H-GAC has adopted the calendar year which begins on January 1 and ends on December 31 as its fiscal year. Many grants and programs for which H-GAC is fiscally responsible have a different fiscal year. H-GAC reports on the fiscal periods required by the funding entity in compliance with grants and contracts; however, audited financial statements and organizational budgets will be prepared on H-GAC's fiscal year.

### **2.02 STANDARDS FOR FINANCIAL MANAGEMENT SYSTEMS**

In accordance with 2 CFR 200 (Subparts A-F) *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards*, sometimes referred to as the OMB Super Circular, H-GAC maintains a Accounting & Financial Policies and Procedures Manual

financial management system that provides for the following. Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.

1. Accurate, current, and complete disclosure of the financial results of each Federal or State sponsored project or program in accordance with the reporting requirements.
2. Records that identify adequately the source and application of funds for Federal or State sponsored activities. These records shall contain information pertaining to Federal or State awards, authorizations and obligations.
3. Effective control over and accountability for all funds, property, and other assets. H-GAC 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 H-GAC from the U.S. Treasury or the State Comptroller and the issuance or 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.

## **2.03 FUND ACCOUNTING AND ACCOUNTING PRINCIPLES**

### Modified Accrual Basis Accounting

During the process of providing services to the community, H-GAC incurs a wide variety of expenditures. For the most part, these expenditures are paid from grants and other contractual agreements. H-GAC earns these revenues as the costs are incurred (reimbursement basis). Additionally, both revenues and expenditures result when H-GAC incurs costs, and because of this, an attempt should be made to recognize revenues as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. However, expenditures related to compensated absences are recorded only when payment is due.

### Fund Accounting

H-GAC has adopted a fund concept of accounting. H-GAC uses three generic fund types in its activities. They are governmental funds, proprietary funds, and fiduciary funds. The following is a brief description of each fund type:

## Governmental Funds:

General Fund – The general operating fund accounts for all financial resources of H-GAC that are not accounted for within other funds.

Special Revenue Funds – The special revenue funds account for proceeds that are legally restricted for purposes specified in various state and federal grant agreements or corporation bylaws, such as bylaws for the Corporation for Regional Excellence.

Proprietary Fund Type – Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. H-GAC's Cooperative Purchasing and Energy Purchasing programs are recorded as enterprise funds, since their objective is to be self-sustaining.

Fiduciary Fund – Fiduciary funds are used to account for assets held on behalf of outside parties. The Retirement Plan for the employees of H-GAC is accounted in the various mutual funds in which the funds are invested.

The governmental fund which consists of the general fund and the special revenue fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, both measurable and available. Expenditures are generally recognized when the related fund liability is incurred, if measurable.

The proprietary funds which consist of the Cooperative Purchasing Enterprise fund, the Energy Purchasing Corporation, and the Local Development Corporation are accounted for on a full accrual basis. Revenues are recorded when earned and expenses are recorded at the same time liabilities are incurred regardless of the timing of the cash flows.

## **2.04 OTHER CONSIDERATIONS**

### Recording of Direct and Indirect Costs

The recording of direct costs is the process of identifying and assigning costs directly to the project cost center generating those costs. The recording of indirect cost is the process of identifying indirect costs for facilities, administration and support services and allocating those costs to the various project cost centers that benefit from the administration and support services.

Further discussion of these costing concepts may be found in chapter 7, Direct, Indirect Cost and Employee Benefits.

### Internal Controls

Internal control is comprised of the comprehensive plans, policies and procedures of the Organization and all coordinate methods and measures adopted within H-GAC to safeguard the assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial directives.

### Characteristics of Internal Control

The following are general characteristics of a satisfactory system of internal control:

- A plan of organization which provides appropriate segregation of functional responsibilities
- Personnel of a quality commensurate with responsibilities
- Sound practices to be followed in the performance of duties and functions of each of the organizational departments
- A system of authorization and recording procedures sufficient to provide reasonable accounting control over assets, liabilities, revenues and expenses

These general characteristics emphasize both the organizational structure and the systems of procedures to be used in H-GAC's operations. Within the framework, internal control can be divided into two types of control: Accounting and Administrative.

### Accounting Control

Accounting controls are primarily designed to safeguard the assets and provide reliable financial records of the Organization. This involves the procedures and records which are designed to provide reasonable assurance that financial transactions are executed in accordance with management's authorizations.

Transactions are recorded as necessary to permit preparation of financial statements in conformity with applicable accounting principles and to maintain accountability for assets.

Access to assets is permitted only in accordance with management's authorization.

The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

This definition of accounting controls envisions reasonable, not absolute, assurance that the objective expressed will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefit relationships of varying levels of control procedures made by management. From this evaluation process, management will select the procedures which are appropriate in the circumstances.

### Administrative Controls

Administrative controls are primarily designed to promote operational efficiency and adherence to managerial policies. Administrative controls include the plan of Organization, the procedures and records concerned with the decision-making process, the operational efficiencies of H-GAC and the quality control considerations of services rendered.

Inherent in effective administration of H-GAC is the communication of the financial and service goals of H-GAC, as functional units, to all supervisory personnel. Strong internal controls require that the Organization's structure be formally established with clearly defined areas of responsibility and authority. This formal plan should be in writing and include such items as organizational charts, job descriptions, and internal policy manuals. A formal budgeting system with periodic comparison of actual to forecasted results is also used as an effective administrative tool and internal control.

## **3.0 GENERAL LEDGER AND CHART OF ACCOUNTS**

The general ledger is the collection of all asset, liability, net assets, revenue and expense accounts. It is used to accumulate all financial transactions and is supported by subsidiary ledgers that provide details for certain accounts. The general ledger is the foundation for the accumulation of data and production of reports.

### **3.01 CHART OF ACCOUNTS**

The chart of accounts is the framework for the general ledger system and the basis for the accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense, and gains and losses account.

H-GAC's chart of accounts is comprised of five types of accounts:

1. Assets
2. Liabilities
3. Net Position
4. Revenues
5. Expenses

### **3.02 FUNDS**

A fund is a separate and independent fiscal and accounting entity and encompasses sums of money or other sources set aside for the purpose of carrying on specific activities or attaining certain objectives.

H-GAC has four basic fund groups:

1. General Funds
2. Special Funds
3. Proprietary Funds
4. Fiduciary Funds

### **3.03 PROJECT CODE**

Projects are used to accumulate detail transactions and the impact of these transactions on each grant contract's budget.

The following are typical project segments for H-GAC:

- Funding Source
- Program Year
- Task

### 3.04 CONTROL OF CHART OF ACCOUNTS

The Accounting Administrator monitors and controls the chart of accounts, including all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the CFO or Assistant Director, who ensure that the chart of accounts is consistent with the Organizational structure of H-GAC and meets the needs of each division and department.

### 3.05 ACCOUNT DEFINITIONS

General Ledger

Account Range

10001 - 19999

Category

**Assets**

Definition

Assets are probable future economic benefits obtained or controlled by the Organization as a result of past transactions or events. Assets are classified as current assets, fixed assets, contra-assets, and other assets.

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

Fixed assets (property and equipment) are tangible assets with a useful life of more than one year that are acquired for use in the operation of the Organization and are not held for resale.

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

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

20001 – 29999

**Liabilities**

Liabilities are probable future sacrifices of economic benefits arising from present obligations of the Organization to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities are classified as current or long-term.

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 payable, 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.

30001 - 39999      **Net Position**

Net Position is the difference between total assets and total liabilities.

40001 - 49999      **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 include grants received from government agencies, private foundations and corporations, and contributions received from donors.

50001 - 99001      **Expenditures**

Expenditures are outflows or other activities using assets, or incurrences of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute H-GAC's ongoing major or central operations.

### 3.06 FISCAL YEAR OF ORGANIZATION

H-GAC shall operate on a fiscal year that begins on January 1st and ends on December 31. Any changes to the fiscal year of the Organization must be ratified by majority vote of H-GAC's Board of Directors.

### 3.07 JOURNAL ENTRIES

All general ledger entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, including an explanation of each such entry. Examples of such journal entries are:

- Recording of noncash transactions
- Corrections of posting errors
- Nonrecurring accruals of income and expenses

All journal entries not originating from subsidiary ledgers shall be authorized by the Accounting Administrator or Assistant Director or the Chief Financial Officer by initialing and posting the entries. The CFO may not post entries, but he/she may approve entries for posting.

## 4.0 REVENUES AND CASH RECEIPTS

### 4.01 REVENUE RECOGNITION

H-GAC receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements in the following manner:

1. Grant income - Monthly or quarterly recognized based on billings (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards).

H-GAC performs a one-time accrual based on incurrence of allowable costs at year end. This allows H-GAC to close its financial records and assure that all revenues are attributed to the correct accounting fiscal year.

2. In-Kind Contributions – Recognized as income when received.
3. Program Income – Includes income generated from the grant activities, and is recognized when received.
4. Other Income - Includes cash received from non-grant related activities, such as Cooperative Purchasing fee revenue, interest income, and data sales. These revenues are recognized on the accrual basis, when applicable.

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 Chief Financial Officer.

### 4.02 CASH RECEIPT

Cash (including checks payable to the Organization) is the most liquid asset of the Organization. Therefore, it is the objective of H-GAC to establish and follow the strongest possible internal controls in this area.

#### 1) Processing of Checks and Cash Received in the Mail

The following procedures will be followed:

- Cash receipts are received in a central location (Print Shop) to ensure that cash received is appropriately recorded and deposited on a timely basis.
- Mail is opened and a listing of cash/checks received shall be prepared by Print Shop personnel and entered into the cash log system.
- A deposit slip is prepared from the cash/checks received from the Print Shop by the Executive Director's Administrative Assistant and compared to the daily receipts listing for discrepancies in the cash log system.
- Deposits are made by Print Shop personnel.
- The check log is submitted to the Finance department and the cash receipt is recorded by the Finance Coordinator in Finance and posted by the Assistant Director.

All checks received that are payable to the Organization shall immediately be restrictively endorsed by Print Shop personnel with the deposit stamp. The restrictive endorsement shall be a rubber stamp that includes the following information:

- For Deposit Only
- Organizational Name
- Bank name
- Bank account number of the Organization

Bank deposits will be made on a daily basis, unless the total amount received for deposit is less than \$1,500.00. In no event shall deposits be made less frequently than every two days.

## 2) Processing of Cash Received in the Lockbox and ACH

The following procedures will be followed:

- Cash receipts from the financial institution Lockbox and Automated Clearing House (ACH) deposits made payable to H-GAC are printed weekly from the bank software on-line.
- Cash received through ACH is reviewed by the Accountants by comparing the deposit with the grant billing invoice and recorded by the Finance Coordinator in Finance.
- Cash received from the Lockbox are reviewed and recorded by the Accountant in Finance.
- Cash transactions are reviewed and posted by the Assistant Director.

### **4.03 BANK RECONCILIATIONS**

Bank reconciliation shall be made monthly within 30 days from the date of receipt of bank statements.

The Grant Accountant, who has no cash handling duties, shall be responsible for reconciling bank accounts to the general ledger.

Bank account statements are received each month and forwarded to the Grant Accountant.

A reconciliation between the bank balance and general ledger balance is prepared in a timely manner as follows:

1. Compare each entry in the bank statement with the corresponding check register in the bank reconciliation model.
2. Identify outstanding checks, deposits in transit and other reconciliations.
3. Mark cleared items in the system.
4. Print bank reconciliation analysis.
5. Attach bank reconciliation analysis with the bank statement, listing of outstanding checks and deposits in transit documents.
6. Prepare journal entries resulting from the reconciliation and submit to Accounting Administrator for review and approval.
7. Forward the completed reconciliation files to Accounting Administrator for review and approval.
8. File the bank reconciliation and all the supporting documentation in the file folder for each bank account.

9. Each quarter, the Grant Accountant shall submit the list of outstanding checks older than 120 days to Accounts Payable for investigation. Accounts Payable will either void and reissue the check or void the check and credit the expenses based on the result of the investigation.

#### **4.04 INVESTMENT**

Based on the cash flow requirement and analysis, the CFO determines the funds available to be placed in the investment. The Assistant Director, acting as the Investment Officer for the Organization, will obtain quotes from the authorized Financial institutions for investment options. The investment options will be presented to CFO for investment decisions with recommendations. The Investment Officer maintains a record of each investment, its cost, description and identifying account number. Funds to be invested do not include those from Federal awards. Such funds will be spent on program requirements as budgeted, or returned to the awarding agency. All investments and other negotiable assets are properly safeguarded and are in the name of the Houston-Galveston Area Council.

A copy of H-GAC's investment policies is included in Appendix A.

##### Accounting Treatment

All purchased investments shall initially be recorded at cost. Adjustments to market value shall be made in the accounting records and financial statements of H-GAC on a yearly basis.

The following procedures will be followed to ensure that investments are properly managed and that the investment policies are consistent with the mission of H-GAC and accurately reflect the current financial condition of H-GAC:

1. The Investment Officer shall maintain a schedule of investments and reconcile this schedule with the general ledger and with investment account statements on a quarterly basis. The schedule of investments shall include the following information with respect to each investment:
  - a. Date acquired
  - b. Cost or basis at acquisition
  - c. Interest rate (if applicable)
  - d. Date of maturity (if applicable)
  - e. Holder/issuer of security
  - f. Current market value
2. The Investment Officer shall prepare journal entries to record interest earned and any adjustments from the reconciliation.
3. The Investment Officer shall prepare a report of investments for presentation on a quarterly basis. The report will be reviewed and approved by the CFO and submitted to the Finance Committee and the Board of Directors.
4. The quarterly investment reports shall detail the portfolio's composition and performance for the quarter and year-to-date.
5. Investment policies shall be reviewed annually by the Chief Financial Officer and Investment Officer to determine any appropriate modifications.
6. Recommendations for any revisions or modifications to the investment policy will be proposed and presented by the Chief Financial Officer to the Board of Directors for their approval.
7. The H-GAC Investment Policy shall be approved by the Board of Directors annually.

## **5.0 ACCOUNTS PAYABLE MANAGEMENT**

### **5.01 OBJECTIVE**

H-GAC 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. The following are general policies for accounts payable:

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the vendor invoice for the related goods or services.
- The vendor invoice should be supported by an approved purchase order where necessary.
- Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

The primary objectives for accounts payable and cash disbursements are:

1. Timely and efficient processing of accounts payable
2. Accurate recording of the agency's liabilities and related expenses
3. Payment for only goods and services actually received and authorized

### **5.02 RECORDING OF ACCOUNTS PAYABLE**

Invoices shall be mailed directly to Finance. Payment of invoices shall have the proper approvals and authorizations. All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

Checks are processed and cut periodically, usually twice a week. Electronic Funds Transfers (EFT's) are processed as needed. Information is entered into the system from approved invoices with appropriate documentation attached.

Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment.

### **5.03 ESTABLISHMENT OF CONTROL DEVICES**

The Accounting Specialist establishes control of invoices as soon as they are received. Vendors will be instructed to mail all invoices directly to the Finance Department. Upon receipt, each invoice shall be "date received" stamped and distributed to the appropriate Accounting Specialist.

### **5.04 PREPARATION OF INVOICE DOCUMENTATION**

Prior to any accounts payable being submitted for payment, all supporting documentation should be received, reviewed, and attached to the invoice to be paid. Proper supporting documentation includes the following items:

1. Vendor invoice
2. Packing slip (where appropriate)

3. Receiving report (or other indication of receipt of merchandise and authorization of acceptance)
4. Purchase order as required by procurement policies or check request
5. Any other supporting documentation deemed appropriate

### **5.05 PROCESSING OF INVOICES**

The following procedures shall be applied to each invoice by the Accounting Specialists:

1. Check the mathematical accuracy of the vendor invoice.
2. Match the vendor invoice with the purchase order or check request and other supporting documents.
3. Create A/P voucher.
4. Print voucher edit report.
5. Submit voucher edit report, invoices, and supporting documentation to Accounting Administrator for review and posting.
6. After receiving approved and posted batch from Accounting Administrator, select vouchers for payment and create EFT or checks for vendors that are unable to receive EFT payments.
7. Submit EFT and checks with matching documents to Finance Executive Assistant.
8. Obtain approval and signature for EFT and checks following the procedures outlined in the Signature Process.
9. Once all signatures have been acquired, the Accounting Administrator transmits the EFT payment through the bank software. The Executive Director's Administrative Assistant releases the EFT payment from the bank software and mails out all checks. Vendors are not permitted to pick up checks. Any employee receiving reimbursement from H-GAC for an authorized expenditure via check, must sign the file copy of the supporting documentation which acknowledges receipt of payment.

### **5.06 CHECK REQUESTS**

Check requests must have proper supporting documentation and appropriate approvals.

Use of check requests shall be limited to payment for items not covered by purchase order or in emergency situations.

Proper segregation of duties shall be maintained in preparing and processing check requests. All costs paid through check requests shall comply with all the requirements established in this manual, i.e. budget availability and costs that are allowable, necessary, reasonable and allocable.

### **5.07 USE OF PURCHASE ORDERS**

H-GAC utilizes an automated purchase order system. Departments initiate the purchase order by completing a requisition. The requisition process is designed to automatically forward through the approval process based on type of purchase and amount. Once a requisition has received all required approvals it is submitted to the buyer for preparation of a purchase order. The buyer submits orders to the selected vendor. It is a violation of H-GAC policy for staff personnel to purchase goods or services without prior approval and adhering to the purchasing policies, including the requisition process. The Buyer is the authorized representative for the agency to purchase goods and services.

A properly completed purchase order shall be required for each purchase decision with the exception of travel expense reimbursements, which require the preparation of a separate form described elsewhere in this manual. A properly completed purchase order shall contain the following information, at a minimum:

- Specifications or statement of services required
- Vendor name, address, point of contact and phone number
- Source of funding (if applicable)
- Special conditions (if applicable)
- Catalog number, page number, etc. (if applicable)
- Net price per unit, less discount if any
- Total amount of order
- Date purchase order was prepared
- General Ledger account number

Purchase orders shall be automatically numbered by the accounting system and issued upon approval by the Buyer.

Annually, an aged outstanding purchase order report shall be prepared and reviewed with the Accounting Coordinator. In addition, each grant accountant will review the outstanding purchase orders before a grant may be closed.

## **5.08 RECEIPT AND ACCEPTANCE OF GOODS**

All goods are received by the Print Shop. The Print Shop personnel 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 and note on the bill of lading of any discrepancies (missing or damaged boxes/containers, etc.)
4. Sign and date the bill of lading
5. Remove the packing slip from each box/container
6. Compare the description and quantity of goods per the purchase order to the packing slip
7. Enter receiving information into the accounting system
8. Forward goods to the ordering department
9. The ordering department will inspect goods and report immediately any discrepancies or damage to the buyer.
10. The buyer will report all discrepancies to vendor and request replacement or credit. The buyer will also notify accounts payable of discrepancy for proper credit tracking.

This inspection must be performed in a timely manner to facilitate prompt return of goods and/or communication with vendors.

## **5.09 ACCOUNTS PAYABLE VENDOR MASTER FILE**

When new vendors need to be added to H-GAC's accounts payable vendor master file, a New Vendor Request Form is completed and submitted with a W-9 form (if applicable) to the Finance Department. The Accounting Administrator will notify and forward the vendor request form to the Buyer to check the Debarment list. The Accounting Administrator will enter the new vendor's information into the system and notify the requestor when the new vendor is set up and give them the vendor ID number.

## **5.10 CHECK PREPARATION**

H-GAC's Accounting Specialists for accounts payable print checks on a routine basis, usually twice a week. Checks shall be prepared by persons independent of those who initiate or approve expenditures, establish new vendors, reconcile bank accounts or sign checks.

All checks shall be produced in accordance with the following guidelines:

- Expenditures must be supported in conformity with purchasing and accounts payable policies.
- Timing of disbursements should generally be made to take advantage of all early-payment discounts.
- Generally, all vendors shall be paid within 30 days of submitting a proper invoice after delivery of the requested goods or services.
- Contractors and subrecipients will be paid in accordance with contract terms and the availability of funds from grantor agencies.
- Total cash requirements associated with each check run is monitored in conjunction with available cash balance in the bank prior to the release of any checks.
- All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer.
- Checks shall never be made payable to "bearer" or "cash."

## **5.11 CHECK SIGNING**

Checks of less than \$3,000.00 require a single signature of the CFO or the Executive Director. Checks of \$3,001.00 or more require two signatures (Both the CFO and Executive Director with the Director of Operations as an alternative signature for either one).

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.

## **5.12 DISBURSEMENTS USING ELECTRONIC FUNDS TRANSFER**

Identical procedures are followed for EFT payments as those for checks with the exception that a summary sheet is prepared which shows the items in the batch and the total of the batch. This sheet is signed by an authorized signer, as noted above, transmitted to the bank by an Accounting Administrator and released by the Administrative Assistant of the Executive Director.

### **5.13 USE OF POSITIVE PAY SYSTEM**

H-GAC utilizes a “Positive Pay” system with its financial institution for all checks drawn on the operating account. With this system, the Accounting Administrator electronically communicates to the financial institution a list of check numbers, amounts, and vendors in connection with each check run. The financial institution shall then notify the Accounting Administrator if any check is presented for payment that does not match the three characteristics for valid checks.

### **5.14 MAILING OF CHECKS**

After signature, checks are returned to the Executive Director’s Administrative Assistant for mailing. Checks shall not be mailed by or returned to individuals who authorize expenditures. With the exception of checks to employees and checks needed for postage, no checks can be picked up by a vendor. All checks are delivered by a third-party vendor either by U.S. mail, FedEx, or courier.

### **5.15 VOIDED CHECKS AND STOP PAYMENTS**

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

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction and written authorization to the bank by the Accounting Administrator. A cash disbursement reverse entry is made and the expense is credited to record the stop payment.

### **5.16 RECORDKEEPING ASSOCIATED WITH INDEPENDENT CONTRACTORS**

H-GAC shall obtain a completed Form W-9 or equivalent substitute documentation from all vendors to whom payments are made (see “Accounts Payable Management” policies). 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.

### **5.17 WIRE TRANSFER**

The Chief Financial Officer and the Executive Director shall be the only H-GAC employees authorized to transact wire transfers from H-GAC bank accounts. To prevent anyone other than the Chief Financial Officer from transacting wire transfers, a system shall be employed that requires a written authorization for each wire transfer.

Confirmations of all wire transfers are delivered to the Executive Director and CFO.

## **6.0 ACCOUNTS RECEIVABLE MANAGEMENT (NON-GRANT)**

H-GAC'S primary sources of revenue are:

- Reimbursement grants – billed monthly, or as funders required, based on allowed, incurred expenses. (See below “Administration of Federal/State Awards”)
- Fee-for-service income – billed according to contract requirements based on a predetermined fee schedule or fee structure.
- Local revenues – Income such as workshops, data sales and memberships are based on a fee structure.

H-GAC's Accounting Department is responsible for the invoicing and the collection of outstanding receivables.

### **6.01 ACCOUNTS RECEIVABLE (H-GAC COOPERATIVE PURCHASING PROGRAM)**

1. Invoices are generated from the H-GAC accounting system by the Accounting Specialist based on the Purchase Order folder received from the Cooperative Purchasing Department.
2. The Accounting Specialist prepares the receivable edit report form in the H-GAC accounting system after the invoices are generated and forwards to the Accounting Administrator for review and posting.
3. The Accounting Specialist e-mails one copy of the invoice to the customer, mails an original invoice to the customer, and retains a copy for file in numerical sequence.
4. Each month, the Finance Administrator prints the accounts receivable report and meets with the Program Coordinator to go over outstanding invoices to determine if any follow-up or collection action is needed.

### **6.02 ACCOUNTS RECEIVABLE (LOCAL REVENUES)**

1. Invoices shall be generated from the H-GAC accounting system by the Finance Specialist based on the request for billing received from the various program departments.
2. The Finance Specialist prepares the receivable edit report from the H-GAC accounting system after the invoices are generated and forwards report to the Accounting Administrator for review and posting.
3. The Finance Specialist mails an original invoice to the customer, one copy of the invoice to the department who requests the billing, and retains a copy for file in numerical sequence.
4. The Finance Administrator will print out the accounts receivable report and meet with program staff periodically to determine if any collection action is needed.

### **6.03 ACCOUNTS RECEIVABLE WRITE-OFF PROCEDURES**

All available means of collecting accounts receivable will be exhausted before write-off procedures are initiated. Write-offs are initiated by the department associated with the amount to be written off, in conjunction with the Accounting Department. If an account receivable is deemed uncollectible, the approval of the Executive Director is required before the write-off is processed.

Once a write-off has been processed, appropriate individuals in the originating department will be advised so that further credit is not granted.

If write-off procedures have been initiated, the following accounting treatment applies:

1. Current year invoices that are written off will either be charged against an appropriate revenue or against the original account credited.
2. Invoices written off that are dated prior to the current year will be written off against the bad debt allowance account for Cooperative Purchasing receivables. The write off will be charged against current year revenue for local receivables. In the event that a bad debt exceeds the allowance, the residual amount will be an adjustment to current year revenue.

## **7.0 DIRECT, INDIRECT COSTS AND EMPLOYEE BENEFITS**

### **7.01 DIRECT COSTS**

Direct costs include those costs that are incurred and can be specifically identified as benefitting a specific program or function. The Houston-Galveston Area Council identifies and charges these costs exclusively to each award or program.

Each expense shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure.

H-GAC requires all employees to complete timesheets to support the payroll record. All time sheets include project codes to support the work performed or leave time taken by the employees. Employees may be required, under certain conditions, to notate on their timesheet specific tasks that were completed. H-GAC considers the electronic timesheet to be the personal activity report for each employee. Timesheets are submitted on a bi-weekly basis, reflecting employees' work and which programs directly benefited from their effort. Timesheets shall serve as the basis for charging salaries directly to Federal awards and non-Federal functions. See the Payroll section of this manual for detailed procedures.

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

### **7.02 INDIRECT AND JOINT COSTS**

Indirect costs are those costs that have been incurred for common or joint objectives and cannot be readily identified with a particular grant or program. Indirect costs, but not joint costs, shall be allocated to benefiting grants through the use of an indirect cost rate.

Examples of indirect costs are:

- The Finance Department
- The Internal Audit Department
- The Executive Director Department
- The Program Operations Department

Examples of joint costs are:

- Shared space
- Purchasing cost
- Personnel cost
- Print Shop cost
- Facility cost
- Network administration cost
- GIS cost

Per Federal guidelines, each grant will be charged its fair share of costs. Any costs not directly charged to a particular funding source will be pooled and allocated across all funding streams, Federal, State, and

Local, on an equitable basis established during the budget process and approved by the Board of Directors.

### **7.03 INDIRECT COST RATE**

H-GAC maintains an annual indirect cost budget. Each year a new indirect cost budget is prepared in conjunction with the agency-wide annual budget and approved by the H-GAC's Board of Directors. The indirect cost budget is submitted to H-GAC's Cognizant Agency for approval.

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

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

These rates are submitted to H-GAC's Cognizant Agency for approval and are binding on all Federal and State agency agreements unless specifically excluded by statute or contract.

H-GAC reconciles the variance between the rate charged for indirect costs and the actual costs. Adjustments over and under the calculated rate are carried over to the indirect pool rate in the subsequent year using methodologies in 2 CFR 200.

### **7.04 COST POOLS**

H-GAC uses a variety of methodologies to allocate costs to the various projects that it operates. The costs are distributed directly to the projects via an automated allocation program in the accounting system. The following describes each type of allocation and the basis.

#### **RENT**

1<sup>st</sup> Tier Basis: Labor Hours

The monthly cost of leased space along with any adjustments imposed by the landlord for utility costs are allocated to the projects based on each project's labor hours as a percentage of total labor hours for the agency.

#### **PRINTING**

1<sup>st</sup> Tier Basis: Labor Hours

All costs associated with mailing, receiving and printing operations of H-GAC are pooled on a monthly basis. Examples of such costs would include lease and maintenance of copiers, paper, copier supplies, salary and benefits of print shop personnel, etc. The pooled costs are allocated to the projects based on each project's labor hours as a percentage of total labor hours for the agency.

#### **PERSONNEL**

1<sup>st</sup> Tier Basis: Labor Hours

This pool of costs includes any cost incurred in a personnel or payroll related functions. Examples of this cost are salary and benefits of personnel and payroll staff, recruiting and supplies, etc. The pooled costs are allocated to the projects based on each project's labor hours as a percentage of total labor hours for the agency.

## PURCHASING

1<sup>st</sup> Tier Basis: Labor Hours

H-GAC maintains a centralized purchasing function. Supervised by the Chief Operating Officer, this function incurs costs in salaries, benefits, supplies, rent, etc. necessary to staff and conduct purchasing transactions for the agency. The pooled costs are allocated to the projects based on each project's labor hours as a percentage of total labor hours for the agency.

## FACILITY

1<sup>st</sup> Tier Basis: Labor Hours

H-GAC maintains a centralized office operation function. Supervised by the Facility Manager, this function incurs costs in salaries, benefits, supplies, rent, etc. necessary to staff and conduct facility related duties for the agency. The pooled costs are allocated to the projects based on each project's labor hours as a percentage of total direct labor hours for the agency.

## NETWORK ADMINISTRATION

1<sup>st</sup> Tier Basis: Labor Hours

H-GAC operates PC's in a network environment using Microsoft Windows. Standard office software such as Microsoft Office and Outlook reside on the network. The costs of maintaining the network including software upgrades, hardware enhancements, support salaries and benefits, etc. are pooled into the network administration pool on a monthly basis. These costs are allocated to the projects based on labor hours.

## COMMUNICATION

1<sup>st</sup> Tier Basis: Labor Hours

The costs of maintaining and operating H-GAC's telephone system are pooled monthly. Examples of these costs include the monthly lease of telephone equipment and monthly telephone fees. These pooled costs are allocated monthly based on project labor hours.

## GEOGRAPHIC INFORMATION SYSTEM (GIS)

1<sup>st</sup> Tier Basis: Labor hours

All of H-GAC's programs/projects utilize the geographic information system maintained by the Data Services Department. This GIS system requires that unique licensing be purchased for each user from ESRI. The costs associated with maintaining the GIS are pooled monthly. The costs are then allocated to the projects based on project labor hours.

## **7.05 EMPLOYEE BENEFITS**

H-GAC incurs costs for the following statutory and non-statutory employee benefits:

- FICA
- Unemployment Insurance
- Worker's Compensation
- Health Insurance
- Contributions to 401(k) Plan
- Accrued Vacation
- Used Sick Leave
- Other Leave
- Other Misc. benefit costs such as consultant, recruiting, etc.

The total cost of all of the preceding employee benefits are expensed each month to a benefit pool. At the end of each month all salary costs for the month are totaled. Each project's salary cost is multiplied

by the fixed benefits rate approved by the Cognizant Agency. The result is the benefit cost to that project for that month. This allocation is automated through the Accounting Software.

Like the indirect cost pool, the benefit pool is reconciled annually and actual to allocated adjustments are carried forward to the following budget year.

## **8.0 PAYROLL AND RELATED POLICIES**

### **8.01 PAYROLL ADMINISTRATION**

H-GAC operates on a bi-weekly payroll. The objectives of the following payroll procedures are to ensure:

1. A timely and efficient processing of the staff payroll.
2. An accurate computation and recording of payroll expense, related liabilities, and net pay.
3. Payment for only authorized work actually performed.

### **8.02 PAYROLL TAXES**

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

### **8.03 PREPARATION OF TIMESHEETS**

Each H-GAC employee must prepare an electronic timesheet no later than 3.00 p.m. on the Thursday of the second week of each pay period. Timesheets shall be prepared in accordance with the following guidelines:

1. Each timesheet shall reflect all hours worked during the pay period.
2. Errors shall be corrected electronically by notifying the Finance Coordinator.
3. Compensated absences (vacation, holiday, sick leave, etc.) shall be clearly identified.
4. Timesheets submitted electronically shall be considered signed by employee as accurate once submitted.

After preparation, employees' supervisors or their designees shall approve timesheets. Corrections identified by an employee's supervisor for that timesheet shall be rejected until corrected by the employee.

An H-GAC employee who is on leave, traveling, or is ill on the day that timesheets are due may telephone or email timesheet information (actual time worked and the appropriate classifications) to his or her supervisor (or designated alternate) or to the Finance Coordinator. If the Finance Coordinator has entered the employee's timesheet for that pay period it must be approved by the employee's supervisor.

### **8.04 PROCESSING OF TIMESHEETS**

After all timesheets have been approved, the Finance Coordinator reviews the timesheets to verify charge codes and work hours and then transfers timesheets to the accounting system.

Once the payroll is processed and calculated, the payroll reports are printed and reviewed/approved by the Accounting Administrator. The direct deposit file is created or payroll checks are printed after the payroll reports are approved. Employee leave accruals are calculated and posted.

The Finance Coordinator creates the direct deposit file which shall be transmitted to the bank and forward it to the Accounting Administrator. After it is approved it is released by the Executive Director's Assistant. After the direct deposit file is sent, payroll is posted and payroll taxes are calculated and paid.

## **8.05 TIMESHEET CORRECTIONS**

If an employee needs to make a change or a correction to a timesheet, the employee must contact the Finance Coordinator with the detail information. The Finance Coordinator will make the change/correction to the timesheet. The grant accountant will use the detailed information provided to make the necessary journal entries for the timesheet correction. Each timesheet correction must include a reason as to why the change was needed and must be approved by the Accounting Administrator prior to posting.

## **8.06 DISTRIBUTION OF PAYROLL**

All employees are paid by check or direct deposit through ACH electronic data processing. Check stubs for electronic direct deposits can be accessed via the timesheet software once payroll has been completed.

Payroll checks shall be distributed by individuals who do not approve timesheets, are not responsible for hiring and firing, and do not control the preparation of payroll.

## **8.07 CHANGES IN PAYROLL DATA**

All of the following changes in payroll data are to be authorized in writing:

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

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the appropriate Department Director and the Executive Director.

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

Any changes that affect payroll processing will be forwarded to the Payroll Specialist in the Finance department once they have been entered into the automated master file by Personnel. The Payroll specialist will not have access to make changes to rates of pay or payroll deductions. Documentation supporting any changes to the payroll status of an employee will be permanently maintained in the employee's personnel file.

To assure that changes are implemented accurately, the Payroll Specialist will distribute a preliminary register to the HR Specialist and the Accounting Administrator for review and approval before posting the

payroll and disbursing payments. The Payroll Specialist will submit the recommendation for disbursement of the payroll direct deposits to the Administrative Assistant of the Executive Director for release of payment.

## **8.08 TAX REPORTING**

The CFO shall be responsible for identifying all filing requirements and assuring that H-GAC is in compliance with all such requirements. The Organization will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

1. **W-2's and 1099's** - Annual report of employee and non-employee compensation, based on calendar-year compensation, is prepared on a cash basis. The Accounting Administrator will gather the information from the accounting software and prepare the W-2 and 1099 forms before the due date. These information returns are due to employees and independent contractors by January 31 and to Federal Government by February 28.
2. **Form 941** - Quarterly payroll tax return filed with IRS to report wages paid to employees and Federal payroll taxes. The Finance Coordinator will print a quarterly information from payroll and prepare Form 941 before the due date. 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.

## **9.0 TRAVEL**

### **9.01 EMPLOYEE AND DIRECTOR BUSINESS TRAVEL**

H-GAC has a separate policy manual that addresses the rules regarding business travel. The policy is available on the H-GAC intranet.

At the conclusion of an H-GAC business trip, an employee or member of the Board of Directors that has incurred business-related expenses should complete an expense report in accordance with the following policies:

1. Follow the guidance in the H-GAC Travel Policies & Procedures with respect to documentation requirements.
2. Vendor receipts/invoices must be submitted for all lodging and any expenditure other than meals. Credit card charge slips do not represent adequate supporting documentation. A hotel receipt must be obtained to substantiate all lodging expenditures.
3. Most airfare is purchased with the H-GAC credit card in advance. If the employee purchases airfare, then airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes).
4. Mileage may be reimbursed at the standard Federal/State rates published by the Texas Comptroller.
5. The business purpose of each trip must be adequately explained on each report.
6. General ledger account coding must be identified for all expenditures.
7. All expense reports must be approved by the employee's manager.
8. Only one expense report form should be prepared for each out of region trip. In-region reimbursement can include multiple trips.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the expense report results in a balance due to H-GAC the employee must reimburse H-GAC with a check or H-GAC will deduct the payment owed from the employee's paycheck.

### **9.02 REASONABLENESS OF TRAVEL COSTS**

H-GAC shall reimburse travelers only for those business-related costs that are reasonably incurred. Accordingly, the following guidelines shall apply:

1. Suites and other upgraded rooms at hotels shall not be allowed. Travelers should stay in standard rooms.
2. Hotel reimbursement shall not exceed the lodging cost permitted under the Travel Policies and Procedures.
3. When utilizing rental cars, travelers should rent compact vehicles. Share rental cars whenever possible.
4. Tips for baggage handling, meals, etc. shall not be reimbursed.
5. Foreign travel charged to Federal grants must be approved in writing by the funding source prior to travel.

### **9.03 SPECIAL RULES PERTAINING TO AIR TRAVEL**

The following additional rules apply to air travel:

1. Air travel should be at coach class or the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
  - a. Require circuitous routing
  - b. Require travel during unreasonable hours
  - c. Excessively prolong travel
  - d. Result in additional costs that would offset the transportation savings, or
  - e. Offer accommodations not reasonably adequate for the traveler's medical needs.
2. First class air travel shall not be reimbursed unless there is a documented medical reason.
3. Memberships in airline flight clubs is not reimbursable.
4. Cost of flight insurance is not reimbursable.
5. When returning on a Sunday or departing on a Saturday in order to obtain a cost savings in airfare due to the Saturday-night stay-over, travelers should provide a total cost comparison (showing that the lower airfare plus an extra night lodging, meals & incidentals is less costly than airfare without the Saturday night stay-over).
6. Cost of upgrade certificates is not reimbursable.
7. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.).
8. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e., H-GAC will not reimburse for the personal legs of a trip).

### **9.04 SPOUSE/PARTNER TRAVEL**

H-GAC does not reimburse any employee or Board member for separate travel costs (air fare, etc.) associated with his/her spouse or partner. The cost of a shared hotel room need not be allocated between employee/director and spouse/partner for purposes of this policy.

### **9.05 ISSUANCE OF CORPORATE TRAVEL CARDS**

H-GAC employees who travel on business may request a corporate travel card by contacting the Finance Department. Cardholders will be required to sign a statement acknowledging that the card shall be used exclusively for legitimate business purposes. The card that is issued is a declining balance credit card which is valid only during the period of travel and only for the projected cost of the trip.

### **9.06 CARDHOLDER RESPONSIBILITIES**

At the conclusion of each trip, each cardholder will be provided with a statement detailing the expenditures that were charged to his/her travel card through the travel software. The cardholder will review this statement and reconcile their expense report within 30 calendar days in the travel expense software. Cardholders must identify any inadvertent personal charges or disallowed expenses upon submission of the expense report.

Any fraudulent or other unauthorized charges shall be immediately pointed out to the Chief Financial Officer for further investigation with the credit card provider.

Personal use of travel cards is strictly prohibited. Any personal use will subject the employee to H-GAC's disciplinary actions discussed earlier in this manual and in the Personnel Manual. Supervisors shall review and approve the expense report for employees they supervise.

Cardholders shall report the loss or theft of a corporate credit card immediately by notifying the credit card company whose number appears on the back of the card as well as the Finance Department.

#### **9.07 REVOCATION OF TRAVEL CARDS**

Failure to comply with any of these policies associated with the use of H-GAC's travel cards shall be subject to possible revocation of credit card privileges. The CFO shall determine whether travel cards privileges are to be revoked.

## **10.0 PROPERTY AND EQUIPMENT**

### **10.01 CAPITALIZATION POLICY**

Physical assets acquired with unit costs in excess of \$5,000 are capitalized as fixed asset on H-GAC's general ledger. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land, are subject to depreciation over an estimated useful life of 60 months. The straight-line method of depreciation is used with no residual value at the end of the useful life.

Physical assets with unit costs in excess of \$5,000 will be reported as expensed for grants if they were so budgeted in the grant application. However, for the Organization's financial statements, these assets will be capitalized and depreciated according to these policies.

### **10.02 EQUIPMENT AND FURNITURE PURCHASED WITH FEDERAL FUNDS**

H-GAC occasionally purchases equipment and furniture that will be used exclusively on a program funded by a Federal or State agency. In addition to those policies on Asset Management described earlier, equipment and furniture charged to Federal and State awards will be subject to certain additional policies as described below.

All purchases of "equipment" with Federal funds shall be approved, in advance and in writing, by the Federal awarding agency. H-GAC considers the approval to be received if the grantor agency approves the grant budget and the budget included the capital expense in sufficient detail to identify the asset acquired. In addition, the following policies shall apply regarding equipment purchased and charged to Federal or State awards:

1. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal or State awards.
2. For equipment with a remaining per unit fair market value of \$5,000 or less at the conclusion of the award, H-GAC shall retain the equipment without any requirement for notifying the Federal or State agency.
3. If the remaining per unit fair market value is \$5,000 or more, H-GAC shall gain a written understanding with the Federal or State agency regarding disposition of the equipment. This understanding may involve returning the equipment to the Federal/State agency, repurposing the equipment to another Federal program, keeping the equipment and compensating the Federal/State agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the Federal/State agency.
4. A physical inventory of all equipment purchased with Federal or State funds shall be performed at least once every two years.

### **10.03 ESTABLISHMENT AND MAINTENANCE OF A FIXED ASSET LISTING**

All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset:

1. Date of acquisition
2. Cost

3. Description (including color, model, and serial or other identifying number)
4. Funding source of the equipment (including percentage of Federal Participation)
5. Location of asset
6. Federal Award Identification Number
7. Use and Condition of the equipment
8. Date of Disposal/Sale Price

A physical inventory of all assets capitalized under the preceding policies will be taken every two years by H-GAC. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Assistant Director.

#### **10.04 DEPRECIATION AND USEFUL LIVES**

All capitalized assets are maintained in the special property and equipment account group and are not included as an operating expense.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month

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

#### **10.05 REPAIRS OF PROPERTY AND EQUIPMENT**

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.

#### **10.06 DISPOSITIONS OF PROPERTY AND EQUIPMENT**

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

#### **10.07 WRITE-OFFS OF PROPERTY AND EQUIPMENT**

The CFO approves the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the CFO. If not located, this property will be written off the books with the proper notation specifying the reason.

## **11.0 LEASES**

### **11.01 CLASSIFICATION OF LEASES**

H-GAC classifies all leases in which the Organization is a lessee as either capital or operating leases. H-GAC shall utilize the criteria described in Statement of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to H-GAC at the end of the lease term;
2. The lease contains a bargain purchase option;
3. The lease term is equal to 75% or more of the estimated economic life of the leased property; or
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of H-GAC's incremental borrowing rate or, if known, the lessor's implicit rate).

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

### **11.02 REASONABLENESS OF LEASES**

H-GAC assess the value of leases according to the requirements of 2 CFR 200 as follows:

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

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

### **11.03 ACCOUNTING FOR LEASES**

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the lease payment is due. For leases with firm commitments for lease payments that vary over the term of the lease (i.e., a lease with fixed annual increases that are determinable upon signing the lease), the amount that H-GAC shall recognize as monthly lease expense shall be the amount paid in the fiscal year. Credits for abatements that are material to the lease shall be amortized over the lease term.

All leases that are classified as capital leases shall be treated as fixed asset additions. As such, upon the inception of a capital lease, H-GAC shall record a capitalized asset and a liability under the lease, based on the value of the minimum lease payments (or the fair value of the leased asset, if it is less than the value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The capitalized asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.

H-GAC shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms, including a schedule of future annual lease payments obligations.

## 12.0 ADMINISTRATION OF FEDERAL/STATE AWARDS

### 12.01 DEFINITIONS

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

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

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

**Cooperative Agreement:** A legal agreement where the Organization implements a program with the direct involvement of the funder.

Throughout this manual, Federal or State assistance received in any of these forms will be referred to as a Federal or State "award."

### 12.02 COMPLIANCE WITH LAWS, REGULATIONS AND PROVISIONS OF AWARDS

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

1. For each Federal or State award, an employee within the department responsible for administering the award will be designated as "program manager."
2. Each program manager shall attend any training required and conducted by the grantor on grant management prior to or during the course of administering the grant program.
3. The program manager shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
  - a. Read each award and understand the key compliance requirements and references to specific laws and regulations including allowable costs and compliance requirements outlined in 2 CFR 200 (Subparts A-F).
  - b. Communicate grant requirements to those who will be responsible for carrying them out, or impacted by them.
4. The Accounting Department shall maintain current copies of applicable laws and regulations for use by the program manager (such as the OMB Super Circular, Uniform grant management standards and any other pertinent regulations).
5. The program manager and/or the Accounting Department shall identify and communicate any special changes in policies and procedures necessitated by Federal or State awards as a result of the review of each award.
6. The program manager shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals and communications with Federal and State awarding agency personnel.
7. The program manager shall inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants.

### **12.03 GRANT SUBAWARD PROPOSALS**

Individual departments will work with buyer to prepare and post the notice to solicit proposals for grant projects that the department intends to pursue. The department will review the proposals, prepare the award recommendation list and present the list to the Board of Directors for approval. Final proposals shall be reviewed and approved in writing by the Executive Director. Proposals that have a strong possibility of being funded are included in the H-GAC budget.

#### Post-Award Procedures

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

1. Verify the specifications of the grant or contract. The Accounting Department shall review the terms, time periods, award amounts and expected expenditures associated with the award. A Catalog of Federal Domestic Assistance (CFDA) number shall be determined for each award.
2. All awards include the scope of the services and the deliverables required. The terms of billing and reimbursement is established in the contract agreements.
3. Each award is assigned to an Accountant in the Finance Department. The Accountant is responsible for the monthly or quarterly review and process of billings from the award contracts.

### **12.04 CRITERIA FOR ALLOWABILITY**

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

1. The cost must be “reasonable” for the performance of the award, considering the following factors:
  - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the Organization or the performance of the award;
  - b. Restraints imposed by such factors as generally accepted sound business practices, arm’s length bargaining, Federal and State laws and regulations, and the terms and conditions of the award;
  - c. Whether the individuals concerned acted with prudence under the circumstances;
  - d. Consistency with established policies and procedures of the Organization, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be “allocable” to an award by meeting one of the following criteria:
  - a. The cost is incurred specifically for a Federal/State award;
  - b. The cost benefits both the Federal award and other work, and can be distributed in reasonable proportion to the benefits received; or
  - c. The cost is necessary to the overall operation of the Organization, except 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 2 CFR 200 or the Federal/State award itself.
4. Treatment of costs must be consistent with policies and procedures that apply to both Federally and State financed activities and other activities of the Organization.
5. Costs must be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles.
7. Costs may not be included as a cost of any other Federally financed program in the current or prior periods.
8. The cost must be adequately documented.

## 12.05 COST SHARING AND MATCHING (IN-KIND)

### Overview

H-GAC values 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 or State agency regulations identify specific values to be used.

H-GAC shall claim contributions as meeting a cost sharing or matching requirement of a Federal or State award only if all of the following criteria are met:

1. They are verifiable from H-GAC 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 2 CFR 200.
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 or State awarding agency.
7. In the case of donated space, (or donated use of space), the space is subject to an independent appraisal to establish its value.

### Valuation and Accounting Treatment

In-kind typically falls into one of the following categories:

- Cash
- Space, buildings, land and equipment
- Volunteer time and services
- Supplies

The following sections discuss the valuation and accounting treatment for each category.

#### Cash

- H-GAC shall recognize cash contributions as in-kind income in the period in which they are spent on allowable program costs.
- Any discounts received on goods or services are recognized as in-kind only if such discounts are not available to the general public.

#### Buildings and Land

If the purpose of the contribution is to assist the Organization in the acquisition of equipment, building, or land, the total value of the donated property may be claimed as matching with prior approval of the awarding agency.

If the purpose of the donation is to support activities that require the use of equipment, buildings or land, depreciation or use charges (e.g. rent) may be claimed as matching, unless the awarding agency has approved using the full value as match.

Equipment, buildings or land are valued at its fair market value as determined by an independent appraiser. Information on the date of donation and records from the appraisal will be maintained in a property file.

### Space

- Will be valued at the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality
- Information on the date of donation and records from the appraisal will be maintained in a property file
- If less than an arms-length transaction, will be valued based in actual allowable costs not to exceed fair market value

### Volunteer Time and Services

Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor will be included in in-kind if the services are an integral and necessary part of the program.

Volunteer services will be valued at rates consistent with those paid for similar work in the Organization. For skills not found in the Organization, rates will be consistent with those paid for similar work in our labor market. Rates should include gross hourly wages plus fringe benefits calculated based on fringe benefits received by employees in similar positions, or on agency average.

Volunteers must possess qualifications and perform work requiring those skills in order to be valued at greater than an unskilled labor rate.

H-GAC requires volunteers to document and account for their contributed time in a manner similar to the timekeeping system followed by employees or consistent with the practices of their organization. Each program that uses volunteers will provide the volunteers a sign-in sheet which collects the following information:

- Date service was performed
- Volunteer name and address
- Hours donated
- Service provided
- Signature of volunteer

## **12.06 FEDERAL/STATE AWARDS BILLING AND FINANCIAL REPORTING**

H-GAC 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.

H-GAC 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 the Accountant assigned to the program subject to review and approval by Assistant Director or CFO.

The following policies shall apply to the preparation and submission of billings to Federal/State agencies under awards made to H-GAC:

1. The Organization will request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. H-GAC will strive to minimize the time between receipt and disbursement of grant funds by issuing payments within 3 business days of receipt of such funds.
3. Each award normally specifies a particular billing cycle. Therefore, a schedule is established for each grant and contract to ensure that billing is made on a timely basis along with any other reporting that is required in addition to the financial reports.
4. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.
5. All financial reports required by each Federal/State award will be prepared and filed on a timely basis. To the extent H-GAC's year-end audit results in adjustments to amounts previously reported to Federal/State agencies, revised reports shall be prepared and filed in accordance with the terms of each Federal/State award.

H-GAC 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 timely basis.

At the time invoices (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded on the books of H-GAC by the Accountant.

If a Federal/State award authorizes the payment of cash advances to H-GAC, the CFO may require that a request for such an advance be made. Upon receipt of a cash advance from a Federal/State agency, H-GAC shall reflect a liability equal to the advance. The liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred on a scheduled basis.

At the end of each month, the grant accountant shall distribute monthly status reports to each program department for review by the respective program manager.

## **12.07 CLOSE OUT**

### Fiscal Procedures for Subrecipient Close-Out

All subrecipients and contractors must submit their final request for payment along with any adjustments to H-GAC in accordance with their contract terms and no later than 45 days after the contract has ended.

The Accountant reviews the final billing for accuracy, prepares any necessary journal entries, and forwards billing to accounts payable for payment.

### Fiscal Procedure for Federal/State Award Close-Out

H-GAC shall follow the close out procedures described in 2 CFR 200 and in the grant agreements as specified by the granting agency.

The Accountant compares the general ledger with the closeout documents for each component of the grant and prepares all grantor required forms for submission.

A copy of the closeout documents is forwarded to the program department for final review. Comments by the program department are required within five days.

The grant accountant adjusts the closeout, if necessary, in accordance with the program department review and comment and prepares the final documents for review and approval by the Assistant Director or CFO. Once approved, the packet is copied and the original is submitted to the grantor.

H-GAC shall liquidate all obligations incurred under the grant or contract within 60 - 90 days of the end of the grant or contract agreement unless a longer period is permitted by the awarding agency.

## **13.0 SUBRECIPIENT GRANT ADMINISTRATION**

### **13.01 MAKING OF SUBAWARDS**

All subawards in excess of the small purchase threshold shall be subject to the same procurement policies described in the preceding section. In addition, all subrecipients must be approved in writing by the awarding agency and agree to the subrecipient monitoring provisions described in the next section.

With respect to subrecipients with whom H-GAC has not recently had a subaward relationship, the Program Department shall determine an appropriate level of pre-award inquiry that shall be performed. The purpose of such inquiry, which may involve a site visit to a potential subrecipient, is to gain assurance that a potential subrecipient has adequate policies and procedures in place to provide reasonable assurance that it is capable of complying with all applicable laws, regulations and award provisions.

### **13.02 MONITORING OF SUBRECIPIENTS**

When H-GAC utilizes Federal or State funds to make subawards to subrecipients, H-GAC is subject to a requirement to monitor subrecipients in order to provide reasonable assurance that subrecipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program.

In fulfillment of its obligation to monitor subrecipients, the following policies apply to subawards of Federal or State funds made by H-GAC to subrecipients:

1. Subaward agreements shall include all information necessary to identify the funds as Federal or State funding. This information shall include:
  - a. The applicable Catalog of Federal Domestic Assistance (CFDA) title and number if applicable
  - b. Award name
  - c. Name of Federal or State agency
  - d. Amount of award
2. Subaward agreements shall identify all applicable audit requirements, including the requirement to obtain an audit in accordance with 2 CFR 200, if the subrecipient meets the criteria for having to undergo such an audit.
3. Subawards shall include a listing of all applicable Federal or State requirements that each subrecipient must follow.
4. Subawards shall require that subrecipients submit financial and program reports to H-GAC on a basis no less frequently than quarterly.
5. H-GAC will follow up with all subrecipients to determine whether all required audits have been completed. H-GAC will cease funding of subrecipients failing to meet the requirement to undergo an audit in accordance with Federal or State requirements. For subrecipients that properly obtain an audit in accordance with regulations, H-GAC's shall obtain and review the resulting audit reports for possible findings.
6. H-GAC shall assign one of its employees the responsibility of monitoring subrecipients on an ongoing basis, during the period of performance by the subrecipient. This employee will establish and document, based on her/his understanding of the requirements that have been delegated to the subrecipient, a system for the ongoing monitoring of the subrecipient.

7. Ongoing monitoring of subrecipients will vary from subrecipient to subrecipient, based on the nature of work assigned to each. However, ongoing monitoring activities may involve any or all of the following:
  - a. Regular contacts with subrecipients and appropriate inquiries regarding the program.
  - b. Reviewing programmatic and financial reports prepared and submitted by the subrecipient and following up on areas of concern.
  - c. Monitoring subrecipient budgets.
  - d. Performing site visits to the subrecipient to review financial and programmatic records and assess compliance with applicable laws, regulations, and provisions of the subaward.
  - e. Offering subrecipients technical assistance where needed.
  - f. Maintaining a system to track and follow up on deficiencies noted at the subrecipient in order to assure that appropriate corrective action is taken.
  - g. Establishing and maintaining a tracking system to assure timely submission of all reports required of the subrecipient.
8. Documentation shall be maintained in support of all efforts associated with monitoring of subrecipients.

## **14.0 MONTH END CLOSING**

### **14.01 OVERVIEW**

H-GAC's fiscal year begins January 1 and ends December 31. H-GAC closes its books at the end of each calendar month.

The policies and procedures for closing the books on a monthly basis are included in this section; however, these procedures will not always apply at the end of the fiscal year. See "Annual Audit" for information on the closing of the books at the end of the fiscal year.

### **14.02 CLOSING PROCESS**

The following closing process summarizes the monthly closing activities. Each month will be closed by the end of the first week of the following month.

1. Prepare and enter journal entries
2. Prepare all cost allocation entries (see 7.0 for Allocation of Direct and Indirect Costs)
3. Revenue Recognition – Federal and State revenues are earned as expenses are incurred. Local dues and local revenues are earned as they are paid. Interest income is accrued through the various investments.
4. Preparation of monthly Financial Report
5. Submit monthly Financial Report to CFO for review
6. Submit monthly Financial Report to the Budget and Finance Committee for review and the Board of the Directors for approval.

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

H-GAC prepares monthly reports that are distributed both internally and to the Board of Directors. The monthly report is a Financial Status Report that reflects budget to actual comparisons of revenues and expenditures and changes in fund balances. Included is a footnoted variance analysis that provides explanatory information on material differences between budget and actual.

## **15.0 H-GAC ANNUAL BUDGET AND SERVICE PLAN**

### **15.01 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. It provides an opportunity to examine the composition and viability of the Organization's programs and activities simultaneously in light of the available resources.

### **15.02 PREPARATION AND ADOPTION**

H-GAC will prepare an annual budget on the modified accrual basis of accounting. The Chief Operation Officer (COO) gathers proposed organization-wide budget information from all Department Directors and reviews budgets with Directors for explanation of variances from the prior year. After the initial review, the Accounting Assistant Director compiles the department budgets into an organizational budget. Budgets proposed and submitted by each department should be accompanied by a narrative explanation of the sources and uses of funds.

After appropriate revisions and a compilation of all department budgets by the Accounting Assistant Director with consultation from the CFO, a draft of the Organization-wide budget, as well as individual department budgets, is presented to the COO, CFO and the Executive Director for discussion, revision, and initial approval.

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

It is the policy of H-GAC to present the draft budget to the Board at the October and November Board meetings in draft and adopt a final budget for the upcoming fiscal year at the December Board meeting each fiscal year. After the budget has been approved by the Board, the Accounting Department uses the budget to establish appropriate accounting and reporting procedures to monitor budget versus actual expenditures once the year begins.

It is also the policy of H-GAC to revise the budget between June and August of each fiscal year to reflect revenues and expenditures that were not anticipated at the beginning of the year and to reduce the budget for anticipated revenues that did not materialize. The process of the preparation for the revised budget is the same as the annual budget.

### **15.03 FINANCIAL PERFORMANCE**

H-GAC monitors its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the Accounting Department and distributed to each employee with budgetary responsibilities. These employees are responsible for reviewing the reports and discussing any errors noted and corrections that are needed with the Accounting Department in a timely manner.

In addition, Department Directors shall submit semi-annual performance (non-financial) reports to the Executive Director, the Chief Operating Officer and the Board of Directors.

## 16.0 YEAR END CLOSING AND ANNUAL AUDIT

### 16.01 YEAR END CLOSING

H-GAC closes the books on a fiscal year-end basis in connection with the annual audit. It is H-GAC's policy to perform all of the work necessary to close the books and compute the year-end balances for the annual audit. The goals of the closing are to:

- Identify material discrepancies
- Review accuracy of data
- Verify completeness of data
- Correct classification of data

During the closing process, the accounting department will notify each department of the deadlines for submitting any outstanding invoices or billings. The reconciliation of balance sheet accounts and year-end financial reports will be prepared after the closing of accounts payable, accounts receivable and payroll.

### 16.02 PREPARATION FOR THE ANNUAL AUDIT

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

**Planning** - The CFO is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. Assignments shall be based on the list of requested schedules and information provided by the independent accounting firm.

**Involvement** - Organization staff will do as much work as possible in order to assist the auditors thereby reducing the cost of the audit. All financial statements, schedules and footnotes will be prepared by the Finance department. Throughout the audit process, H-GAC will make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

### 16.03 CONCLUDE THE AUDIT

H-GAC and the independent auditor will review the draft of the financial statements, footnotes, and required audit letters consisting of the following procedures:

1. Carefully read the entire report for typographical errors.
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of H-GAC.
3. Review each footnote for accuracy and completeness.

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

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

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the independent accounting firm upon completion of the audit, after the financial statements have been reviewed and approved by the Audit Committee.

The Board will review and accept the audited Financial Statement in June to conclude the audit.

H-GAC will send the Comprehensive Annual Financial Report ("CAFR") which includes the audited financial statements to all state grantors 30 days after the completion of the audit and no later than September 30<sup>th</sup> of each year.

In addition, the Single Audit Clearinghouse form shall be completed and a copy submitted with the audit report by the filing deadline.

#### **16.04 THE SELECTION OF THE AUDITOR**

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

H-GAC shall review the selection of its independent auditor in the following circumstances:

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

#### Selection Process

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

1. The firm's reputation and familiarity with governmental audits.
2. The depth of the firm's understanding of and experience with Councils of Government and Federal reporting requirements under 2 CFR 200 and the State of Texas Single Audit Act.
3. The firm's demonstrated ability to provide the services requested in a timely manner.
4. The ability of firm personnel to communicate with Organization personnel in a professional manner.

If H-GAC decides to prepare and issue a written Request for Proposal (RFP) to be sent to prospective audit firms, the following information shall be included:

1. Period of services required
2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. Organization chart of H-GAC
6. Overview of H-GAC financial resources and obligations

7. Financial information about the Organization
8. Copy of prior year reports (financial statements, management letters, etc.)
9. Identification of need to perform audit in accordance with federal and state requirements.
10. Other information considered appropriate
11. Description of proposal and format requirements
12. Due dates of proposals
13. Overview of selection process (i.e., whether finalists will be interviewed, when a decision shall be made, etc.)
14. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall include:

1. The firm's background
2. Biographical information (résumés) of key firm members who will serve H-GAC
3. Client references
4. Information about the firm's capabilities
5. The firm's approach to performing an audit
6. A copy of the firm's most recent quality/peer review report, including any accompanying letter of findings
7. Other resources available with the firm
8. Expected timing and completion of the audit
9. Expected delivery of reports
10. Expected man-hours for completion of work
11. Rate-per-hour for each member of the audit team
12. Other information as appropriate

An internal review team consisting of the Internal Auditor, the Executive Director, the Chief Operating Officer, and the Chief Financial Officer will review all proposals and do an initial scoring of the proposals. The top three proposals will be asked to interview and present their plans with the review team and the Audit Committee of the Board of Directors. The final selection will be made after the interview and the selected firm will be presented to the entire Board for approval.

## 17.0 RISK MANAGEMENT AND INSURANCE

### 17.01 OVERVIEW

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of H-GAC.

H-GAC maintains adequate insurance against general liability, as well as coverage for buildings, contents, computers, equipment, machinery and other items of value.

### 17.02 COVERAGE

H-GAC will maintain the following levels of insurance as a minimum:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Comprehensive Liability.....	\$6,000,000
Errors and Omissions Liability.....	\$3,000,000/\$6,000,000 annual aggregate
Automobiles for Employees, Volunteers, or Escorts.....	\$1,000,000
Employee dishonesty/bonding .....	\$7,000,000 for all employees
Real and Personal Property .....	Replacement cost limit \$6,300,000
Cyber Liability and Data Breach.....	\$1,000,000
Workers' Compensation.....	To the extent required by law

H-GAC shall maintain a detailed listing of all insurance policies in effect. This listing shall include the following information, at a minimum:

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

### 17.03 INSURANCE DEFINITIONS

#### Workers' Compensation and Employer's Liability

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

*Fidelity Bond*

For all personnel handling cash, preparing or signing checks, H-GAC shall obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of H-GAC will determine the dollar limit of this coverage. Increases to this coverage may be required under certain grant agreements and will be charged directly to the program when that amount is determinable.

*Comprehensive Liability*

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

## **18.0 POLITICAL INTERVENTION AND LOBBYING**

### **18.01 PROHIBITED EXPENDITURES**

H-GAC shall not incur any expenditure for political intervention or lobbying. For purposes of this policy, political intervention shall be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the Federal, State or local level. Examples of prohibited political expenditures include, but are not limited to, the following:

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

Lobbying is defined as attempts to influence Federal or State legislation by preparing, using, or distributing “publicity or propaganda” or by asking the general public or segment of the general public to contribute to or participate in public events such as demonstrations or rallies or lobby campaign efforts such as letter writing or telephone banks. Lobbying is distinguishable from advocacy activities which involve efforts to advocate certain positions which may have legislative implications, as long as a non-partisan analysis of the relevant facts is performed. H-GAC may not participate in lobbying activities, but may, in the course of its usual service, be required to perform advocacy activities that are in the best interest of the H-GAC region. Such advocacy work will have Board approval.

### **18.02 ENDORSEMENTS OF CANDIDATES**

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

### **18.03 PROHIBITED USE OF ORGANIZATION ASSETS AND RESOURCES**

No assets or human resources of the Organization shall be utilized for political activities, as defined above. This prohibition extends to the use of Organization assets or human resources in support of political activities that are engaged in personally by Board members, members of management, employees, or any other representatives of H-GAC. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing the Organization), these individuals must at all times be aware that Organization resources cannot at any time be utilized in support of political activities.

## **19.0 BUSINESS CONDUCT**

### **19.01 PRACTICE OF ETHICAL BEHAVIOR**

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of H-GAC 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. Each employee is responsible for applying common sense in business decisions where specific rules do not provide all the answers.

In determining compliance with this standard in specific situations, employees should ask themselves the following questions:

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with H-GAC policy?
4. Am I sure my action does not appear inappropriate?
5. Am I sure that I would not be embarrassed or compromised if my action became known within the Organization or publicly?
6. Am I sure that my action meets my personal code of ethics and behavior?

Each employee should be able to answer "yes" to all of these questions before taking action.

Each director, manager and supervisor is responsible for the ethical business behavior of her/his subordinates. Directors, managers and supervisors must carefully weigh 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.

The formal policy on Ethical Conduct is contained in the Personnel policies handbook that each employee receives upon hire. Employees should refer to this document for further guidance on ethical conduct. Any questions on meaning or interpretation should be directed to the Human Resource manager.

### **19.02 COMPLIANCE WITH LAWS, REGULATIONS AND ORGANIZATION POLICIES**

H-GAC 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;
- The disregard or circumvention of H-GAC policy or engagement in unscrupulous dealings.

Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly forbidden.

The performance of all levels of employees will be measured against implementation of the provisions of these standards.

## **20.0 CONFLICTS OF INTEREST**

### **20.01 INTRODUCTION**

In the course of business, situations may arise in which an Organization decision-maker has a conflict of interest, or in which the process of making a decision may create an appearance of a conflict of interest.

All directors and employees have an obligation to:

1. Avoid conflicts of interest, or the appearance of conflicts, between their personal interests and those of the Organization in dealing with outside entities or individuals,
2. Disclose real and apparent conflicts of interest to the Board of Directors, and
3. Refrain from participation in any decisions on matters that involve a real conflict of interest or the appearance of a conflict.

Additional guidance on what constitutes a conflict of interest and the reporting requirements for conflicts of interest or potential conflicts of interest can be found in the Personnel policy handbook. Employees should review this policy and direct any questions to the Human Resource Manager.

### **20.02 DISCIPLINARY ACTION FOR VIOLATIONS OF THIS POLICY**

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 Organization 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 director, manager or supervisor who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this policy.

## **21.0 POLICY ON FRAUD AND DISHONESTY**

### **21.01 INTRODUCTION**

H-GAC is a governmental entity administering substantial taxpayer funds. H-GAC will therefore take all necessary measures to promote the wise and accountable use of its funds for their intended purpose. As a part of this effort, H-GAC is committed to early and aggressive deterrence, detection and correction of misconduct and dishonesty. The discovery, reporting and documentation of such acts provides a sound foundation for protection of innocent parties, action against offenders up to and including dismissal where appropriate, referral to law enforcement agencies when warranted, and recovery of assets.

H-GAC's goal is to establish and maintain an environment of fairness, ethics and honesty within the Organization and with any person or organization with whom H-GAC has a business relationship.

### **21.02 POLICY ON FRAUD**

H-GAC will investigate any suspected or reported misuse or fraudulent application of H-GAC resources or property, as well as any reported violations of H-GAC policies, regulations, and laws.

Any individual found to have engaged in fraudulent conduct, as defined in this policy, is subject to disciplinary action by H-GAC, which may include dismissal, referral to appropriate law enforcement authorities for action, and civil recovery actions. Other procedural violations will be handled in accordance with H-GAC's disciplinary policies.

This policy sets out H-GAC's position on alleged fraudulent acts, and their investigation and resolution. It does not limit H-GAC's ability to investigate such acts or recover H-GAC funds.

Reporting obligations extend to acts or omissions of contractors and other third parties in addition to internal H-GAC activities.

### **21.03 DEFINITION OF FRAUD**

For purposes of this policy, fraud generally involves a willful or deliberate act, or failure to act, with intention of obtaining an unauthorized benefit. Such acts include, but are not limited to:

- Making or altering documents or computer files with intent to defraud.
- Purposely reporting inaccurate financial information.
- Misappropriation or misuse of H-GAC resources, such as funds, equipment, supplies or other assets, including intangible assets.
- Improper handling or reporting of money transactions.
- Authorizing or receiving compensation for goods not received or services not performed.
- Authorizing or receiving compensation for hours not worked.
- Knowingly submitting false information in order to receive a benefit from the H-GAC.
- Accepting bribes or kickbacks in exchange for H-GAC business or other benefits.
- Creating or allowing inappropriate conflict of interest conditions to exist.

H-GAC specifically prohibits these and any other illegal activities in the actions of its employees, managers, executives and others responsible for carrying out the Organization's activities.

#### **21.04 REPORTING RESPONSIBILITY**

It is the responsibility of every employee to report suspected fraud and dishonesty to the Manager of Internal Audit or the Executive Director, if appropriate. Reprisals against any employee or other reporting individual because that individual reports a violation in good faith, are strictly forbidden.

The Internal Audit Department will investigate allegations of fraud with great care to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. The Executive Director may assign others to perform or assist in investigations when conditions warrant. Investigative activity will be conducted without regard to length of service, position/title, or relationship to the Organization.

The Executive Director will immediately advise the Officers and the Chair of the Audit Committee of all fraud allegations, and will report regularly on the status of investigations, findings and resolution, and follow-up or corrective action.

## **22.0 SECURITY**

### **22.01 ACCOUNTING DEPARTMENT**

All file cabinets containing accounting records outside the file room will be locked and secured at the end of each work day. Only Accounting staff have access to secured cabinets. Any files requested from the Accounting Department will be furnished as a copy of the original document unless the original is required under law or audit requirements.

### **22.02 ELECTRONICALLY STORED ACCOUNTING DATA**

H-GAC utilizes passwords to restrict access to accounting software and data. Each password enables a user to gain access to only those software and data files necessary for each employee's required duties.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis, no less frequently than every 90 days. Administration of passwords shall be performed by the Data Services department of H-GAC.

### **22.03 DATA BACK-UP AND STORAGE**

H-GAC maintains financial data backup on a daily basis. All back-up copies of electronic data are sent off-site to a secure, fire-protected environment. Access to back-up files shall be limited to individuals authorized by management. The Data Services Department has responsibility for developing and maintaining the policy and procedures for data management in the agency, including financial data.

### **22.04 GENERAL OFFICE SECURITY**

During normal business hours, all visitors are required to check in with the receptionist. Each access door is protected by a proximity card access system. Access cards are issued only to employees or individuals who have reason to be in H-GAC offices for an extended period of time. All issued cards are tracked in a database which is administered by the Office Facility Manager or his delegate.

### **22.05 TECHNOLOGY AND ELECTRONIC COMMUNICATIONS**

H-GAC maintains a separate policy manual which addresses technology and electronic communications. This policy manual, entitled the Information Services Policy Manual is developed and updated by the Data Services department of H-GAC. Employees can locate this manual on the H-GAC intranet. All employees are required to read and understand and adhere to these policies. Violations of these policies is cause for disciplinary action.

### **22.06 DISPOSAL OF DATA IN RETIRED COMPUTERS**

H-GAC will run "file-shredding" software on all electronic media, including computer hard drives, prior to disposing of computer equipment. This software should perform low-level formatting or use a "wipe" utility that overwrites all areas of the computer's hard drive in a manner that makes it impossible for

subsequent users to retrieve any of the data on the hard drive. This procedure shall be performed by the H-GAC Data Services department.

# APPENDIX A – INVESTMENT POLICY

## I. OBJECTIVES

- Understand suitability of investments to the financial requirements of H-GAC
- Preservation and safety of principal
- Financial security and liquidity of H-GAC funds
- Ability to liquidate investments before their maturity should the need arise.
- Diversification of the investment portfolio.
- Maximize interest yield of funds through methods allowed under Federal and State law.

## II. RESPONSIBILITY

Planning the investment program is the joint responsibility of the CFO, the Executive Director, and the Investment Officer. The investment program shall be reviewed and approved by the Budget and Finance Committee and Board of Directors prior to its institution. Any policy changes require similar approval.

An investment officer must be designated and approved by the Budget and Finance Committee and the Board of Directors. The investment officer will be responsible for effectively supervising and managing the assets of the investment fund.

H-GAC investments shall be made with judgement and care under circumstances then prevailing that persons of prudence, discretion, and intelligence exercise the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

## III. AUTHORIZED INVESTMENTS

The following are authorized investments for H-GAC funds:

1. Obligations of the United States or its agencies and instrumentalities.
2. Direct obligations of the State of Texas or its agencies.
3. Other obligations, the principal of the interest on which are unconditionally guaranteed or insured by the State of Texas or the United States.
4. General obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.
5. Certificates of Deposit issued by State and National banks domiciled in the State of Texas the payment of which is insured in full by the Federal Deposit Insurance Corporation.
6. Fully collateralized direct Repurchase Agreements with a defined termination date purchased pursuant to a master contractual agreement which specified the rights and obligations of both parties and which requires that securities involved in the transaction be held in a safekeeping account subject to the control and custody of H-GAC.
7. No Load Money Market Mutual Funds and No Load Mutual Funds. To be an allowable investment, money market funds must adhere to a 90-day weighted average maturity. No-load mutual funds with a weighted average maturity of up to 2 years are allowable if they are registered with the Securities and Exchange Commission, invest exclusively in obligations authorized by the Public Funds Investment Act, adhere to the requirements set forth

- for investment pools and are continuously rated by at least one nationally recognized investment rating firm at not less than AAA or its equivalent. A government may invest no more than 15% of its operating funds (excluding bond proceeds, reserves, and debt service funds) in this type of mutual fund.
8. Time deposits in the Council's depositories.
  9. Investment pools created to function as money market funds must mark-to-market daily and maintain a market value ratio between .995 and 1.005. These pools must be continuously rated no lower than AAA, AAA-m or an equivalent rating by at least one nationally recognized rating agency.
  10. Banker's Acceptances 1) 270 days or fewer, 2) Liquidated in full at maturity, 3) Eligible Federal Reserve Bank collateral, 4) U.S. Bank rated not less than A-1 or P-1.
  11. Any combination of the foregoing.

Any law passed by the Texas State legislature changing the scope of legal investments available to a Council of Governments shall be considered included as part of this Investment Policy.

H-GAC monitors investments upon each maturity and compares interest rates offered from various brokers and the state of Texas to assure that rates are competitive for the market. Such comparisons are reviewed by the investment officer and the CFO before investments are made. The comparison analysis is retained for review.

#### IV. MATURITY OF INVESTMENTS

The Council measures interest rate risk using the weighted average maturity method based on the fund in which the Council makes investments.

Portfolio maturities will be structured to meet the liquidity needs of H-GAC first and then to achieve the highest prudent return of interest. When H-GAC has funds that will not be needed to meet current-year obligations, maturity restraints will be imposed based upon H-GAC's investment strategy for each fund. The maximum allowable stated maturity of any individual investment owned by H-GAC is five years unless specific authority is given to exceed this limit.

Reserve funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds. Any proposed investments in securities exceeding five years maturity must be disclosed to and approved by the Budget and Finance Committee and the Board of Directors including any appropriate time restrictions. The settlement of all transactions, except investment pool funds and mutual funds, is on a delivery versus a payment basis.

#### V. COLLATERALIZATION REQUIREMENTS

H-GAC's depository accounts must be collateralized. The H-GAC Budget and Finance Committee and the Board of Directors shall select the form of securities pledge contract or surety bond used to secure H-GAC funds. Pledge security amounts shall be monitored by the CFO who has the authority to increase or decrease pledged collateral to assure the adequate safeguarding of assets of H-GAC.

The Investment Officer is authorized to accept from depositories of H-GAC funds, as security for deposits, the following kinds of securities: Direct obligations of the United States of America backed by its full faith and credit; evidence of indebtedness guaranteed by Federal Intermediate Credit Banks, Federal Land Banks, Banks for Cooperative, Federal Farm Credit System, Federal

Home Loan Banks, Federal National Mortgage Association; any general or special obligations (approved by the Attorney General of Texas) issued by a State of Texas public agency payable from taxes, revenues, either or both, provided all of such obligations are rated A or better by a generally recognized national bond-rating agency.

At all times, such securities shall have a market value of not less than 110% of the amount of the deposits secured thereby, adjusted by the insurance coverage provided those deposits by the Federal Deposit Insurance Corporation.

## VI. WRITTEN CERTIFICATION FROM INVESTMENT FIRMS

H-GAC may conduct business with any broker licensed to do business in the State of Texas and authorized to negotiate transactions on the national stock exchange. Qualified brokers will be approved by H-GAC's Budget and Finance Committee and Board of Directors to conduct investment transactions on behalf of the Council. Any business organization which seeks to sell an authorized investment to H-GAC must provide a written instrument certifying that they have received and thoroughly reviewed H-GAC's investment policy and have implemented reasonable procedures and controls in an effort to preclude imprudent or noncompliant investment activities arising from investment transactions.

## VII. PROHIBITED TRANSACTIONS

The Investment Officer is prohibited from:

1. Shorting Securities;
2. Selling calls on securities owned by H-GAC;
3. Entering into reverse repurchase agreements
4. Trading in options or futures contracts
5. Purchasing mortgage-backed derivatives known as principal only (PO's), interest only (IO's) and inverse floaters;
6. Purchasing or selling securities from dealers or public depositories other than those approved by the Budget and Finance Committee;
7. Making any other investment transaction on behalf of H-GAC that is prohibited by law or that has not been authorized by the Budget and Finance Committee.

## VIII. REPORTING REQUIREMENTS

The investment officer is responsible for preparing and submitting quarterly written reports of investment transactions and performance to the Budget and Finance Committee and the Executive Director as described in the Public Funds Investment Act. The report must:

1. Describe in detail the investment position of H-GAC on the date of the report;
2. Be prepared and signed by the investment officer.
3. State the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
4. State the maturity date of each directly held separate asset that has a maturity date;
5. Contain a summary statement of each pooled fund group that states the:
  - a. Beginning and ending market values for the reporting period, and

- b. Additions and changes to the market value during the period;
- 6. State the compliance of the investment portfolio of H-GAC as it relates to:
  - a. The investment strategy expressed in H-GAC's investment policy, and
  - b. Relevant provisions of Government Code Section 2256.023
- 7. State the percentage of the total portfolio which each type of investment represents.

In conjunction with H-GAC's annual financial audit, a compliance audit shall be performed for management controls on investment and adherence to the H-GAC's investment policies.

If the investment officer has a personal business relationship with an entity or is within the second degree by affinity or consanguinity to an individual seeking to sell an investment to H-GAC, the investment officer must file a statement disclosing that personal business interest, or relationship, with the Texas Ethics Commission, the Budget and Finance Committee, and the Board of Directors.

In addition, investment pools must provide investment officers with a disclosure instrument which contains specific and detailed information. Investment pools must provide investment officers with transaction confirmations and a detailed monthly report.

#### IX. CONTINUING EDUCATION

It is H-GAC's policy to provide training required by the Public Funds Investment Act and periodic training in investments for the Investment Officer through courses and seminars offered by professional organizations and associations in order to insure the quality, capability, and currency of the investment officer in making investment decisions. Current requirements of the Act require the Investment Officer and Chief Financial Officer to receive 8 hours of training annually.

#### X. NOTIFICATION OF INVESTMENT CHANGES

It shall be the duty of the Investment Officer to notify the Budget and Finance Committee of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.

## APPENDIX B – WORKFORCE

### Workforce Contractors Financial Reporting and Cash Draw Procedures

#### (1) Receiving/Checking Expenditure Reports from Contractors

For an organization reporting once per month, financial reports are due to H-GAC by Close of Business (COB) on the ninth calendar day of a month for the previous month's expenditures. If a contractor submits financial reports twice per month, reports are due to H-GAC by COB on the ninth of the month for expenditures through the end of the previous month, and the twenty-first of the month for expenditures through the fifteenth of the month.

The Senior Planner with H-GAC's Human Services department and the contract manager are responsible for reviewing expenditure reports from contractors. Contractor expenditure reports are posted on SharePoint. (*finance\workforce\Financial Reports*). The contract manager reviews expenditures against the contract line item budget. The Senior Planner reviews expenditures against individual funding streams and cost categories. The contract manager and the Senior Planner both work with a contractor to resolve issues identified in financial reports.

\*Note - Invoices for pay for performance contracts, financial monitoring contracts, and consulting service contracts are routed in a different manner. Invoices are submitted to the contract manager for approval and then routed to the Human Services Administrative Assistant to set up a payment request in the accounting system. If the Administrative Assistant needs guidance on which grant/project code to charge an invoice to, she contacts the Senior Planner for guidance.

#### (2) Checking or Authorizing Financial Reports to our Grantors

TWC expenditure reports are due the 20<sup>th</sup> of the month for the prior month's expenditures. The Senior Planner reviews and approves reports once prepared by the Grant Accountant in Finance. TWC monthly expenditure reports are posted on SharePoint. (*finance\workforce\TWC CDER Monthly Expenditure Reports\Expenditure Reports to be Reviewed*). If the Senior Planner is unavailable, the department Manager will approve expenditure reports. TWC requires an individual other than the preparer to certify expenditure reports in the CDER system. The Accounting Administrator certifies expense reports to TWC.

#### (3) Cash Draws from our Grantors.

Cash draws are routinely conducted once or twice per week. The Senior Planner is responsible for approving cash draw requests which are prepared by the Grant Accountant. If the Senior Planner is unavailable, the department Manager will approve cash draws. TWC requires an individual other than the preparer to submit draw requests in the CDER system. The Accounting Administrator submits cash draw requests to TWC.

## Contract Expenditure Reporting

1. H-GAC Workforce contractors report expenditures once or twice a month to H-GAC Finance.
  - 1.1. For contractors that report once a month, expenditure reports are due to H-GAC via email to [xxxxxxx@h-gac.com](mailto:xxxxxxx@h-gac.com) by close of business on the ninth day of the month following the month for which the expenditures are being reported. This email address is the contract manager assigned for management of that contract
  - 1.2. For contractors that report twice a month, expenditure reports are due to H-GAC via email to [xxxxxxx@h-gac.com](mailto:xxxxxxx@h-gac.com) by close of business (a) on the ninth day of a month for the second half of the prior month and (b) on the 21<sup>st</sup> day of a month for the first half of that month. This email address is the contract manager assigned for management of that contract.
  - 1.3. H-GAC Finance posts all contractor expenditure reports in SharePoint.
2. H-GAC Workforce staff review each expenditure report
  - 2.1. First: The assigned Workforce staff contract manager reviews and approves reports for the contracts she or he manages against those contracts' line item budgets.
  - 2.2. Second: The Workforce Senior Planner reviews and approves reports for all contracts (EXCEPT pay-for-performance youth project contracts, financial monitoring contracts, public information/outreach contracts, and other consultant contracts) against funding streams/cost categories.
  - 2.3. The assigned Human Services administrative assistant creates payment requests for pay-for-performance youth project contracts, financial monitoring contracts, public information/outreach contracts, and other consultant contracts that contract managers have approved.
  - 2.4. Workforce Contract managers and the Workforce Senior Planner work together to resolve any problems or issues about a particular expenditure report before approving the report for payment through the H-GAC Finance department or the Human Services administrative assistant.

## Grant Expenditure Reporting

1. The H-GAC Finance department prepares regular and required expenditure reports to all H-GAC Workforce grantors.
2. The H-GAC Finance department posts the regular and required expenditure reports to grantors on SharePoint.
3. The Workforce Senior Planner reviews and approves the expenditure reports to grantors as they are posted.
  - 3.1. The Workforce Senior Planner and the responsible staff member in the H-GAC Finance department will resolve any questions about grantor financial reports arising from the review.
  - 3.2. If the Workforce Senior Planner is not available to review and approve grantor expenditure reports, the Workforce Manager will review and approve these reports.

- 3.3. If the Workforce Manager is not available, the Workforce Grants Management Coordinator will review and approve these reports.
4. The H-GAC Finance department submits grantor expenditure reports according to the schedules and in the manner each grantor specifies for its financial reporting.
  - 4.1. A H-GAC Finance staff member, other than the staff member who prepared the expenditure report, certifies the report when submitting reports to the grantor.

#### Cash Draws

1. The H-GAC Finance department draws cash from grants in accordance with H-GAC's obligations to pay contractors.
  - 1.1. The H-GAC Finance department draws cash at least once every week and may, if needed, draw twice during the same week.
  - 1.2. The H-GAC Finance department draws cash for cash advances and/or expenditure reimbursements to contractors.
2. The responsible H-GAC Finance staff member prepares each cash draw.
3. The Senior Workforce Planner reviews and signs off on each cash draw.
  - 3.1. If the Senior Workforce Planner is not available, the Workforce Manager reviews and signs off on cash draw.
  - 3.2. If the Workforce Manager is not available, the Workforce Grants Management Coordinator will review and approve a cash draw.
4. The H-GAC Finance department submits grantor cash draw requests according to the schedules and in the manner each grantor specifies.
  - 4.1. An H-GAC Finance staff member, other than the staff member who prepared the expenditure report, certifies the report when submitting reports to the grantor.
5. External Invoicing

Due dates with various contractors are negotiated at the time of contracting and may vary depending on size, scope, and nature of the contract and workflow by the contractor and H-GAC.