

April Finance and Budget Committee

Schedule	Tuesday, April 21, 2026 9:00 AM — 10:00 AM CDT
Venue	Houston-Galveston Area Council 3555 Timmons Ln. Houston, TX 77027
Organizer	Rick Guerrero

Agenda

1. CALL TO ORDER

2. ROLL CALL

3. DECLARE CONFLICTS OF INTEREST

4. PUBLIC COMMENT

5. CHAIR'S REMARKS

6. ACTION ITEMS

6a. QUARTERLY INVESTMENT REPORT – FIRST QUARTER 2026

Request approval of the Quarterly Investment Report for First Quarter FY2026 ending March 31, 2026. (Staff Contact: Arathi Nayak)

6b. ACCOUNTING & FINANCE POLICIES & PROCEDURES MANUAL

Request approval to implement the revised Accounting & Finance Policies & Procedures Manual. (Staff Contact: Christina Ordonez-Campos)

6c. TRAVEL POLICY ADDENDUM

Request approval of updates to the H-GAC Travel Policy. (Staff Contact: Matt Handy)

Board of Directors



6d. FEBRUARY 2026 MONTHLY FINANCIAL REPORT

Request approval of the monthly financial report ending February 28, 2026.

(Staff Contact: Christina Ordonez-Campos)

7. REPORTS

7a. EXECUTIVE DIRECTOR'S REPORT

Report on current and upcoming H-GAC activities. (Staff Contact: Chuck Wemple)

ADJOURNMENT

QUARTERLY INVESTMENT REPORT – FIRST QUARTER 2026

Background

N/A

Current Situation

N/A

Funding Source

N/A

Budgeted

Not Applicable

Action Requested

Request approval of the Quarterly Investment Report for First Quarter FY2026 ending March 31, 2026. (Staff Contact: Arathi Nayak)

**Houston Galveston Area Council
Investment Report
For Quarter Ending March 31st, 2026**

	Opening Balance FY 26	Interest Earned FY 26	Deposits/ Withdrawal	Current Balance / Market Value	Percent of Portfolio
TexPool Prime Account Yield 3.80% Book Value \$8,500,000	\$ 9,717,660	\$ 92,025	\$ -	\$ 9,809,685	100.00%
Balance as of March 31, 2026	\$ 9,717,660	\$ 92,025	\$ -	\$ 9,809,685	100.00%

The above securities are in compliance with Texas Government Code Chapter 2256, Public Funds Investment Act (PFIA), and with the investment objectives of the H-GAC investment policy.

Christina Ordóñez-Campos, CPA

Christina Ordóñez-Campos, CPA
Chief Financial Officer

Shaun Downie

Shaun Downie

Arathi

Arathi Nayak

**Houston Galveston Area Council - Component Unit
Investment Report
For Quarter Ending March 31st, 2026**

	Opening Balance FY 26	Interest Earned FY 26	Balance / Market Value	Percent of Portfolio
Local Development Corporation				
Certificate of Deposit (Maturity 4/1/2026) Yield 2.87% Chase Bank	\$ 349,572	\$ 6,468	\$ 356,040	5.54%
Corporation for Regional Excellence				
Certificate of Deposit (Maturity 4/3/2026) Yield 2.87% Chase Bank	536,479	9,926	546,405	8.50%
Gulf Coast 911 Regional District				
Certificate of Deposit (Maturity 4/8/2026) Yield 2.87% Chase Bank	5,423,821	100,353	5,524,174	85.96%
Balance as of March 31, 2026	\$ 6,309,872	\$ 116,747	\$ 6,426,619	100.00%

The above securities are in compliance with Texas Government Code Chapter 2256, Public Funds Investment Act (PFIA), and with the investment objectives of the H-GAC investment policy.

Christina Ordóñez-Campos, CPA

Christina Ordóñez-Campos, CPA
Chief Financial Officer

Shaun Downie

Shaun Downie
Investment Officer

Arathi

Arathi Nayak
Investment Officer

ACCOUNTING POLICIES AND PROCEDURES MANUAL

Background

H-GAC's Accounting Policies and Procedures Manual was last updated in March 2018.

Current Situation

The Accounting Policies and Procedures Manual has been updated to reflect the most up-to-date practices of the council and to ensure continued compliance with laws and regulations.

The most significant changes are:

- Updated the capitalization threshold for equipment.
- Updated the workforce appendix to reflect changes in roles and responsibilities.
- Added a food and beverage section.
- Increased the threshold for dual signature of physical checks.
- Added an approval of documents & a credit card limits section.
- Removed duplicate policies (e.g., travel, investment).

Funding Source

N/A

Budgeted

N/A

Action Requested

Request approval of the revised Accounting Policies & Procedures Manual. (Christina Ordonez-Campos)



Accounting Policies and Procedures Manual

Revised April 2026

Table of Contents

1.0 INTRODUCTION	3
2.0 ACCOUNTING CONCEPTS AND PRINCIPLES	5
3.0 GENERAL LEDGER AND CHART OF ACCOUNTS	9
4.0 REVENUES AND CASH RECEIPTS.....	12
5.0 ACCOUNTS PAYABLE MANAGEMENT.....	15
6.0 ACCOUNTS RECEIVABLE MANAGEMENT (NON-GRANT).....	22
7.0 DIRECT, INDIRECT COSTS AND EMPLOYEE BENEFITS	24
8.0 PAYROLL AND RELATED POLICIES	27
9.0 TRAVEL.....	30
10.0 FOOD AND BEVERAGE	30
11.0 PROPERTY AND EQUIPMENT	33
12.0 LEASES.....	36
13.0 ADMINISTRATION OF FEDERAL/STATE AWARDS.....	37
14.0 SUBRECIPIENT GRANT ADMINISTRATION	42
15.0 MONTH END CLOSING	43
16.0 H-GAC ANNUAL BUDGET AND SERVICE PLAN	45
17.0 YEAR END CLOSING AND ANNUAL AUDIT.....	46
18.0 RISK MANAGEMENT AND INSURANCE.....	50
19.0 POLITICAL INTERVENTION AND LOBBYING	51
20.0 BUSINESS CONDUCT	52
21.0 CONFLICTS OF INTEREST	53
22.0 POLICY ON FRAUD AND DISHONESTY	54
23.0 DATA SECURITY	56
APPENDIX A – WORKFORCE	58

1.0 INTRODUCTION

1.01 PURPOSE

The following 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 agency” throughout this manual.

Its primary purpose is to formalize accounting policies and selected procedures for the accounting staff, to document internal controls and to reflect compliance with the Super Circular 2 CFR 200, the uniform guidance on federal grant administration.

All H-GAC staff are bound by the policies herein, and any deviation from them is strictly 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 agency by:

1. Establishing broad policies, including accounting 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 agency’s mission to the public.
7. Hiring, evaluating, and collaborating with the Executive Director.
8. Authorizing the establishment of 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 AND BUDGET COMMITTEE RESPONSIBILITIES

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

1. Review and recommend the agency’s annual budget (prepared by the staff) to the full board for final approval.
2. Guide the agency’s long-term financial strategy.
3. Establish the agency’s investment policy and monitor investment performance.
4. Evaluate and approve of facility management decisions (i.e., leasing, purchasing property)
5. Monitor actual financial performance compared to budgets.
6. Review of financial procedures

The review of the agency’s financial statements shall not be limited to the Finance & Budget Committee but 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. The Audit Committee shall review and approve the final audited Annual Comprehensive Financial Report (ACFR), 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 executive team composed of the Chief Financial Officer ("CFO"), the Internal Auditor, the Human Resources Director, the Chief Outreach and Government Affairs Officer, the Chief Workforce Officer and the Chief Transportation Officer. The executive team recommends employment of department directors for each of the agency's divisions and departments.

Each department director is responsible for making recommendations on hiring employees to work in their department with approval from the Chief Financial Officer 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

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 on the financial position of a business at a certain point in time and the results of its operations during a period. The basic objective of financial statements is to provide dependable 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 agency 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 agency during a specific period of time. Total revenues over expenditures are compared at the end of each accounting period (usually 1 month) 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 agency, 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 its blended and discrete component units: the Energy Purchasing Corporation, the Gulf Coast Economic Development District, the Houston-Galveston Area Local Development Corporation, the Regional Excellence Corporation & the Gulf Coast 911 Regional District. 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. The agency 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 for 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 financial management system that provides for the following. Specific procedures to conduct 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 adequately identify the source and application of funds for federal or state sponsored activities. These records 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 ensure 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 include 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. These expenditures are mostly paid mainly from federal or state 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 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. There are three categories of funds that H-GAC uses for its activities. These are governmental funds, proprietary funds, and fiduciary funds. The following is a brief description of each fund:

Governmental Funds

This category of funds is for the basic activities of a government. Its focus is on the current financial resource measurement. H-GAC has two types of governmental funds – the General Fund and the Special Revenue Fund.

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

Special Revenue Fund – The special revenue fund 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

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. Proprietary funds include enterprise funds and internal services funds.

Enterprise Fund - Enterprise funds are used to account for operations that are financed and operated in a manner similar to a business. H-GAC's Cooperative Purchasing and Energy Purchasing programs are recorded as enterprise funds since their objective is to be self-sustaining. H-GAC's component units, the Local Development Corporation and the Gulf Coast Economic Development District are also recorded as enterprise funds.

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 for in the various mutual funds in which the funds are invested. H-GAC also holds a custodial fund for the Area Emission Reduction Credit Organization (AERCO).

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 agency 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

Key characteristics include assigning clear responsibilities, separation of duties, maintaining proper documentation, and using physical and technological safeguards. These are supported by competent staff utilizing cost-efficiency and effective communication to authorize, verify, and monitor transactions and activities of the organization to prevent errors and fraud.

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 agency. 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 different 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 agency'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 uses four basic funds:

1. General Fund
2. Special Revenue Fund
3. Enterprise Fund
4. Fiduciary Fund
- 5.

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 Manager 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 Controller, 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

Category

Definition

10001 - 19999

Assets

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 for 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 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 because 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 on-going 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 Manager or Controller. 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 an 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 RECEIPTS

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 Office

The following procedures will be followed:

- Cash and checks are received in a central location (facilities department) to ensure that it is received and appropriately recorded and deposited on a timely basis.
- Mail is opened and a listing of cash/checks received shall be prepared by the facilities department personnel and entered in the cash log system.
- Checks are endorsed once the proper account is known for the check to be deposited. The facilities department confers with the Accounting Manager or Principal Accountant to determine which account the check should be endorsed.
- The checks are entered into a check log and then scanned into the finance division's check folder on SharePoint.
- For cash received, a receipt is created detailing the nature and purpose of the cash receipt.
- A deposit slip is prepared from the cash/checks received from the facilities department by the Executive Assistant to the CFO or his/her appropriate back-up.

- Checks are deposited by the Executive Assistant to the CFO or his/her appropriate back-up using the remote deposit machine. Cash is taken to H-GAC's bank and deposited.
- If the Executive Assistant to the CFO is unable to make the deposit, it will be made by the Travel Coordinator, as their back-up for this task.
- The check log is submitted to the accounting department, and the cash receipt is recorded by the accountants and posted by the Accounting Manager.
- After the checks have been scanned and deposited, the hard copies will be filed and stored as reference for fiscal year-end plus three years as recommended by the Texas State Library Archives Commission.

All checks received that are payable to H-GAC shall immediately be restrictively endorsed by facilities department personnel with the deposit stamp. The restrictive endorsement shall be a rubber stamp that includes the following information:

- For Deposit Only
- H-GAC
- Bank name
- Bank account number

Bank deposits will be made on a daily basis, unless the total amount received for deposit is less than \$1,500. Cash and checks not deposited immediately are kept in the safe in the facilities department. 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's lockbox and via Automated Clearing House (ACH) deposits are printed weekly from the bank software online.
- Cash received through ACH is reviewed by the accountants responsible for posting cash by comparing the deposit with the grant billing invoice and recorded by the accountants.
- Cash received from the lockbox is reviewed and recorded by the accountants in the accounting software, MIP.
- Cash transactions are reviewed and posted by the Accounting Manager.

4.03 BANK RECONCILIATIONS

Bank reconciliation shall be made monthly within 30-60 days from the date of the bank statements.

The 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 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. Save bank reconciliation analysis to a file on the SharePoint site.
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 them to Accounting Manager for review and approval.
7. Forward the completed reconciliation files to Accounting Manager for review and approval.
8. Save the bank reconciliation and all the supporting documentation into an electronic file for each bank account.
9. For outstanding checks older than 120 days, the accountant shall submit this list to accounts payable for investigation and to the Controller for review.
10. The Controller confers with the accounts payable on the investigation of the outstanding checks older than 120 days. Once a determination is made on each check, the Controller will then authorize the accounts payable staff to either void or reissue the check.

4.04 INVESTMENT

Based on the cash flow requirement and analysis, the CFO determines the funds available to be placed in the investment. The Controller and Accounting Managers, acting as the Investment Officer(s) for the agency, 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 officers maintain 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.

Proprietary funds not used in the daily operations of the component units of H-GAC, are also invested following the same investment policies and procedures as the governmental funds.

H-GAC has a separate/stand-alone investment policy. It can be accessed by the following link:

[INVESTMENT POLICY 2026 - COC FINAL 12182025.pdf](#)

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 a staff member who is also not responsible for the ordering and receiving of the asset.
- 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 emailed directly to the accounts payables section of the accounting department. 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 upon receipt and verification.

Payments are processed and disbursed twice a week through electronic funds transfers (EFT's). Manual checks are only processed for exceptional circumstances. Information is entered into the accounting system, MIP, from approved invoices with the appropriate back-up documentation attached.

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

5.03 ESTABLISHMENT OF CONTROL DEVICES

The Accounting Coordinator establishes control of invoices as soon as they are received. Upon receipt, each invoice shall be tracked electronically and distributed to the appropriate Accounting Coordinator.

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 or check request as required by procurement policies.
5. Any other supporting documentation deemed appropriate, such as a service completion report, timesheet, contract, or proposal.

5.05 PROCESSING OF INVOICES

The following procedures shall be applied to each invoice by the Accounting Coordinator ~~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. Create a voucher edit report.
5. Submit the voucher edit report, vendor invoices, and supporting documentation to the Accounting Manager for review and posting.
6. After receiving an approved and posted batch from the Accounting Manager, select vouchers for payment and create the EFT or checks as appropriate.
7. Submit the EFT and check batch with supporting documentation to the Accounting Manager for review and then forward to CFO for approval. The Controller shall provide this approval only when the CFO is unavailable.
8. Obtain approval and signature for the EFT and checks.
9. Once all signatures have been acquired, the Accounting Manager transmits the EFT payment through the bank software. The Executive Director's Executive 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 orders such as service calls, one-time payments, refunds, event deposits, or in emergency situations. These situations are usually one-time purchases limited to amounts less than \$5,000. Check requests are not to be used to circumvent the purchase order process.

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 beneficial to a contract, grant, or department.

5.07 USE OF PURCHASE ORDERS

Purchase Orders are a formal request or authorization to purchase goods or services. H-GAC utilizes an automated purchase order system, Microix. 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. Grant program managers will certify that the purchase requisition meets applicable grant requirements and that adequate funds have been authorized and appropriate approvals have been received. Once a requisition has the required approvals, it is submitted to the procurement department for preparation of a purchase order. The procurement department 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 procurement staff are authorized representatives of the agency for the purchase of goods and services.

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,
- Purchase Order number General Ledger account number,
- Project number if applicable

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

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

Another type of purchase orders are contract blankets, or CTBLKs. H-GAC utilizes contract blankets to release payments against fully executed vendor or consultant contracts. The use of a contract blanket allows for more efficient processing and payment of invoices against approved contracts that require multiple payments over the contract period. By utilizing a contract blanket, repetitive data entry of checks or purchase requisitions as well as the need for multiple approvals for each payment is eliminated.

Each department has a dedicated contract blanket workflow in Microix that begins with the prefix "CTBLK" and notates their department name (i.e., CTBLK-HS Workforce). Upon receipt of a fully executed contract, signed by all parties including our Executive Director, and approved by H-GAC's Board of Directors, if applicable, the designated department staff will initiate the contract blanket in the system. Appropriate supporting documentation should be attached as backup. This should include a fully executed contract, H-GAC Board of Director's approval, if applicable, and any additional backup documentation to support the entry. Once submitted the contract blanket will go through appropriate department review/approval and end with the final review/approval by accounting staff. At this point, the contract blanket is ready for accounts payable staff to release payments against it as invoices are received.

If an amendment is executed for the existing contract, the contract blanket will have to be sent back to the original department requester to adjust as needed. After adjustments have been added, the contract blanket will need to be re-submitted to go through the approval process again since changes have been made.

At fiscal year-end, accounting staff will review the status of open contract blankets to determine if all applicable contractor/vendor invoices have been received and paid. Contract blankets that may need to be closed out due to a contract term expiration will be managed accordingly.

5.08 RECEIPT AND ACCEPTANCE OF GOODS

All goods are received by the facilities department. The facilities 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 Microix, the workflow companion to 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 procurement department.
10. The procurement department will report all discrepancies to vendor and request replacement or credit. They will also notify accounts payable of the 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 Company Information Form is completed and submitted with a W-9 form by the vendor to the accounting Department. The accounts payable staff will send the vendor an Authorization for Direct Deposit form via a secure Adobe Acrobat link. Once accounts payable receives the form back, they will contact the vendor and verbally confirm banking information over the phone. Accounts payable will then email the accounting manager to be notified once the banking information has been confirmed and the vendor is ready to be set up. The Accounting Manager will check for debarment then he/she will enter the new vendor's information into the system and establish a new vendor ID number. The Accounting Manager will then notify the requestor when the new vendor is set up and provide them with the vendor ID number.

Note: The new procurement software system, Gatekeeper, will provide new vendors with direct access to a portal to complete their information including banking information, when fully implemented.

5.10 PAYABLES DISBURSEMENTS

H-GAC's Accounting Coordinators for accounts payable process EFTs for payment disbursement twice a week. EFT disbursements and checks are prepared by people independent of those who initiate or approve expenditures, establish new vendors, reconcile bank accounts, or sign checks.

All payments shall be processed 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 are to 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 disbursement run are 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 payment 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 \$25,000 or less require a single signature of the CFO or the Executive Director. The CFO and the Executive Director are the only authorized signers of all of H-GAC's bank accounts. Checks larger than \$25,000 require two signatures.

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 APPROVAL OF DOCUMENTS IN THE ACCOUNTING SYSTEM

All document approval workflows within the Microix/MIP accounting system must contain the below levels. These levels are applicable to both purchase order and invoice documents. The processing of these documents happens after any related board approvals.

Role	Threshold
Program Manager	\$0 to \$9,999
Assistant Director *	\$10,000 to \$24,999
Director	\$25,000 to \$49,999
Division Chief Officer	\$50,000 to \$99,999
Chief Financial Officer	\$100,000 to \$249,999
Executive Director	> \$250,000

* *Applies only to those departments with this position.*

5.13 CREDIT CARD LIMITS

Below are the maximum credit card limits that are allowed per role. Departments and staff wishing to obtain a credit card to process business related expenses must submit a request to the Chief Financial Officer with justification and demonstrated need. The issuance of an H-GAC credit card is a privilege, and requests are not automatically approved. All cardholders must sign a credit cardholder acknowledgement prior to receiving their cards and must follow the current credit card policy within the H-GAC procurement manual.

Role	Threshold
Department Assistant/Departmental Card	\$3,000
Manager/Assistant Director	\$8,000
Facilities Manager	\$10,000
Director	\$15,000
Division Chief Officer	\$20,000
Chief Financial Officer	\$25,000
Executive Director	\$30,000

5.14 DISBURSEMENTS USING ELECTRONIC FUNDS TRANSFER

An EFT batch report is prepared which shows the items in the batch and the total batch amount. The EFT transmittal approval form is signed by authorized signers, who are the CFO and the Executive Director or their approved delegates. The EFT transmittal approval form is then transmitted to the bank by the Accounting Manager and released by the Executive Assistant to the Executive Director.

5.15 USE OF POSITIVE PAY SYSTEM

H-GAC utilizes a positive pay procedure with its financial institution for all checks drawn on the operating account. With this procedure, the Accounting Manager 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 Manager if any check is presented for payment that does not match the three characteristics for valid checks. The Accounting Manager will then confirm payment or deny payment to be made.

5.16 WIRE TRANSFER

Wire Transfers are performed only when there is an immediate need for same day disbursement. 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 execute a wire transfer, the CFO or Executive Director signs a Wire Transfer Transmittal Approval Form. The wire transfer is then transmitted to the bank by the Accounting Manager and released by the Executive Assistant to the Executive Director. Confirmations of all wire transfers are delivered to the Executive Director and CFO.

5.17 MAILING OF CHECKS

After signature, checks are returned to the Executive Director's Executive Assistant for mailing. Checks shall not be mailed by or returned to individuals who authorize expenditures. Except for checks to employees and checks needed for purchase of 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.

5.18 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.

In the event of an EFT return item, the bank will send a return email notification to the Accounting Manager and the Controller. They will review the circumstances for the return and forward the notification to the accounts payable staff. If the return involves incorrect banking information the Accounting Coordinators will contact the vendor and ask them to complete a new Authorization for Direct Deposit form to update our vendor file. Once banking information has been confirmed with the vendor, accounts payable will void the returned EFT check and reprocess payment.

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

5.19 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. 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.

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 Coordinator based on the Purchase Order folder received from the Cooperative Purchasing Department.
2. The Accounting Coordinator prepares the receivable edit report form in the H-GAC accounting system after the invoices are generated and forwards them to the Accounting Manager for review and posting.
3. The Accounting Coordinator 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 Accounting Manager updates and sends out the accounts receivable report and meets with the cooperative's Program Coordinator for the related grant 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 Accounting Coordinator based on the request for billing received from the various program departments.
2. The Accounting Coordinator prepares the receivable report from the H-GAC accounting system after the invoices are generated and forwards report to the Accounting Manager for review and posting.
3. The Accounting Coordinator 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 Accounting Coordinator will print out the accounts receivable report and meet with corresponding 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 Chief Financial Officer 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's revenue for local receivables. In the event that a bad debt exceeds the allowance, the residual amount will be an adjustment to current year's 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 serve as the basis for charging salaries directly to federal awards and non-federal functions. Refer to 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 MIXED CHARGES

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 shall be allocated to benefiting grants through the use of an indirect cost rate.

Examples of indirect costs are:

- The Executive Director's Office
- The Chief Financial Officer's Office
- The Procurement Department
- The Accounting Department
- The Human Resources Department
- The Internal Audit Department
- Printshop / Facility Operations
- Data Services / Network IT

Mixed charges are applied to those cost centers that have positions that may charge their salary costs to both direct and indirect activities.

Examples of cost centers having mixed charges are:

- The Executive Director's Office
- Outreach and Governmental Affairs

- The Accounting Department
- The Internal Audit Department

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 H-GAC 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; it follows all applicable 2 CFR 200 guidance. The indirect cost allocation policy/plan and related rates are submitted to H-GAC's Cognizant Agency for approval at the beginning of each fiscal year.

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

1. General administration (software, employee development, travel, office supplies, etc.)
2. Salaries and benefits of the executive officers, finance, accounting, facilities, data services, procurement, internal audit, and human resources personnel
3. Depreciation of equipment and buildings

H-GAC reconciles the variance between the rate charged for indirect costs and the actual costs during the Annual Comprehensive Financial Report (ACFR) process. Adjustments over and under the calculated rate are carried forward to the indirect cost pool in the subsequent year, with the carryforward amount determined based on reasonableness in accordance with 2 CFR 200.

7.04 COST POOLS

H-GAC uses a variety of methodologies to allocate costs to the various projects that it operates. Some allocations require that costs be distributed first at a departmental level and then at a project level. Other costs are distributed directly to the projects via an automated allocation program in the accounting system. The following describes each type of allocation, the basis, and whether it was a single or double allocation.

RENT

1st Tier Basis: Direct 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. When a facility or location is rented exclusively for a specific program, the rent associated with that location is charged directly to that program. When grantors staff (e.g., TWC and TVC staff occupying HGAC locations), or other personnel who are expected to work off-site (e.g., Quality Mentors), occupy HGAC main building, rent is allocated on a per-employee basis. The per-employee rate is calculated by dividing the total monthly rent by the total number of employees occupying the building. This rate is then multiplied by the number of grantor employees, and the resulting amount is directly charged to the grant. The remaining portion of HGAC's rent is assigned to the RENT project and allocated as part of the organization's rent allocation methodology.

WORKFORCE ADMIN AND DATA SERVICES POOL

1st Tier Basis: Departmental Labor Hours

H-GAC has a large workforce program consisting of multiple funding streams and projects. The administrative and data services need of these projects is pooled monthly, and the costs are distributed to the various workforce projects based on the labor hours charged to that project monthly as a percentage of all labor hours for the department.

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 such as holiday, jury duty, etc.

The total cost of all the preceding employee benefits is 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 benefit 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 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 accounting 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 12 p.m. on the Friday 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 are to be corrected electronically by notifying the Payroll Specialist.
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 Payroll Specialist. If the Payroll Specialist 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 Payroll Specialist 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 Manager. The direct deposit file is created and/or payroll checks are printed after the payroll reports are approved. Employee leave accruals are calculated and posted.

The Payroll Specialist creates the direct deposit file which shall be transmitted to the bank and forwards it to the Accounting Manager. After it is approved by Executive Director and CFO, it is released by the Executive Director's Executive Assistant. The payroll is then posted after the direct deposit file is sent, 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 Payroll Specialist with detailed information needed to make the change. The Payroll Specialist will make the change/correction to the timesheet. A 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 Manager prior to posting.

8.06 DISTRIBUTION OF PAYROLL

All employees are paid by 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. In the event it is necessary for an employee to receive an actual check, the check will be distributed by an individual who does not approve timesheets, is not responsible for hiring and firing, and does 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, the Chief Financial Officer 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 accounting department once they have been entered into the automated master file by HR Personnel. The Payroll Specialist will update rates of pay or payroll deductions after receipt of the proper documentation. Documentation supporting any changes to the payroll status of an employee will be permanently maintained in the employee's personnel file.

To ensure that changes are implemented accurately, the Payroll Specialist will distribute a preliminary register to the Accounting Manager for review and approval before posting the payroll. The Accounting

Manager will then submit the totals for the Direct Deposit for approval to the Executive Director and the Chief Financial Officer. Once approved, the Accounting Manager will submit the recommendation for disbursement of the payroll direct deposits to the Executive Director's Executive Assistant for release of payment.

8.08 TAX REPORTING

The Chief Financial Officer shall be responsible for identifying and assuring that H-GAC is in compliance with all filing 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 Manager with the assistance of the Payroll Specialist, 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 Payroll Specialist will print a quarterly information report 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.

8.09 RETIREMENT FUND REPORTING

A report listing all 401-K deductions, loans, and agency matching for that particular pay period is run after payroll is completed. This report is then sent to Human Resources for verification. Human Resources will then submit a payment request to fund employee retirement accounts held in trust by third party.

9.0 TRAVEL

H-GAC has a separate policy manual that addresses the rules regarding business travel. The policy is available on the H-GAC intranet. It can be found here: [Travel Policy](#)

The following addresses the basic regulations for Travel.

10.0 FOOD AND BEVERAGES

H-GAC has a public obligation to ensure that all food and beverage purchases are necessary and allowable, comply with the agency's goals and financial constraints, provide ethical standards, and adhere to applicable state and federal grantor requirements.

This policy applies to all H-GAC departments and employees when incurring food and beverage expenses, on behalf of the agency, for internal and external H-GAC related events.

10.01 GENERAL GUIDELINES

Food and beverage purchases should be appropriate and allowable for internal and external H-GAC events and utilize a cost savings approach to prevent the appearance of waste and abuse of resources. All food and beverage expenses must adhere to each department's approved food and beverage budget. This budget should be monitored on a regular basis to prevent overspending.

A. Agency Functions

Food and beverage purchases are to be used for agency functions such as the following:

- Meetings, Trainings, Community Events –
Meals and beverages may be provided during meetings, training sessions, and events when necessary for the success of the meeting or event.
- Employee Events –
Meals and beverages may be provided for internal employee events, such as the H-GAC Annual Picnic or H-GAC sponsored holiday events, as pre-approved by the Executive Director.

B. Event Catering

Catering services may be used for agency events, provided they are within budget, align with the agency's mission and are pre-approved by the director, chief, executive director, or applicable grantor agency.

C. Approvals

All food and beverage purchases must be pre-approved by the department director, a Chief Officer, or

the applicable grantor agency, if charging a grant. Approval must be obtained prior to incurring any costs. Department directors and Chief Officers act as stewards of their funds and must be able to support their purchases. Pre-approvals are required to ensure purchases are allowable and that funds are available.

H-GAC's "Pre-Approval for Food and Beverage Purchases" form, or prior written approval from the grantor agency, needs to be completed and included with the backup documentation for payment. This administrative rule applies whether the expense is paid through department purchasing cards, direct invoice, or employee reimbursement.

D. Expense Coding

Expenses that are pre-approved by a grantor agency are to be directly charged to the applicable grant/project. All other food and beverage expenses should be charged to each department's applicable Local project. All expenses should be coded to account code 55035 – Food and Beverage Expense.

E. Tax-Exempt

H-GAC is tax exempt within the State of Texas. Employee must provide all vendors with H-GAC's tax exemption certificate prior to making a purchase to ensure taxes are excluded when applicable. H-GAC's tax exemption certificate can be found on the H-GAC SharePoint page under "Finance, Helpful Documents."

F. Business Meals Charged to H-GAC's Department Credit Cards

- Definition –

A business meal is defined as two or more employees, board members, key officials, clients, or consultants who dine together at the same establishment conducting official H-GAC business.

- Grant funded business meals –

Pre-approval from a grantor agency is required prior to incurring any costs.

- Non-H-GAC employees –

Business meal expense must be charged to an applicable H-GAC local non-funded project unless prior approval was obtained from grantor agency to charge to a grant.

- Non-grant funded meals –

Must be charged to the applicable H-GAC local non-funded project. Exceptions listed below:

- Enterprise Solutions or the Local Development Corporation meals –

If the business meal is related to Enterprise Solutions or the Local Development Corporation the meal can be charged directly to those projects.

- Business Meals charged to H-GAC's Travel Credit Cards –

Please refer to H-GAC's Travel Policies and Procedures for specific guidelines related to business meals charged to H-GAC travel credit cards.

10.02 DOCUMENTATION REQUIREMENTS

All food and beverage purchases should have sufficient backup documentation attached when submitting a check request or purchase requisition for payment. Below is the required backup documentation that should be attached to support a food and beverage purchase.

- A. Pre-Approval for Food and Beverage Purchases Form
H-GAC's Pre-Approval for Food and Beverage Purchases form must be completed and approved by the Department Director or a Chief Officer prior to the event.
- B. Grantor Pre-Approval (if applicable)
If charging food and beverage purchases to a grant, the grantor should pre-approve all purchases prior to incurring any cost. Please attach the grantor pre-approval letter with backup.
- C. Event Agenda
An event agenda detailing the purpose, date, time, and activities of the event should be provided.
- D. List of Attendees
A listing of names and agency relationships of individuals who will be participating in the event. For events open to the community, where specific names cannot be obtained, an estimate of the number in attendance will suffice.
- E. Itemized Receipt
An itemized receipt showing a line-item breakdown of food and beverage purchased.
- F. Credit Card Receipt
Credit card receipt detailing the date and approved amount of purchase if this information is not already included on the itemized receipt.

10.03 EXCLUSIONS AND LIMITATIONS

- A. Alcohol
Alcohol is not an allowable expense.
- B. Tips and Gratuities
Tips and gratuities are not an allowable expense except for those incurred by the Enterprise Solutions department or the Local Development Corporation (LDC). In those cases, such costs may be charged to their respective projects.
- C. Personal Expenses
Food and beverages may not be purchased for personal or routine, regularly scheduled, staff meetings. Food and beverages for meetings conducted for staff social functions, not related to H-GAC duties or approved organizational events are not allowable expenses.

10.04 EXCEPTIONS

- A. Special Circumstances
Any exceptions to this policy must be pre-approved by the Chief Financial Officer and Executive Director and documented with a valid justification.

10.05 COMPLIANCE AND REVIEW

A. Compliance Review

Accounting will review backup documentation submitted for all food and beverage purchases to ensure compliance with this policy.

11.0 PROPERTY AND EQUIPMENT

11.01 CAPITALIZATION POLICY

Physical assets acquired with unit costs in excess of \$10,000 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 \$10,000 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.

11.02 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 less than \$10,000, H-GAC shall retain the equipment without any requirement for notifying the federal or state agency at the conclusion of the award provided the decision is documented.
3. If the remaining per unit fair market value is \$10,000 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.

11.03 ESTABLISHMENT AND MAINTENANCE OF A FIXED ASSET LISTING

All capitalized property and equipment shall be recorded in a property log maintained by the accounting department. Assets that are IT in nature are maintained by the IT Data Services department. The property logs are to 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 at least biennially. Inventory shall be updated monthly to the property log. All adjustments resulting from this reconciliation will be approved by the Controller or Director of Data Services.

11.04 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.

11.05 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.

11.06 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).

11.07 WRITE-OFFS OF PROPERTY AND EQUIPMENT

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

11.08 PROPERTY DISTRIBUTED TO EMPLOYEES

Laptops, computer monitors, and other miscellaneous computer equipment having a cost less than \$5,000 shall be maintained in an inventory listing kept by the Data Services department. When an employee separates from H-GAC, the computer equipment is to be returned. Facilities shall receive the returned equipment from the employee and then forward it to Data Services where it will be either refurbished or removed from inventory if no longer useful.

12.0 LEASES

12.01 DEFINITION OF LEASES

A lease is defined as a contract allowing the right to use another entity's non-financial asset such as a building, land, or equipment. In conformity with GASB Statement 87, H-GAC classifies all leases in which the organization is a lessee under a single model.

12.02 REASONABLENESS OF LEASES

H-GAC is to 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 if other options are available.

12.03 ACCOUNTING FOR LEASES

Upon the inception of a capital asset, H-GAC shall record a lease liability and a lease asset at the beginning of the lease term. The lease liability should be measured at the present value of payments expected to be made during the lease term. The lease asset should be measured at the amount of initial measurement of the lease liability, plus certain direct costs and any payments made to the lessor at or before commencement of the lease term. H-GAC should reduce the lease liability as payments are made and recognize an outflow of resources for interest on the liability. H-GAC should amortize the lease asset over the shorter of the lease term or useful life of the asset. Notes to the financial statements should include a description on leasing arrangements, the amount of lease assets recognized, and schedule of future lease payments made. Credits for abatements that are material to the lease shall be amortized over the lease term.

When H-GAC is the lessor, H-GAC should recognize the lease receivable and deferred inflow of resources at the beginning of the lease term. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow should be measured at the value of the lease receivable plus any payments received at or before the beginning if the lease term relates to future periods. H-GAC should recognize interest revenue on the lease receivable and an inflow of resources from deferred inflows of resources over the term of the lease. Notes to financial statements should include the leasing arrangement and total amount of inflows of resources recognized from leases.

13.0 ADMINISTRATION OF FEDERAL/STATE AWARDS

13.01 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."

13.02 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 all 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 2 CFR 200, TxGMS (Texas 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.

13.03 GRANT SUBAWARD PROPOSALS

Individual departments will work with the procurement and contracts department 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 H-GAC 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 expenditure 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 a primary grant accountant in the accounting department. The grant accountant is responsible for the monthly or quarterly review and process of billings from the award contracts.

13.04 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 the 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.

13.05 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, it will be valued based on 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 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 with a sign-in sheet which collects the following information:

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

13.06 FEDERAL/STATE AWARDS BILLING AND FINANCIAL REPORTING

H-GAC strives to provide management, staff, and grantors 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 grant accountant assigned to the program subject to review and approval by Controller or Accounting Manager.

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 grant accountant.

If a federal/state award authorizes the payment of cash advances to H-GAC, the Chief Financial Officer 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.

13.07 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 Grant Accountant reviews the final billing for accuracy, performs a reconciliation to the program reports, 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 grant 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 Controller Accounting Manager. 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.

14.0 SUBRECIPIENT GRANT ADMINISTRATION

14.01 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.

14.02 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.

15.0 MONTH END CLOSING

15.01 OVERVIEW

H-GAC's fiscal year begins January 1 and ends December 31. H-GAC closes its books 5 days following 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 "Year-end Closing and Annual Audit" for information on the closing of the books at the end of the fiscal year.

15.02 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.
3. Recognize revenue – 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. Prepare the monthly financial report.
5. Submit the monthly financial report to Chief Financial Officer for review.
6. Submit the monthly financial report to the Finance and Budget Committee of the H-GAC Board of Directors for review and approval. The report is then reviewed and approved by the entire H-GAC Board of Directors.

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 H-GAC 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.

16.0 H-GAC ANNUAL BUDGET AND SERVICE PLAN

16.01 OVERVIEW

H-GAC has a separate policy addressing the budget and service plan. Please refer to the following link for the most up-to-date version: [OpenBook](#)

17.0 YEAR-END CLOSING AND ANNUAL AUDIT

17.01 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 the work necessary to close the books and compute the year-end balances for the annual audit. The goals of the closing process 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. The following is a list of year-end journal entries:

Year-End Journal Entries

Workforce ETA Compliance (WIOA)

Final A/R Recon

G/L Accounts Reconciliation

Audit Adjustments

- Component Unit Entries'(LDC, CRED, EDA, 911)
- Fixed Asset Entry
- GASB 87(leases)Entry
- Vacation Adjustment (GASB 101)
- Capital Leases Entry (if any)
- Record Benefit/Indirect Over and Under Recovery
- Any other needed allocations

Reconciliations

- Accounts Receivables
 - Other Receivables
 - Prepaids
 - Other Payables
 - Sec 125 Benefits
 - Leases
 - Deferred Accounts
- Ensure allocations have been fully completed

17.02 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 Chief Financial Officer 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 - Organizational 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 accounting 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.

Beginning in 2024, the annual audit is to be conducted in two phases. The first phase, or the interim audit will start in the Fall before the books are closed and will consist of auditing the periods encompassing January to the last complete fiscal month. The second phase will be done in the Spring after the books are closed and will consist of auditing the remainder of the year. The focus for each of the phases will be slightly different based on the external audit firm's planning and risk management activities.

17.03 CONCLUSION OF 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 Chief Financial Officer 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 Statements no later than June to conclude the audit.

H-GAC will send the Annual Comprehensive Financial Report (ACFR) which includes the audited financial statements to all state grantors 30 days after the completion of the audit and no later than September 30th 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.

17.04 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 approved by the H-GAC Board of Directors will be required to communicate with the H-GAC's Audit Committee upon the completion of their audit. In addition, members of the H-GAC 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 5 years to ensure competitive pricing and a high quality of service.

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 H-GAC Board of Director meetings
5. Organizational chart of H-GAC
6. Overview of H-GAC financial resources and obligations
7. Financial information about the organization
8. Copy of prior year's 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

The 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 within 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, 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 H-GAC Board for approval.

18.0 RISK MANAGEMENT AND INSURANCE

18.01 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.

All insurance policies are managed by the Facilities Management department which has its own procedures for risk determination.

19.0 POLITICAL INTERVENTION AND LOBBYING

19.01 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 segments 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, provided 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 require H-GAC Board approval.

19.02 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.

19.03 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 personally by H-GAC 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 always be aware that organization resources cannot at any time be utilized in support of political activities.

20.0 BUSINESS CONDUCT

20.01 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 Employee 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 Resources Director.

20.02 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 it by indirect means, through agents or intermediaries, which is directly forbidden.

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

21.0 CONFLICTS OF INTEREST

21.01 INTRODUCTION

Please refer to the HR policy as noted in the Employee Handbook for a discussion on conflicts of interest.

22.0 POLICY ON FRAUD AND DISHONESTY

22.01 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.

22.02 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.

22.03 DEFINITION OF FRAUD

For purposes of this policy, fraud generally involves a willful or deliberate act, or failure to act, with intention of obtaining 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.

22.04 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 individual reporting because that individual reported 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 are warranted. 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.

22.05 WHISTLEBLOWER HOTLINE

At H-GAC, we uphold the highest standards of ethics and accountability, ensuring compliance, due diligence, and integrity in all our operations to protect public trust and resources. The H-GAC Whistleblower Hotline demonstrates our commitment to open communication providing essential tools and support for fostering a productive and secure community. To initiate an incident report, follow this link: [H-GAC Whistleblower Hotline | Houston-Galveston Area Council \(H-GAC\)](#)

23.0 DATA SECURITY

23.01 ACCOUNTING DEPARTMENT

The accounting department operates in a digital environment minimizing the use of paper files. File cabinets containing accounting records are locked and secured at the end of each workday. Only accounting staff have access to secured cabinets. Any files requested from the accounting department will be furnished as digital copy of the original document unless the original is required under law or audit requirements.

23.02 ELECTRONICALLY STORED ACCOUNTING DATA

H-GAC utilizes Microsoft SharePoint as its primary documentation repository for its project and working files. SharePoint and other Microsoft services are protected through the use of Microsoft EntraID and Active Directory. Password complexity and password change requirements meet the guidelines specified under the NIST 800-53 security framework. Multi-factor authentication has been implemented as part of standard security practices.

The H-GAC accounting system resides in the cloud and is hosted by MIP Cloud. Account logins are protected by password complexity requirements and multi-factor authentication.

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.

23.03 DATA BACK-UP AND STORAGE

H-GAC utilizes a 3-2-1 backup strategy on data stored on-premises and in our Microsoft environment, including SharePoint. This strategy ensures data copies, and restoration from these copies, are protected by storing offsite and is immutable.

MIP Cloud provides its own service level agreements on data backup and storage. H-GAC has reviewed MIP Cloud's SLA terms, and they are in-line with H-GAC security requirements defined in its IT Policy.

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.

23.04 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 Facilities Manager or his delegate.

23.05 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.

23.06 DISPOSAL OF DATA IN RETIRED COMPUTERS

H-GAC security policy requires all electronic media that contains agency information to be deleted and destroyed in accordance with NIST 800-88 publication for Media Sanitization guidelines. These guidelines provide acceptable means of data sanitization for removable media, hard drives, backup tapes, and any other common forms of media storage by H-GAC. This procedure shall be performed by the H-GAC Data Services department.

APPENDIX A – 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 Financial Analyst 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 Financial Analyst 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 Financial Analyst for guidance.

(2) Checking or Authorizing Financial Reports to our Grantors

TWC expenditure reports are due on the 20th 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 Financial Analyst 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 Manager certifies expense reports to TWC.

(3) Cash Draws from our Grantors

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

1.Contract Expenditure Reporting

- 1.1. H-GAC Workforce contractors report expenditures once or twice a month to H-GAC Accounting. For contractors that report once a month, expenditure reports are due to H-GAC via extranet submission close of business on the ninth day of the month following the month for which the expenditures are being reported.
- 1.2. For contractors that report twice a month, expenditure reports are due to H-GAC via extranet submission by close of business (a) on the tenth day of a month for the second half of the prior month and (b) on the 21st 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 Accounting posts all contractor expenditure reports in SharePoint.

2. H-GAC Workforce staff review each expenditure report

- 2.1. First: The assigned Workforce staff Senior Financial Analyst reviews and approves reports for the contracts she or he manages against those contracts' line-item budgets.
- 2.2. Second: The Workforce contract manager 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 Financial Specialist 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 Financial Analyst work together to resolve any problems or issues about a particular expenditure report before approving the report for payment through the H-GAC Accounting department or the Human Services Finance Specialist.

Grant Expenditure Reporting

1. The H-GAC Accounting department prepares regular and required expenditure reports to all H-GAC Workforce grantors.
2. The H-GAC Accounting department posts the regular and required expenditure reports to grantors on SharePoint.
3. The H-GAC Accounting department submits grantor expenditure reports according to the schedules and in the manner each grantor specifies for its financial reporting.
 - 3.1. 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.

Cash Draws

1. The H-GAC Accounting department draws cash from grants in accordance with H-GAC's obligations to pay contractors.
 - 1.1. The H-GAC Accounting department draws cash at least once every week and may, if needed, draw twice during the same week.

- 1.2. The H-GAC Accounting department draws cash for cash advances and/or expenditure reimbursements to contractors.
2. The responsible H-GAC Accounting staff member prepares each cash draw.
3. The Grant Accountant reviews and signs off on each cash draw.
 - 3.1. If the Grant Accountant is not available, the Accounting Manager reviews and signs off on cash draw.
 - 3.2. If the Accounting Manager is not available, the Controller will review and approve a cash draw.
4. The H-GAC Accounting department submits grantor cash draw requests according to the schedules and in the manner each grantor specifies.
 - 4.1. An H-GAC accounting staff member, other than the staff member who prepared the expenditure report, certifies the report when submitting reports to the grantor.
5. External invoice 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.

TRAVEL POLICY UPDATE

Background

The current H-GAC Travel Policy needs revision to ensure compliance with GSA regulations and clarify rules and allowable expenses.

Current Situation

The H-GAC Travel Policy has been updated to ensure compliance with GSA regulations and provide clarity for allowable/ non-allowable expenses under grant funding. The following items are a summary of changes within the policy:

1. Mileage calculation
2. H-GAC Headquarters as a starting location.
3. Expense Submission deadlines
4. Separated employees' responsibilities for submission of expenses.
5. Enterprise rental car drop-off location fees
6. Vehicle upgrades on rental cars
7. Travel adjustment approvals
8. Employee Travel Card
9. Tipping / gratuities – defines optional vs mandatory

Funding Source

Not Applicable

Budgeted

Not Applicable

Action Requested

Request approval of the Travel Policy revision. (Staff Contact: Matt Handy)

MONTHLY FINANCIAL REPORT – FEBRUARY 2026

Background

N/A

Current Situation

Presenting the results of the February 2026 financials.

Funding Source

N/A

Budgeted

Not Applicable

Action Requested

Request approval of the monthly financial report ending February 28, 2026.
(Staff Contact: Christina Ordonez-Campos)



HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY26 Monthly Financial Report

For Month Ending February 28, 2026

Prepared on March 30th, 2026

Esteemed H-GAC Board of Directors and Executive Director Wemple, please find attached the financial report for last month. The information contained within is intended for managerial reporting purposes. All figures are unaudited and subject to change. Should you have any questions, please feel free to let me or a member of my staff know. Respectfully submitted, Christina Ordóñez-Campos, CPA - Chief Financial Officer.

SUMMARY OF KEY CHANGES

REVENUES

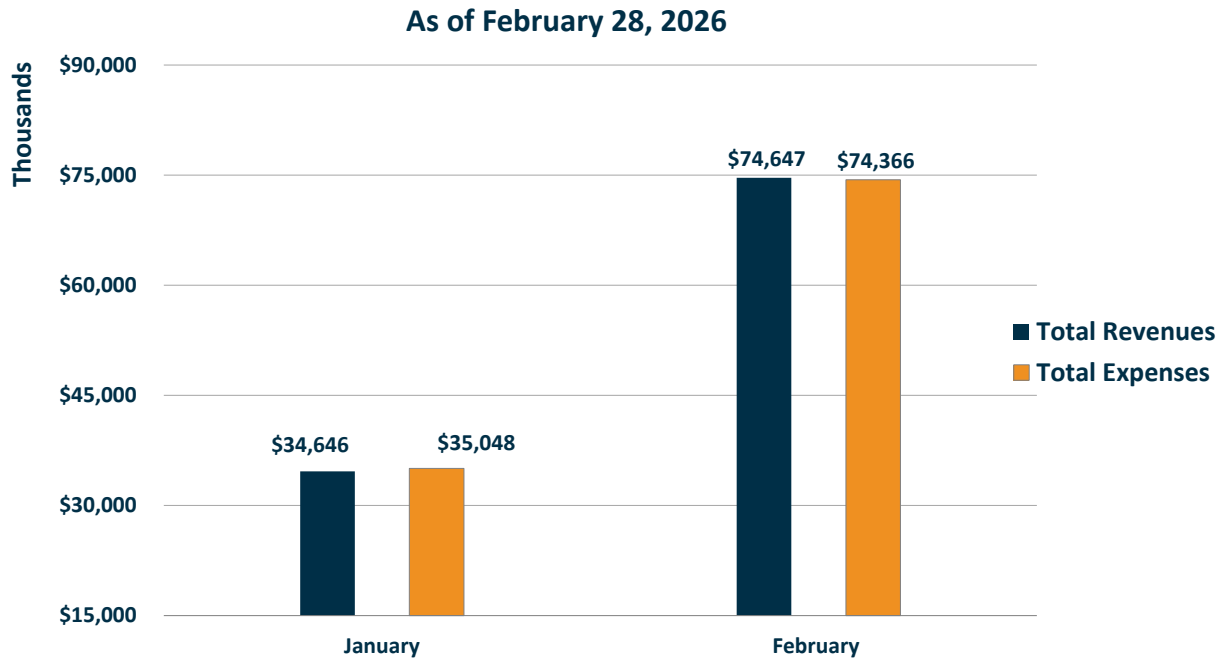
- > Membership dues collections are progressing well. Of the payments received so far, 46K relates to 2025 membership dues collected in 2026, and 241K relates to 2026 dues. Outstanding membership fees for 2025 are approximately 1K.
- > During February 2026, cooperative purchasing revenues increased significantly to 406K, compared to 199K in the previous month.
- > Interest income is at 93% of the year-to-date budget and has declined compared to prior periods, primarily due to a decrease in interest rates.

EXPENDITURES

- > Personnel expenditures are at 14% of budget while 16.67% of time has elapsed. We currently have 448 compared to 346 in February 2025.
- > Consultant expenses increased this month, with the larger increases observed in the transportation and workforce programs.
- > Renovation of additional rented floors remains in progress, and as they are completed, we anticipate an increase in equipment-related expenses.

*** Please note: the financial activity outlined above and in the report falls within the past trends observed in H-GAC's operations and is not out of the ordinary. ***

The activity (revenues and expenses) included in this report reflect actual amount recorded to date; some billings have not yet been processed or fully recorded. Reported figures are presented on a cumulative Year-to-Date basis and may be adjusted in subsequent periods to reflect finalized amounts.

Monthly Trends Chart

HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY26 Monthly Trends Report

For Month Ending February 28, 2026

	January 2026	February 2026	March 2026	April 2026
Revenues				
General & Enterprise Fund Revenues				
Membership Dues	\$ 38,083	\$ 249,630		
HGAC Energy Corporation	3,735	9,939		
Cooperative Purchasing Fees	199,384	406,185		
Gulf Coast Regional 911 Fees	319,365	37,540		
Interest Income	33,613	105,697		
Other Revenues	68,866	392,365		
General Funds - Local	69,655	129,840		
Total General & Enterprise Fund Revenues	\$ 732,701	\$ 1,331,196	\$ -	\$ -
Special Revenue Fund				
Federal Grants	\$ 512,118	\$ 500,931		
State Grants	33,401,154	38,168,463		
Total Special Revenue Fund Revenues	\$ 33,913,272	\$ 38,669,393	\$ -	\$ -
Total Revenues	\$ 34,645,973	\$ 40,000,590	\$ -	\$ -
Expenditures				
Personnel	\$ 4,233,634	\$ 4,360,096		
Pass-through Funds - Grant	28,908,852	33,193,949		
Consultant and Contract Services	283,688	998,384		
Lease of Office Space	181,274	195,662		
Equipment	39,967	47,911		
Travel	15,066	16,492		
Other Expenses	1,385,364	505,970		
Total Expenditures	\$ 35,047,845	\$ 39,318,465	\$ -	\$ -
Excess of Revenues Over(Under) Expenditures	\$ (401,872)	\$ 682,125	\$ -	\$ -

HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY26 Budget to Actual Report - All Funds

For Month Ending February 28, 2026

16.67% of Year Elapsed

	FY26 Annual Budget	FY26 Year-to-Date Budget	FY26 Year-to-Date Actuals	FY26 % of Actuals to Annual Budget	FY26 % of Actuals to YTD Budget
Revenues					
General & Enterprise Fund Revenues					
	FY26 Annual Budget	FY26 Year-to-Date Budget	FY26 Year-to-Date Actuals	FY26 % of Actuals to Annual Budget	FY26 % of Actuals to YTD Budget
Membership Dues	\$ 466,414	\$ 188,544	\$ 287,713	62%	153%
HGAC Energy Purchasing Corporation	135,000	23,391	13,674	10%	58%
Cooperative Purchasing Fees	7,413,865	850,006	605,569	8%	71%
Gulf Coast Regional 911 Fees	5,175,896	659,184	356,905	7%	54%
Interest Income	1,200,000	150,162	139,310	12%	93%
Other Revenues	2,033,509	347,194	461,231	23%	133%
General Funds - Local	5,517,184	950,765	199,495	4%	21%
Total General & Enterprise Fund Revenues	\$ 21,941,868	\$ 3,169,246	\$ 2,063,898	9%	65%
Special Revenue Fund					
	FY26 Annual Budget	FY26 Year-to-Date Budget	FY26 Year-to-Date Actuals	FY26 % of Actuals to Annual Budget	FY26 % of Actuals to YTD Budget
Federal Grant	\$ 8,116,344	\$ 446,800	\$ 1,013,048	12%	227%
State Grants	570,138,869	74,753,708	71,569,617	13%	96%
Total Special Revenue Fund Revenues	\$ 578,255,213	\$ 75,200,508	\$ 72,582,665	13%	97%
Total Revenues	\$ 600,197,081	\$ 78,369,754	\$ 74,646,563	12%	95%
Expenditures					
	FY26 Annual Budget	FY26 Year-to-Date Budget	FY26 Year-to-Date Actuals	FY26 % of Actuals to Annual Budget	FY26 % of Actuals to YTD Budget
Personnel	\$ 60,035,230	\$ 9,100,820	\$ 8,593,730	14%	94%
Pass-through Funds - Grant	491,423,054	64,438,883	62,102,800	13%	96%
Consultant and Contract Services	25,221,377	2,149,539	1,282,073	5%	60%
Lease of Office Space	3,599,393	568,829	376,935	10%	66%
Equipment	6,501,726	229,699	87,878	1%	38%
Travel	1,129,779	75,292	31,558	3%	42%
Other Expenses	12,286,522	1,773,004	1,891,334	15%	107%
Total Expenditures	\$ 600,197,081	\$ 78,336,066	\$ 74,366,310	12%	95%
Excess of Revenues Over(Under) Expenditures	\$ -	\$ 33,688	\$ 280,253		
Beginning Fund Balance (all funds) - Feb. 1 (1)	\$ 46,532,496	\$ 46,532,496	\$ 46,532,496		
Ending Fund Balance (all funds) - Feb. 28 (2)	\$ 46,532,496	\$ 46,566,184	\$ 46,812,749		

(1) Jan. 1, 2026 beginning fund balance is preliminary & subject to change. This figure is unaudited.

(2) All ending fund balances are as of February 28 for each year.

The Year-to-Date budget has been calculated using a three-year average spending & earning pattern. Historical monthly expenditure trends were analyzed to determine the proportion of annual spending incurred in each period, and these percentages were applied to the current year's approved budget to derive the YTD budget.

EXECUTIVE DIRECTOR'S REPORT

Background

N/A

Current Situation

N/A

Funding Source

N/A

Budgeted

N/A

Action Requested

Report on current and upcoming H-GAC activities. (Staff Contact: Chuck Wemple)