

EAST MISSOURI ACTION AGENCY

**Accounting & Financial
Policies and Procedures Manual**

Effective Date(s) of Accounting Policies

The effective date of all accounting policies described in this manual is June 1, 2010. If a policy is added or modified subsequent to this date, the effective date of the new/revised policy will be indicated parenthetically immediately following the policy heading.

TABLE OF CONTENTS

	<u>Page Number</u>
Introduction	8
<u>GENERAL POLICIES</u>	
Organizational Structure	9
The Roles of the Executive Director and Staff	9
Business Conduct	9
Political Intervention	9
Whistleblower	9
Accounting Department Overview	10
Organization	10
Responsibilities	10
Security	11
Accounting Department	11
Access to Electronically Stored Accounting Data	11
Creation, Storage and Testing of Back-up Files	11
Technology and Electronic Communications	12
Purpose and Scope	12
Acceptable Use of Organization Property	12
Password Security	12
Confidentiality	13
Copyrighted Information	13
Installation of Software	13
Other Prohibited Uses	13
Disciplinary Action for Violations	14
Reporting of Suspected Violations	14
General Ledger and Chart of Accounts	15
Chart of Accounts Overview	15
Distribution of Chart of Accounts	15
Control of Chart of Accounts	15
Account Definitions	16
Classification of Net Assets	18
Fiscal Year of Organization	18
Journal Entries	19
<u>POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS</u>	
Revenue	20
Revenue Recognition Policies	20
Refunds of Revenue Received	20

Contributions Received	21
Definitions	21
Distinguishing Contributions from Exchange Transactions	21
Accounting for Contributions	22
Receipts and Disclosures	23
Billing/Invoicing Policies	25
Overview	25
Responsibilities for Billing and Collection	25
Accounts Receivable Entry Policies	25
Classification of Income and Net Assets	26
Cash Receipts	27
Overview	27
Processing of Checks and Cash Received in the Mail	27
Reconciliation of Deposits	27
Accounts Receivable Management	28
Monitoring and Reconciliations	28
Collections	28
Credits and Other Adjustments to Accounts Receivable	28
Accounts Receivable Write-Off Authorization Procedures	28

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

Purchasing Policies and Procedures	29
Overview	29
Responsibility for Purchasing	29
Non-Discrimination Policy	29
Debit Card Policy	30
Purchase Card Policy	30
Credit Card Policy	31
Use of Purchase Orders	31
Authorizations and Purchasing Limits	32
Required Solicitation of Quotations from Vendors	32
Extension of Due Dates and Receipt of Late Proposals	33
Evaluation of Alternative Vendors	33
Affirmative Consideration of Minority, Small Business & Women-Owned Business	33
Special Purchasing Conditions	34
Vendor Files and Required Documentation	34
Ethical Conduct in Purchasing	34
Conflicts of Interest Prohibited	34
Receipt and Acceptance of Goods	35
Accounts Payable Management	36
Overview	36
Recording of Accounts Payable	36
Accounts Payable Cut-off	36
Receipt of Invoices	36
Preparation of a Voucher Package	36
Processing of Voucher Packages	37

Payment Discounts	37
Employee Expense Reports	37
Business Travel	39
Monthly Mileage Sheets	39
Travel Request	39
Reasonableness of Travel Costs	40
Special Rules Pertaining to Air Travel	40
Spouse/Partner Travel	40
Cash Disbursement (Check-Writing) Policies	41
Check Preparation	41
Check Signing	41
Mailing of Checks	41
Voided Checks and Stop Payments	41
Record-keeping Associated with Independent Contractors	42
Payroll and Related Policies	43
Classification of Workers as Independent Contractors or Employees	43
Payroll Administration	44
Changes in Payroll Data	45
Payroll Taxes	45
Preparation of Personnel Activity Reports	45
Processing of Personnel Activity Reports	46
Review of Payroll	46
Distribution of Payroll	46
Final Pay Check	46
Salary Advance	46
<u>POLICIES PERTAINING TO SPECIFIC ASSET AND LIABILITY ACCOUNTS</u>	
Cash and Cash Management	47
Cash Accounts	47
Bank Reconciliations	47
Cash Flow Management	47
Stale Checks	47
Opening Cash	47
Prepaid Expenses	48
Accounting Treatment	48
Procedures	48
Investment Policies	49
Introduction	49
Delegation of Authority	49
Investment Objectives	49
Allowable Investments	49
Diversification	50
Accounting Treatment	50
Procedures and Reporting	50
Fixed Asset Management	52

Capitalization Policy	52
Contributed Assets	52
Establishment and Maintenance of a Fixed Asset Listing	52
Depreciation and Useful Lives	53
Repair of Fixed Assets	53
Dispositions of Fixed Assets	53
Write-Off of Fixed Assets	54
Leases	55
Classification of Leases	55
Accounting for Leases	55
Accrued Liabilities	56
Identification of Liabilities	56
Accrued Leave	56
Notes Payable	57
Record-Keeping	57
Accounting and Classification	57
Non-Interest-Bearing Notes Payable	57

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

Financial Statements	59
Standard Financial Statements of the Organization	59
Frequency of Preparation	59
Review and Distribution	60
Annual Financial Statements	60
Government Returns	61
Overview	61
Filing of Returns	61
Public Access to Information Returns	62
Unrelated Business Activities	63
Identification and Classification	63
Reporting	63

FINANCIAL MANAGEMENT POLICIES

Budgeting	64
Overview	64
Preparation and Adoption	64
Monitoring Performance	64
Budget Modifications	65
Annual Audit	66
Role of the Independent Auditor	66
How Often to Review the Selection of the Auditor	66

Selecting an Auditor	66
Preparation for the Annual Audit	67
Concluding the Audit	68
Fraud Risk Monitoring	69
Insurance	70
Overview	70
Coverage Guidelines	70
Insurance Definitions	71
Record Retention	72
Policy	72
Functional Expense Allocations	73
Overview	73
Direct Charging of Costs	73

POLICIES ASSOCIATED WITH FEDERAL AWARDS

Administration of Federal Awards	74
Definitions	74
Preparation and Review of Proposals	74
Post-Award Procedures	74
Compliance with Laws, Regulations, and Provisions of Awards	75
Billing and Financial Reporting	76
Cash Draw Downs	77
Procurement under Federal Awards	77
Solicitation of Bids from Vendors	78
Provisions Included in all Contracts	78
Making of Sub-awards	80
Monitoring of Sub-recipients	81
Equipment and Furniture Purchased with Federal Funds	82
Standards for Financial Management Systems	83
Budget and Program Revisions	84
Close Out of Federal Awards	84
Charging Costs to Federal Awards	85
Overview	85
Segregating Unallowable from Allowable Costs	85
Criteria for Allowability	85
Direct Costs	86
Indirect Costs	87
Accounting for Specific Elements of Cost	87
Cost Sharing and Matching	91

INTRODUCTION

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

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

The East Missouri Action Agency will act as the catalyst within the community to empower economically disadvantaged individuals and families to reach the highest possible level of success.

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

The Organization will follow all applicable OMB circulars, such as, A-110, A-122, A-133 and A-87. These circulars will be an addendum to this manual.

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

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

GENERAL POLICIES

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

ORGANIZATIONAL STRUCTURE

The Roles of the Executive Director and Staff

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

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

The following policies are discussed in the Personnel Policy Manual

Business Conduct

Political Intervention

Whistle Blower

ACCOUNTING DEPARTMENT OVERVIEW

Organization

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

- Certified Public Accountant (CPA)
- Senior Financial Specialist (SFS)
- Financial Specialist (FS)

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

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

Responsibilities

The primary responsibilities of the accounting department consist of:

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

SECURITY

Accounting Department

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

The East Missouri Action Agency, Inc. blank check stock shall be stored in a locked area in the Accounting Department. This cabinet will be locked with a key that is kept by the Senior Financial Specialist.

Access to Electronically Stored Accounting Data

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

Accounting personnel are expected to keep their passwords secret. A financial specialist shall be responsible for password administration.

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

Creation, Storage and Testing of Back-Up Files

It is the policy of East Missouri Action Agency, Inc. to maintain back-up copies of electronic data files for the network off-site. These files are housed by the current technical support vendor.

The vendor periodically tests the back-up files for corruption.

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

TECHNOLOGY AND ELECTRONIC COMMUNICATIONS

Purpose and Scope

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

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

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

Acceptable Use of Organization Property

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

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

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

Password Security

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

Confidentiality

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

Copyrighted Information

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

Installation of Software

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

Other Prohibited Uses

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

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

8. Advertising, solicitation or other commercial, non-programmatic use.
9. Knowingly introducing a computer virus into the organization's communication system or otherwise knowingly causing damage to the organization's systems.
10. Using the organization's systems in a manner that interferes with normal business functions in any way, including but not limited to, streaming audio from the Internet during business hours, stock tickers, installing unauthorized software, etc.
11. Excessive personal use of the organization's technologies that preempts any business activity or interferes with organizational productivity (i.e. social networking).
12. Sending E-mail messages under an assumed name or obscuring the origin of an E-mail message sent or received.

Disciplinary Action for Violations

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

Reporting of Suspected Violations

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

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

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of East Missouri Action Agency, Inc., and is supported by subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

Chart of Accounts Overview

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

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

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

Distribution of Chart of Accounts

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

Control of Chart of Accounts

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

Account Definitions

Fund Number

Example: **XXX** 0000 000 000 00000

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

General Ledger

Example: 000 **XXXX** 000 000 00000

<u>Account Range</u>	<u>Category</u>	<u>Definition</u>
1000 - 1999	Assets	<p>Assets are probable future economic benefits obtained or controlled by the organization as a result of past transactions or events. Assets of East Missouri Action Agency, Inc. are classified as current assets, fixed assets, contra-assets, and other assets.</p> <p>Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.</p> <p>Fixed assets are tangible assets with a useful life of more than one year that are acquired for use in the operation of the organization and are not held for resale.</p> <p>Contra-assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable</p> <p>Prepaid expenses are items prepaid for future use.</p> <p>Other assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property and long-term investments.</p>
2000 – 2499	Liabilities	<p>Liabilities are probable future sacrifices of economic benefits arising from present obligations of the organization to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities of East Missouri Action Agency, Inc. are classified as current or long-term.</p>

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.

2500 – 2999

Interfund

Interfund transfer is the money transferred from one program to another to cover expenses.

3000 - 3999

Net Assets

Net Assets is the difference between total assets and total liabilities. See the next section for East Missouri Action Agency, Inc.'s policies on classifying net assets.

4000 - 4999

Revenues

Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute an organization's ongoing major or central operations. Revenues of East Missouri Action Agency, Inc. include contributions received from donors and grants received from government agencies, private foundations and corporations.

6000 - 8999

Expenses

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

Type Code

Example: 000 0000 **XXX** 000 00000

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

Object Code

Example: 000 0000 000 **XXX** 00000

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

Location Code

Example: 000 0000 000 000 **XXXXX**

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

Classification of Net Assets

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

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

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of the Organization and/or the passage of time.

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

Net assets accumulated by East Missouri Action Agency, Inc. that are not subject to donor imposed restrictions, but which the board of directors of the Organization has earmarked for specific uses, shall be segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.

Fiscal Year of Organization

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

Journal Entries

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

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

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

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

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

Monthly review of Journal Voucher's will be done for each program by a financial specialist other than the financial specialist that is responsible for those entries.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Revenue Recognition Policies

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

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

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

Refunds of Revenue Received

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

Security Deposits:

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

CONTRIBUTIONS RECEIVED

Definitions

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

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

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

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

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

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

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

Distinguishing Contributions from Exchange Transactions

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

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

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

Accounting for Contributions

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

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

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

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

1. The contributed service creates or enhances a non-financial asset (such as a building or equipment), or

2. The contributed service possesses both of the following characteristics:
 - a. It is the type of service that would typically need to be purchased by East Missouri Action Agency, Inc. if it had not been contributed,
 - b. The individual is providing the service

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

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

Receipts and Disclosures

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

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

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

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

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

1. The goods provided to the donor bear East Missouri Action Agency, Inc.'s name or logo and have an aggregate cost that is equal to or less than the IRS rate;
2. The goods provided to the donor have a fair market value equal to no more than 2% of the contribution or equal to or less than the IRS rate, whichever is less; or
3. The gift received by East Missouri Action Agency, Inc. resulted from the Organization's fundraising appeal that included articles worth is equal to or less than the IRS rate, as well as a request for contributions and a statement that the recipient may keep the article even if a contribution is not made.

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

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

BILLING/INVOICING POLICIES

Overview

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

Quarterly Billings

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

Monthly Billings

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

As needed

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

Responsibilities for Billing and Collection

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

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

Accounts Receivable Entry Policies

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

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

Classification of Income and Net Assets

All income received by East Missouri Action Agency, Inc. is classified as "unrestricted", with the exception of the following:

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

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

As with all Temporarily Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), East Missouri Action Agency, Inc. will reclassify the related net assets from "Temporarily Restricted" to "Unrestricted" in its Statement of Financial Position and reflect this reclassification as an activity in its Statement of Activities.

From time to time, the East Missouri Action Agency, Inc. Board of Directors may determine that it is appropriate to set funds aside for specific projects. To the extent these set-asides result from a Board action, rather than a donor-imposed requirement, the resulting set-aside shall be classified as "unrestricted". However, to identify these funds as being set aside for special projects, such set-asides shall be labeled "Board-Designated" funds within the unrestricted net assets of East Missouri Action Agency, Inc., and shall be reported as a separate component of unrestricted net assets on the East Missouri Action Agency, Inc. financial statements.

CASH RECEIPTS

Overview

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

Processing of Checks and Cash Received in the Mail

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

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

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

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

The Executive Secretary is responsible for receiving the receipts, stamping checks "For Deposit Only", going on-line to see if any money has been direct deposited into our accounts and logging those receipts on a daily log sheet.

The Executive Secretary initials the log sheet indicating that her job is complete and gives all receipts as well as the log sheet to a financial specialist in the Accounting Department.

The financial specialist initials that she has received the money and log sheet from the Executive Secretary and prepares the deposit for the appropriate bank account. She makes the appropriate copies for East Missouri Action Agency's records.

Reconciliation of Deposits

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

ACCOUNTS RECEIVABLE MANAGEMENT

Monitoring and Reconciliation

On a 6-month basis, a detailed accounts receivable report (showing aged, outstanding invoices by customer) is generated and reconciled to the general ledger by the Accounting Department. All differences are immediately investigated and resolved.

Collections

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

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

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

Credits and Other Adjustments to Accounts Receivable

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

Accounts Receivable Write-Off Authorization Procedures

It is the policy of East Missouri Action Agency, Inc. to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. The Department associated with the amount to be written off, in conjunction with the Accounting Department initiates write-offs. The account is deemed uncollectible after 18 months:

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING POLICIES AND PROCEDURES

Overview

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

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

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

Responsibility for Purchasing

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

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

Non-Discrimination Policy

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

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

DEBIT CARD POLICY

The agency currently uses debit cards. These cards are used to purchase items where the agency does not have charge accounts and/or payment must be made before goods or services are received. The cards are kept in the Accounting Department at the central office.

The following procedures are to be used to monitor the use of the debit card:

1. The use of this card must be approved by the appropriate Program Director or designee. Purchases of **\$2000 or less** must be approved by the Program Director. Purchases **greater than \$2000** must be approved by the Program Director and Executive Director.
2. After the card is used it is checked back in to the Accounting Department.
3. After allowed purchases are made, signed receipts and other supporting documents are given to the responsible Program Director for the appropriate coding and approval. The receipt and supporting documents are then forwarded to accounts payable.
4. On a daily basis in the Accounting Department, charges to the debit card checking account are monitored via internet banking. Any charges that have been made are reconciled to the supporting documentation. Inquiries regarding missing documentation or discrepancies are forwarded to the department that checked out the card. It is imperative that documentation be turned in timely to ensure that no unauthorized purchases have been made.
5. A log will be kept listing date, who requested, amount of purchase and vendor purchased from. The log must be signed and dated each time the card is taken from the Accounting Department. When the card is returned the amount of purchase and vendor information will be completed.

Personal use of the corporate debit card is strictly prohibited. Any personal use will subject the employee to disciplinary actions of the agency's personnel policies.

Purchasing Cards

The agency has several vendors that will not allow charge accounts unless proprietary purchasing cards are used, i.e. Sam's, Lowes, Citgo, Office Max, etc.

The following procedures are to be used to monitor the use of the purchasing cards:

1. Cards are issued to the agency and distributed to employees by the appropriate supervisors. Those employees are responsible for the safekeeping of the cards and are allowed to only make authorized purchases.
2. After allowed purchases are made, signed tickets are given to the supervisors for the appropriate coding and approval. The tickets are then forwarded to accounts payable.
3. The monthly statements are reconciled with the tickets turned in. Inquiries regarding missing tickets or discrepancies are forwarded to the appropriate departments. It is imperative that tickets be turned in timely to ensure that the agency isn't charged finance charges and fees.

Personal use of corporate purchasing cards is strictly prohibited. Any personal use will subject the employee to disciplinary actions of the Agency's Personnel Policies.

Credit Cards

The agency has two bank credit cards issued on the same account. These cards are kept in a locked file in the Accounting Department.

The following procedures are to be used to monitor the use of the credit cards:

1. The Executive Director and supervisor must approve the purchases that require the use of the credit card in advance. Authorized employees will then be issued the credit card to make the required purchases. Employees will be required to sign out and sign in the credit cards.
2. After allowed purchases are made, cards are returned immediately to the Accounting Department along with documentation, coded and approved. If the card is used to hold hotel rooms, information pertaining to this transaction still needs to be given to accounting in case charges are inadvertently left on the card.
3. Automatic monthly charges to the credit card are prohibited unless prior approval is given by the Executive Director.
4. The monthly statements are reconciled with the tickets turned in. Inquiries regarding missing tickets or discrepancies are forwarded to the appropriate department. It is imperative that tickets be turned in timely to ensure that the agency isn't charged finance charges and fees.
5. A log will be kept listing date, who requested, amount of purchase and vendor purchased from. The log must be signed and dated each time the card is taken from the Accounting Department. When the card is returned the amount of purchase and vendor information will be completed.
6. On a regular basis the credit card information will be provided to the Board of Directors.

Use of Purchase Orders

It is the policy of East Missouri Action Agency, Inc. to utilize a purchase order system. A properly completed purchase order shall be required for each purchase decision (i.e. total amount of goods and services purchased, not unit cost) in **excess of \$2000**, with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this manual. A properly completed Purchase Order shall contain the following information, at a minimum:

1. Specifications or statement of services required
2. Vendor name, address, point of contact and phone number
3. Source of funding (if applicable)
4. Special conditions (if applicable)
5. Catalog number, page number, etc. (if applicable)
6. Net price per unit, less discount, if any
7. Total amount of order
8. Authorized signature
9. Date PO prepared
10. Signature of the initiator of the purchase order.

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

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

Authorizations and Purchasing Limits

All completed purchase orders must be signed by the person preparing the P.O. and approved by the Program Director. In addition, the Executive Director or designee in his absence, must approve all purchases in excess of \$2000. The Board of Directors must approve purchases of a single item in excess of \$10,000 except for services approved through funding source contracts/grants.

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

Required Solicitation of Quotations from Vendors

Purchase decisions in excess of \$500 and less than \$5000 for labor, equipment, supplies or services purchased, leased or contracted for shall be made only after receiving, whenever possible, oral quotations from at least two (2) vendors.

Purchase decisions of \$5000 or more shall be made by obtaining written competitive proposals from at least three (3) responsible vendors. Sealed bids shall be utilized when required.

Solicitations for goods and services (requests for proposals) should provide for all of the following:

1. A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features, which unduly restrict competition.
2. Requirements, which the bidder must fulfill and all other factors to be used in evaluating bids or proposals (see the next section entitled "Evaluation of Alternative Vendors" for required criteria).
3. A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
4. The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitations.
5. The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.
6. Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.
7. A description of the proper format, if any, in which proposals must be submitted, including the name of the East Missouri Action Agency, Inc. person to whom proposals should be sent.
8. The date by which proposals are due.
9. Required delivery or performance dates/schedules.
10. Clear indications of the quantity requested and units of measure.
11. Allowable costs as defined by Circular A-122.

Extension of Due Dates and Receipt of Late Proposals

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

Evaluation of Alternative Vendors

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

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

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

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

Affirmative Consideration of Minority, Small Business and Women-Owned Businesses

Positive efforts shall be made by East Missouri Action Agency, Inc to utilize small businesses, minority-owned firms, and women's business enterprises, whenever possible. The following steps shall be taken in furtherance of this goal:

1. Ensure that small business, minority-owned firms, and women's business enterprises are used to the fullest extent practicable.
2. Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small business, minority-owned firms and women's business enterprises.
3. Consider in the contract process whether firms competing for larger contracts tend to subcontract with small businesses, minority-owned firms and women's business enterprises.
4. Encourage contracting with consortiums of small businesses, minority owned firms and women's business enterprises when a contract is too large for one of these firms to handle individually.

5. Use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the minority-owned firms and women's business enterprises.

Special Purchasing Conditions

Emergencies:

Where equipment, materials, parts, and/or services are needed, quotations will not be necessary if the health, welfare, safety, etc., of staff and clients and protection of Organization property is involved. This process must be approved by the appropriate Program Director.

Single Distributor/Source:

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

Access/Availability of Food Service Items

Due to the nature of these purchases, bid solicitation is not required.

Federal-Funded Program:

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

Professional Services:

Professional services such as specialized consulting, accounting, legal, etc., are not required to follow bidding procedures.

Vendor Files and Required Documentation

All vendors must have a completed, signed W-9 form in the Accounting Department files prior to a check being processed.

See the section on "Payroll and Related Policies" for guidance on determining whether a vendor should be treated as an employee.

Ethical Conduct in Purchasing

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

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

Conflicts of Interest Prohibited

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

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

Receipt and Acceptance of Goods

When goods are received from vendors the following inspection procedures shall be performed:

1. Remove the packing slip from each box/container
2. Compare the description and quantity of goods per the purchase order to the packing slip
3. Examine goods for physical damage
4. Count or weigh items, if appropriate
5. Record an indication of counts on the purchase order, if applicable
6. If multiple items are listed on a purchase order, and/or packing slip the inspector may write "all" on the purchase order indicating that all items have been received

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

ACCOUNTS PAYABLE MANAGEMENT

Overview

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

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

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

Recording of Accounts Payable

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

Accounts payable are processed on a first come, first served basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached. It is the policy of East Missouri Action Agency, Inc. that only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment.

Accounts Payable Cut-Off

For purposes of the preparation of the Organization's monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation by the eighth business day of the following month shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end.

An aged accounts payable report is printed and reviewed on a monthly basis.

Receipt of Invoices

A financial specialist establishes invoice control as soon as invoices are received. Vendors will be instructed to mail all invoices directly to the accounts payable department.

Upon receipt of invoices, each invoice shall be "date received" stamped, and distributed to the appropriate personnel for approval.

Preparation of a Voucher Package

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

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

4. Purchase order (for purchases in excess of \$2000 or notation of blanket purchase order number)
5. Any other supporting documentation deemed appropriate
6. Document the general ledger distribution, using the Organization's current chart of accounts, including notation of blanket purchase order number if appropriate
7. Obtain the review and approval of the Program Director (or their designee) associated with the goods or services purchased.

Approvals by Program Directors indicate their acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with general ledger account codes, and agreement to pay vendor in full. Approvals shall be documented with initials or signatures of the approving individual.

Processing of Voucher Packages

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

1. Approved invoices are entered into the MIP software by a financial specialist.
2. Twice weekly, checks are processed by a financial specialist who is responsible for printing the checks, attaching the proper documentation to the check stub and forwarding the entire check batch to the Senior Financial Specialist for review.
3. A copy of the check register is filed in a binder located in the common area of the Accounting Department by the financial specialist.
4. All vendor payments are carefully checked by the Senior Financial Specialist for proper payment amounts and documentation. The check register is also examined to ensure that all checks are accounted for as well as the comparison of the last check number from the previous batch and the first number of the current check run.
5. Any missing check numbers or a check that is processed out of order will be thoroughly investigated by the Senior Financial Specialist.
6. Following the review by the Senior Financial Specialist the check register is dated and initialed indicating the information is correct. The checks and paperwork are given to the Executive Secretary who is responsible for mailing them out and filing the back-up documentation in the Accounting Department.
7. A financial specialist independent of any of the duties above reconciles the bank statement on a monthly basis. Any missing check number will be investigated.
8. Outstanding checks will be compared back to the check register.

Payment Discounts

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

Employee Expense Reports

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form (see further policies

under "Travel and Business Entertainment"). All receipts must be attached, and a brief description of the business purpose of trip or meeting must be noted on the form. Expense reports will be processed for payment in the next vendor payment cycle if received within 5 business days of the deadline.

BUSINESS TRAVEL

Monthly Mileage Sheets

Mileage sheets are due in the Accounting Department by close of business on the 3rd day following the end of each month, coded and approved. Faxed copies of mileage sheets will not be accepted.

The checks will be processed on the 6th day following the end of each month. Should the 6th fall within a weekend, the Accounting Department will process the checks with the next regular check run.

Any mileage sheets not received by this deadline will be processed with the next regular check run. Mileage sheets received within a month for the current month will be held until the end of the month for payment. Exceptions will be termination of employees whose checks will be run with the next regular check run.

Emails will be sent to employees when checks are available for pick-up. For employees not working in Central Office mileage checks will be mailed the day they are completed.

Travel Request

The request must have prior approval by the appropriate Program Director and the Executive Director or designee. Both copies of the travel request will be submitted to the Accounting Department at least ten (10) working days prior to the anticipated travel. If the employee has not received notification of the meeting 10 days in advance, the accounting department will make every effort to issue the check. One copy will be returned to the employee with the travel advance check for the employee to complete and submit as the follow up report of travel and detail of actual expenses. If the travel advance is requested and approved, the Accounting Department will issue a check.

The Accounting Department will follow the personnel policy manual for the mailing and pick up of travel checks.

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

1. Copy of the original approved travel request
2. Original completed travel expense form to show daily expenses
3. Complete meeting report form
4. Executive Director's approval of actual expenses will be required under two (2) circumstances: when the traveler is an individual who reports directly to the Executive Director or when the actual expenses exceed the travel advance by more than 20%.

The Accounting Department will prepare reconciliation data and complete and record reconciliation transactions, including mileage reimbursement, if applicable. The Accounting Department will reimburse out-of-pocket expenses with the next check run.

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

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

Reasonableness of Travel Costs

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

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

Special Rules Pertaining to Air Travel

The following additional rules apply to air travel:

1. Air travel should be at coach class. First class air travel shall not be reimbursed unless there is a documented medical reason.
2. Memberships in airline flight clubs are not reimbursable
3. Cost of flight insurance is not reimbursable
4. When airfare is \$500 or more, two quotes from a travel agency and/or an airline should be obtained and attached to the expense report.
5. When returning on a Sunday or departing on a Saturday in order to obtain a cost savings in airfare due to the Saturday-night stay over, travelers should provide a total cost comparison (showing that the lower airfare plus an extra night lodging, meals and incidentals is less costly than airfare without the Saturday night stay over)
6. Cost of upgrade certificates is not reimbursable
7. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.)
8. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e. East Missouri Action Agency, Inc. will not reimburse for the personal legs of a trip)

Spouse/Partner Travel

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

Refer to Personnel Policies and Procedures for most updated travel policies

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

It is the policy of East Missouri Action Agency, Inc. to print vendor checks and expense reimbursement checks on a twice-weekly basis, excluding mileage. Persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers shall prepare checks. All vendor and expense reimbursement checks shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment policies described in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors
3. Generally, all vendors shall be paid within 10 business days of programs submitting a correct invoice package to the Accounting Department
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks
5. All supporting documentation is attached
6. Checks shall be utilized in numerical order (unused check stock are stored in a locked area in the Accounting Department)
7. Checks shall never be made payable to "bearer" or "cash"
8. Checks shall never be signed prior to being prepared
9. Upon the preparation of a check, vendor invoices and other supporting documentation shall immediately be canceled in order to prevent subsequent reuse
10. W-9 is required for vendors who should receive a 1099 at year end

Check Signing

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

Mailing of Checks

After printing, checks are reviewed for errors by the Senior Financial Specialist or designee. The Executive Secretary or designee then mails checks immediately. Individuals who process payments shall not mail checks.

Voided Checks and Stop Payments

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

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

Record-Keeping Associated with Independent Contractors

East Missouri Action Agency, Inc. shall obtain a completed Form W-9 from vendors to whom payments are made. A record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year-end. Payments to such vendors shall be accumulated over the course of a calendar year.

PAYROLL AND RELATED POLICIES

Classification of Workers as Independent Contractors or Employees

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

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

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

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

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if the cash basis is \$600 or more in any calendar year. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from "compensation" are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

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

Payroll Administration

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

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

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

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

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

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

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

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

Changes in Payroll Data

It is the policy of East Missouri Action Agency, Inc. that all of the following changes in payroll data are to be authorized in writing:

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

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

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

Documentation of all changes in payroll data shall be maintained in each employee's personnel file, except one-time adjustments authorized by employee. This information is attached to the personnel action report it concerns.

Payroll Taxes

The Accounting Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid.

Withholding of federal income taxes shall be based on the most current Form W-4 prepared by each employee.

Preparation of Personnel Activity Reports

Each East Missouri Action Agency, Inc. employee must submit to the Accounting Department a signed and approved personnel action report no later than 12:00 on the second business day following the close of each pay period. Personnel activity reports shall be prepared in accordance with the following guidelines:

1. Each personnel activity report shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties)
2. Personnel activity reports shall be prepared in ink
3. Errors shall be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initials next to the change (i.e. employees shall not use "white out" or correction tape). Department heads may make changes to the activity reports with signed permission from the employee. This permission may be faxed into the agency.
4. Employees shall identify and record hours worked based on the nature of the work performed
5. Compensated absences (eto, holiday, sick leave, banked leave, etc.) should be clearly identified as such
6. The employee signs Personnel Activity Reports prior to submission

Program Directors or their designees shall approve personnel action reports, prior to submission to the Accounting Department. The employee shall authorize corrections identified by an employee's supervisor or Program Director with the employee's initials next to the change.

An Organization employee who is on leave, on travel, or is ill on the day that Personnel Activity Reports are due may fax a Personnel Activity Report to his/her supervisor (or designated alternate). Time so submitted must reflect the actual time worked and the appropriate classifications. The employee must follow up the faxed copy with the original immediately. The supervisor or the designated alternate shall sign the Personnel Activity Report.

Processing of Personnel Activity Reports

The Payroll Specialist/HR Assistant performs processing of Personnel Activity Reports in the Accounting Department. This person reviews all Personnel Activity Reports for mathematical accuracy and then inputs all Personnel Activity Reports into the payroll system.

The Payroll Specialist/HR Assistant may not change or correct Personnel Activity Reports. When errors are noted, if a corrected and approved time sheet is not re-submitted in time to the Payroll Specialist, the employee may not receive a paycheck until the next pay period. The Program Director, with the faxed written approval of the employee, may make changes to the activity report.

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

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

Review of Payroll

The Payroll Specialist/HR Assistant completes an audit of the payroll and compares this information to the calculated check register. This information is also spot checked by the Senior Financial Specialist.

Distribution of Payroll

Payroll payments (or check stubs for electronic deposits) shall be distributed by individuals who do not approve Personnel Activity Reports, are not responsible for hiring and firing, and do not control the preparation of payroll.

Final Pay Check

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

Salary Advance

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

POLICIES PERTAINING TO SPECIFIC ASSET AND LIABILITY ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

General Checking Account (operating account):

The primary operating account provides for routine business check disbursements. All cash deposits are made to this account.

Cash draws are done on an as needed basis to cover disbursements.

Payroll Account:

The payroll account is separate from the operating account. The payroll account is a zero-balance account (ZBA). As such, only the amount needed to cover each payroll is transferred into this account from the operating account, based on the amount calculated.

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

Bank Reconciliation

The entire bank statement is forwarded to the Accounting Department, where someone who is not an authorized check signer prepares reconciliation between the bank balance and general ledger balance. It is the policy of East Missouri Action Agency, Inc. to complete all bank reconciliations within 20 days of receipt of each bank statement. All reconciliations must be completed by the end of the following month.

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

Cash Flow Management

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

Stale Checks

It is the policy of East Missouri Action Agency, Inc. to write off checks more than 90 days old that have not cleared the Organization's bank. For outstanding checks more than 90 days old, contact will be made with the payee to resolve the issue.

After 180 days, stale checks will be transferred to an account called "unclaimed property payable". This will be submitted to the Missouri State Treasurer on the schedule provided in the Mo Revised Statute, Section 447.539.

Opening Cash

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

No disbursements will be made from this cash.

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

PREPAID EXPENSES

Accounting Treatment

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

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

Procedures

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

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

IINVESTMENT POLCIES

Introduction

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

Delegation of Authority

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

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

Investment Objectives

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

Allowable Investments

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

1. Federally-insured Certificates of Deposit, not to exceed \$200,000, including interest, at commercial banks or savings and loan institutions;
2. U.S. Treasury securities and securities of Federal agencies and instrumentalities;
3. Repurchase agreements with financial institutions collateralized by U.S. Treasury or Federal agency securities;
4. Corporate bonds and notes rated A or better by Moody's and Standard & Poors;
5. Commercial paper rated P-1/A-1 by Moody's and Standard & Poors.
6. Money market funds that invest in securities approved under these guidelines.

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

Diversification

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

Accounting Treatment

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

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

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

Procedures and Reporting

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

1. The accounting department shall maintain a schedule of investments and reconcile this schedule with the general ledger and with investment account statements on a monthly basis. The schedule of investments shall include the following information with respect to each investment:
 - a. Date acquired
 - b. Method of acquisition (purchase or donation)
 - c. Cost or basis at acquisition
 - d. Description of investment
 - e. Interest rate (if applicable)
 - f. Date of maturity (if applicable)
 - g. Holder/issuer of security
 - h. Current market value
 - i. Unrealized gain or loss
 - j. Accrued interest receivable (if applicable)
 - k. Income received, year-to-date (i.e. interest, dividends, etc.)

2. The Accounting Department shall prepare a schedule of investments for presentation on a quarterly basis for the Finance Committee and on an annual basis for the Board of Directors.
3. The Contracted CPA and the Executive Director will review investment policies working with the Finance Committee, to determine any appropriate modifications.
4. Recommendations for any revisions or modifications to the investment policy will be made by the Finance Committee to the Board of Directors for their approval.

FIXED ASSET MANAGEMENT

Capitalization Policy

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

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

Contributed Assets

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

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

Establishment and Maintenance of a Fixed Asset Listing

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

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number)
4. Location of asset
5. Depreciation method
6. Estimated useful life
7. Condition of asset
8. Disposition date/date of sale
9. Source of equipment including award number

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

Depreciation and Useful Lives

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

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

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

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

Capitalized assets may be depreciated over useful lives expressed in terms of units of production or hours of service in place of the preceding useful lives expressed in terms of time.

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

Repair of Fixed Assets

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

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

Disposition of Fixed Assets

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

be recorded as a loss if the money received is less than the book value and a gain if the money received is more than the book value. Property deemed stolen will be reported to the insurance company as well as the local law enforcement.

Write-Off of Fixed Assets

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

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

LEASES

Classification of Leases

It is the policy of East Missouri Action Agency, Inc. to classify all leases in which the Organization is a lessee as either capital or operating leases. East Missouri Action Agency, Inc. shall utilize the criteria described in Statement of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

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

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

Accounting for Leases

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

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

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

ACCRUED LIABILITIES

Identification of Liabilities

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

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

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

Accrued Leave

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

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

NOTES PAYABLE

Record-Keeping

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

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

Accounting and Classification

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

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

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

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

Non-Interest-Bearing Notes Payable

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

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

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

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

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

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

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

Frequency of Preparation

The objective of the accounting department is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

A standard set of financial statements described in the preceding section shall be produced on a semi-annual basis as per our fiscal year. The standard set of financial statements described in the preceding section shall be supplemented by the following schedules:

1. Individual statements of activities on a departmental and functional basis (and/or program/grant basis)
2. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts

The semi annual set of financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received by the 8th of the month, and actual depreciation expense.

Revenue and expense budget to actual reports will be given to the Program Director's monthly.

Review and Distribution

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

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

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

Annual Financial Statements

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

GOVERNMENT RETURNS

Overview

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

Filing of Returns

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

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

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

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

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

Public Access to Information Returns

Under regulations that became effective in 1999, East Missouri Action Agency, Inc. is subject to federal requirements to make the following forms "widely available" to all members of the general public:

1. The three most recent annual information returns (Form 990), excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A, and
2. East Missouri Action Agency, Inc.'s original application for recognition of its tax-exempt status (Form 1023 or Form 1024), filed with IRS, and all accompanying schedules and attachments.

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

1. Anyone appearing in person at the offices of East Missouri Action Agency, Inc. during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The accounting department shall be responsible for maintaining this copy of each form and for making it available to all requesters.
2. For all written requests for copies of forms received by East Missouri Action Agency, Inc., the Organization shall require pre-payment of all copying and shipping charges. For requests for copies that are received without pre-payment, East Missouri Action Agency, Inc. will notify the requester of this policy via phone call or by letter within 7 days of receipt of the original request.
3. The copying cost charged by East Missouri Action Agency, Inc. for providing copies of requested forms shall be \$1.00 for the first page copies and \$0.15 for each subsequent page. All copies shall be shipped to requesters via Priority Mail; thus, shipping charges will be a \$3.00 handling fee plus the cost of the Priority Mail.
4. After receiving payment, all requested copies should be shipped to requesters within 30 days. Making of all copies and shipping within the 30-day time period shall be the responsibility of the accounting department.
5. For requests for copies made in person during normal business hours, copies shall be provided while the requester waits.
6. East Missouri Action Agency, Inc. shall accept certified checks and money orders for requests for copies made in person. East Missouri Action Agency, Inc. shall accept certified checks, money orders and personal checks as payment for copies of forms requested in writing.

UNRELATED BUSINESS ACTIVITIES

Identification and Classification

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

Reporting

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

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview

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

Preparation and Adoption

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

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

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

It is the policy of East Missouri Action Agency, Inc. to adopt a final budget prior to the beginning of the Organization's fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the accounting department to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

Monitoring Performance

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

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

Budget Modifications

After a budget has been approved by the Board of Directors and adopted by the Organization, the Program Director may reclassify budgeted expenses less than \$5,000 within a single department with approval from the Accounting department. Reclassifications of budgeted expense amounts across departments of less than \$10,000 may be made only with approval of the Executive Director.

Reclassifications in excess of the preceding thresholds and any budget modification resulting in an increase in budgeted expenses or decrease in budgeted revenues shall be made only with approval of the Finance Committee.

Prior approval of budget modifications is required by various funding sources.

Individual program budgets may be modified by the Program Director with assistance of the Accounting Department to move budget amounts from one line item to another as necessary.

ANNUAL AUDIT

Role of the Independent Auditor

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

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

How Often to Review the Selection of the Auditor

East Missouri Action Agency, Inc. 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 a high quality of service (this is not a requirement to change auditors every **five** years; simply to re-evaluate the selection)

Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. East Missouri Action Agency, Inc. shall consider the following factors in selecting an accounting firm:

1. The firm's reputation in the nonprofit community
2. The depth of the firm understands and experience with not-for-profit organizations and federal reporting requirements under OMB Circular A-133
3. The firm's demonstrated ability to provide the services requested in a timely manner
4. The ability of firm personnel to communicate with Organization personnel in a professional and congenial manner

If East Missouri Action Agency, Inc. decides to prepare and issue a written Request for Qualification (RFQ) 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, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings

5. Organization chart of East Missouri Action Agency, Inc.
6. Chart of account information
7. Financial information about the organization
8. Copy of prior year reports (financial statements, management letters, etc.)
9. Identification of need to perform audit in accordance with OMB Circular A-133
10. Other information considered appropriate
11. Description of proposal and format requirements
12. Due dates of proposals
13. Overview of selection process (i.e. whether finalists will be interviewed, when a decision shall be made, etc.)
14. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

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

Preparation for the Annual Audit

East Missouri Action Agency, Inc. 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 Accounting department is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. Assignments shall be based on the list of requested schedules and information provided by the independent accounting firm.

Involvement - Organization staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Organization's year-end. By performing significant

portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Organization staff will assist the auditors during any interim audit fieldwork that is performed.

Throughout the audit process, it shall be the policy of East Missouri Action Agency, Inc. to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

Concluding the Audit

Upon receipt of a draft of the audited financial statements of East Missouri Action Agency, Inc. from its independent auditor, the accounting department shall perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical errors
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of East Missouri Action Agency, Inc.
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 accounting department.

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

FRAUD RISK MONITORING

On an annual basis the Accounting Department and Board of Directors will implement a fraud risk assessment to be used to evaluate internal controls of the agency.

INSURANCE

Overview

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

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

Coverage Guidelines

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

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

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

1. Description (type of insurance)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles

4. Premium amounts
5. Policy effective dates

Insurance Definitions

Workers' Compensation and Employer's Liability

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

Fidelity Bond

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

Comprehensive Liability

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

RECORD RETENTION

Policy

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

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

FUNCTIONAL EXPENSE ALLOCATIONS

Overview

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

Direct Charging of Costs

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

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

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

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

POLICIES PERTAINING TO FEDERAL AWARDS

ADMINISTRATION OF FEDERAL AWARDS

Definitions

There are several types of agreements through which East Missouri Action Agency, Inc. may receive financial assistance from a donor/grantor agency:

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

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

Cooperative Agreement: A legal agreement where the organization implements a program with the direct involvement of the donor.

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

Preparation and Review of Proposals

Approval to apply for funds will be approved by the Board of Directors.

Individual departments are responsible for preparing proposals for projects that the department intends to pursue. However, the Accounting Department as well as the Program Director shall review all financial segments of the proposals prior to submission. Final proposals shall be reviewed and approved by the Executive Director.

Post-Award Procedures

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

1. Copies of all grants and contracts should be forwarded to the Accounting Department immediately.
2. Verify the specifications of the grant or contract. The Accounting Department shall review the terms, time periods, award amounts and expected expenditures associated with the award. A CFDA (*Catalog of Federal Domestic Assistance*) number shall be determined for each award. All reporting requirements under the contract or award shall be summarized.
3. Create new general ledger account numbers. New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.

4. Gather documentation. A file is established for each grant or contract. The file contains the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funding sources.

Compliance with Laws, Regulations and Provisions of Awards

East Missouri Action Agency, Inc. recognizes that as a recipient of Federal 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 agency:

1. For each Federal award, an East Missouri Action Agency, Inc. employee within the department responsible for administering the award will be designated as "Grant/Project Manager" (GPM).
2. Each GPM shall attend a class on grant management prior to beginning their role as a GPM (or as early in their functioning as a GPM as practical). Thereafter, all GPM's shall attend refresher/update courses on grant management every two years.
3. The GPM shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
 - a. Read each award and prepares a summary of key compliance requirements and references to specific laws and regulations.
 - b. Review the "OMB Circular A-133 Compliance Supplement" (updated annually) published by the Office of Management and Budget (OMB) for compliance requirements unique to the award and for compliance requirements common to all Federal awards.
 - c. Review the section of the Catalog of Federal Domestic Assistance applicable to the award.
4. The Accounting Department shall maintain copies of applicable laws regulations to the GPM (such as OMB Circulars, pertinent sections of compliance supplements, and other regulations).
5. The GPM and/or the East Missouri Action Agency, Inc. Accounting Department shall identify and communicate any special changes in policies and procedures necessitated by Federal awards as a result of the review of each award.
6. The GPM shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to the "OMB Circular A-133 Compliance Supplement", and communications with Federal awarding agency personnel.
7. The GPM shall cooperate with the Organization's Independent Auditors by informing the CPA firm as to applicable laws, regulations, and provisions of contracts and grants and

communicating known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Billing and Financial Reporting

East Missouri Action Agency, Inc. strives to provide management, staff and funding sources with timely and accurate financial reports applicable to federal awards. These reports include monthly and cumulative expenditures, a project budget, and a balance remaining column.

East Missouri Action Agency, Inc. 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 accounting department.

The following policies shall apply to the preparation and submission of billings to federal agencies under awards made to East Missouri Action Agency, Inc.:

1. It is the policy of East Missouri Action Agency, Inc. to request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. Each award normally specifies a particular billing cycle; therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
3. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts, if a source other than the general ledger is used for preparing requests for reimbursement, this policy should include an additional statement that this alternate source shall be reconciled to the general ledger balances on a monthly basis.
4. All financial reports required by each federal award will be prepared and filed on a timely basis. To the extent East Missouri Action Agency, Inc.'s year-end audit results in adjustments to amounts previously reported to federal agencies, revised reports should be prepared and filed in accordance with the terms of each federal award.

East Missouri Action Agency, Inc. shall maintain separate billing records in addition to the official general ledger accounting records. Billing records shall be reconciled to the general ledger on a monthly basis.

At the time invoices (requests for reimbursement) are prepared, a financial specialist shall record revenue and accounts receivable in the books of East Missouri Action Agency.

Upon receipt of a cash advance from a federal agency, East Missouri Action Agency, Inc. shall reflect a liability equal to the advance. As part of the monthly closeout and invoicing process, the liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period.

Cash Draw Downs

Cash drawdowns from federal agencies shall be made weekly in conjunction with the accounts payable and payroll schedule, based on need. All federal funds shall be deposited into an interest-bearing cash account under the cash receipts policies and procedures described in this manual.

The financial specialist will draw cash from the U.S. Treasury based on a computer listing of cash disbursements paid within the week. Adjustments to this estimate shall be made for known exceptions, such as staff going on or returning from leave, non-recurring purchases, etc.

Procurement Under Federal Awards

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

1. East Missouri Action Agency, Inc. shall avoid purchasing items that are not necessary for the performance of the activities required by a Federal award.
2. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal government
3. Documentation of the cost and price analysis associated with each procurement decision shall be retained in the procurement files pertaining to each Federal award.
4. For all procurements in excess of the small purchase acquisition threshold (currently \$100,000), procurement records and files shall be maintained the include all of the following:
 - a. The basis for contractor selection.
 - b. Justification for lack of competition when competitive bids or offers are not obtained.
 - c. The basis for award cost or price.
5. East Missouri Action Agency, Inc. shall make all procurement files available for inspection upon request by a Federal Awarding Agency.
6. All contracts with vendors shall require the vendor to certify in writing that it has not been suspended or disbarred from doing business with any federal agency.

In addition, no employee, officer, or agent of East Missouri Action Agency, Inc. shall participate in the selection; award or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of her or his immediate family, his or her partner, or an organization which employs or is about

to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award.

Solicitations of Bids from Vendors

Purchases in excess of \$5,000 shall be made by written quotations from at least three responsible vendors. Sealed bids shall be utilized when required by the Federal awarding agency.

East Missouri Action Agency, Inc. shall not utilize the “cost-plus-a-percentage-of-cost” method of contracting with vendors, except for emergencies.

All other policies and procedures associated with procurement under Federal awards shall be governed by the policies applicable to all purchases of East Missouri Action Agency, Inc., described in the section of this manual on “Policies Associated With Expenditures and Disbursements.”

Provisions Included in all Contracts

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

1. **Equal Employment Opportunity:** All contracts shall contain a provision requiring compliance with E.O. 11246, “Equal Employment Opportunity,” as amended by E.O. 11375, “Amending Executive Order 11246 Relating to Equal Employment Opportunity,” and as supplemented by regulations at 41 CFR part 60, “Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor.”
2. **Copeland “Anti-Kickback” Act (18 U.S.C. 874 and 40 U.S.C. 276c):** All contracts and subgrants in excess of \$2,000 for construction or repair awarded by East Missouri Action Agency, Inc. and its sub-recipients shall contain a provision for compliance with the Copeland “Anti-Kickback” Act (18 U.S.C. 874), as supplemented by Department of Labor regulations 29 CFR part 3, “Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States.” This Act provides that each contractor or sub-recipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. It is the policy of East Missouri Action Agency, Inc. to report all suspected or reported violations to the Federal awarding agency.
3. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7):** If included in the federal agency’s grant program legislation, all construction contracts of more than \$2,000 awarded by East Missouri Action Agency, Inc. and its sub-recipients shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). Under this Act, contractors are required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to

pay wages not less than once a week. It is the policy of East Missouri Action Agency, Inc. to place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. East Missouri Action Agency, Inc. shall also obtain reports from contractors on a weekly basis in order to monitor compliance with the Davis-Bacon Act. East Missouri Action Agency, Inc. shall report all suspected or reported violations to the Federal awarding agency.

4. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333):** [Where applicable] All contracts awarded by East Missouri Action Agency, Inc. in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Works Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5). Under Section 102 of the Act, each contractor is required to compute wages of every mechanic and laborer on the basis of a standard workweek of 40 hours. Work in excess of the standard workweek is permissible provided that the worker is compensated at a rate of not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in the workweek. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.
5. **Rights to Inventions Made Under a Contract or Agreement:** Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and East Missouri Action Agency, Inc. in any resulting invention in accordance with 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.
6. **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended:** Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
7. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or sub-grants of \$100,000 or more, East Missouri Action Agency, Inc. shall obtain from the contractor or sub-grantee a certification that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Likewise, since each tier provides such certifications to the tier above it, East Missouri Action Agency, Inc. shall provide such certifications in all situations in which it acts as a sub-recipient of a sub-grant of \$100,000 or more.

8. **Debarment and Suspension (E.O.s 12549 and 12689):** For all contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000), East Missouri Action Agency, Inc. shall obtain from the contractor a certification that neither the contractor nor any of its principal employees are listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs.
9. **Remedies:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000) shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms.
10. **Termination:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000) shall contain suitable provisions for termination by East Missouri Action Agency, Inc., including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated due to circumstances beyond the control of the contractor.

Making of Sub-awards

From time to time, East Missouri Action Agency, Inc. may find it practical to make sub-awards of federal funds to other organizations. All sub-awards in excess of \$5,000 shall be subject to the same procurement policies described in the preceding section. In addition, all sub-recipients must be approved in writing by the federal awarding agency and agree to the sub-recipient monitoring provisions described in the next section.

With respect to sub-recipients with whom East Missouri Action Agency, Inc. has not recently had a sub-award relationship, the accounting 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 sub-recipient, is to gain assurance that a potential sub-recipient has adequate policies and procedures in place to provide reasonable assurance that it is capable complying with all applicable laws, regulations and award provisions. In addition, East Missouri Action Agency, Inc. shall obtain the following documents from all new sub-recipients:

1. Articles of incorporation
2. By-laws or other governing documents
3. Determination letter from the IRS (recognizing the sub-recipient as exempt from income taxes under IRC section 501(c)(3))
4. Last 3 years' Forms 990 or 990-EZ, including all supporting schedules and attachments (also Form 990-T, if applicable)
5. Copies of the last 3 years' audit reports and management letters received from sub-recipient's independent auditor (including all reports associated with audits performed in accordance with OMB Circular A-133, if applicable)
6. Copy of the most recent internally prepared financial statement and current budget

7. Copies of reports of government agencies (Inspector General, state or local government auditors, etc.) resulting from audits, examinations or monitoring procedures performed in the last three years

Monitoring of Sub-recipients

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

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

1. Sub-award agreements shall include all information necessary to identify the funds as federal funding. This information shall include:
 - a. The applicable Catalog of Federal Domestic Assistance (CFDA) title and number
 - b. Award name
 - c. Name of Federal agency
 - d. Amount of award
2. Sub-award agreements shall identify all applicable audit requirements, including the requirement to obtain an audit in accordance with OMB Circular A-133, if the sub-recipient meets the criteria for having to undergo such an audit.
3. Sub-awards shall include a listing of all applicable Federal requirements that each sub-recipient must follow.
4. Sub-awards shall require that sub-recipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.
5. Sub-awards shall require that sub-recipients submit financial and program reports to East Missouri Action Agency, Inc. on a basis no less frequently than monthly.
6. East Missouri Action Agency, Inc. will follow up with all sub-recipients to determine whether all required audits have been completed. East Missouri Action Agency, Inc. will cease all funding of sub-recipients failing to meet the requirement to undergo an audit in accordance with OMB Circular A-133. For sub-recipients that properly obtain an audit in accordance with OMB Circular A-133, East Missouri Action Agency, Inc. shall obtain and review the resulting audit reports for possible effects on East Missouri Action Agency, Inc.'s accounting records or audit.
7. East Missouri Action Agency, Inc. shall assign one of its employees the responsibility of monitoring of each sub-recipient on an ongoing basis, during the period of performance by the sub-recipient. This employee will establish and document, based on her/his understanding of

the requirements that have been delegated to the sub-recipient, a system for the ongoing monitoring of the sub-recipient.

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

9. Documentation shall be maintained in support of all efforts associated with East Missouri Action Agency, Inc.'s monitoring of sub-recipients.

Equipment and Furniture Purchased With Federal Funds

East Missouri Action Agency, Inc. may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a Federal agency. In addition to those policies on Asset Management described earlier, equipment and furniture charged to Federal awards will be subject to certain additional policies as described below.

For purposes of Federal award accounting and administration, "equipment" shall include all assets with a unit cost equal to the lesser of \$5,000 or the capitalization threshold utilized by East Missouri Action Agency, Inc., described under Asset Management.

All purchases of "equipment" with federal funds shall be approved in advance in writing by the federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

1. Any equipment that is owned by the Federal government and given to East Missouri Action Agency, Inc. for use in a program shall be marked as such.

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

3. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of \$5,000 or less at the conclusion of the award, East Missouri Action Agency, Inc. shall retain the equipment without any requirement for notifying the federal agency. If the remaining per unit fair market value is \$5,000 or more, East Missouri Action Agency, Inc. shall gain a written understanding with the federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the federal agency.
4. The East Missouri Action Agency, Inc. Grant Manager shall determine whether a specific award with a Federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of and federal reports filed by East Missouri Action Agency, Inc.

Standards for Financial Management Systems

In accordance with OMB Circular A-110, it is the policy of East Missouri Action Agency, Inc. to maintain a financial management system that provides for the following:

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

7. Accounting records including cost accounting records that are supported by source documentation.

Budget and Program Revisions

It is the policy of East Missouri Action Agency, Inc. to request prior approval from Federal awarding agencies for any of the following program or budget revisions:

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (project director, etc.) specified in the application or award document.
3. The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
4. The need for additional Federal funding.
5. The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if the Federal awarding agency requires approval.
6. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-122.
7. The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.
8. Unless described in the application and funded in the approved awards, the sub-award, transfer or contracting out of any work under an award (However, this provision does not apply to purchases of supplies, materials, equipment or general support services).

Close Out of Federal Awards

East Missouri Action Agency, Inc. shall follow the close out procedures described in OMB Circular A-110 and in the grant agreements as specified by the granting agency.

East Missouri Action Agency, Inc. and all sub-recipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

CHARGING OF COSTS TO FEDERAL AWARDS

Overview

It is the policy of East Missouri Action Agency, Inc. that only costs that are reasonable, allowable and allocable to a Federal award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal awards.

Segregating Unallowable From Allowable Costs

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each federal award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Accounting personnel shall be familiar with the allowability of costs provisions of OMB Circular A-122, "Cost Principles for Non-Profit Organizations", particularly:
 - a. The list of specifically unallowable costs found in Attachment B (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.
 - b. Those costs requiring advance approval from Federal agencies in order to be allowable in accordance with Attachment B, such as foreign travel, equipment purchases, etc.
3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or OMB Circular A-122.
4. For each Federal award, an appropriate set of general ledger accounts shall be established in the chart of accounts of East Missouri Action Agency, Inc. to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of outstanding checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a Federal award or to activity associated with a Federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e. if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit.)

Criteria for Allowability

It is the policy of East Missouri Action Agency, Inc. that all costs must meet the following criteria in order to be treated as allowable direct or indirect costs under a Federal award:

1. The cost must be “reasonable” for the performance of the award, considering the following factors:
 - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the organization or the performance of the award.
 - b. Restraints imposed by such factors as generally accepted sound business practices, arm’s length bargaining, Federal and state laws and regulations, and the terms and conditions of the award;
 - c. Whether the individuals concerned acted with prudence in the circumstances.
 - d. Consistency with established policies and procedures of the Organization, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be “allocable” to an award by meeting one of the following criteria:
 - a. The cost is incurred specifically for a Federal award.
 - b. The cost benefits both the Federal award and other work, and can be distributed in reasonable proportion to the benefits received; or
 - c. The cost is necessary to the overall operation of the Organization; but where a direct relationship to any particular program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions of OMB Circular A-122 or the Federal award itself.
4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of the Organization.
5. Costs must be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles.
7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.
8. The cost must be adequately documented.

Direct Costs

Direct costs include those costs that are incurred specifically for one award or non-Federal function. East Missouri Action Agency, Inc. identifies and charges these cost exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are approved by the appropriate project director and reviewed by the accounting department.

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

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

Indirect Costs

Indirect costs are those costs that either benefit more than one award (overhead costs) or non-federal function or that are necessary for the overall operation of East Missouri Action Agency, Inc. (management and general costs).

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

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

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

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

Accounting for Specific Elements of Cost

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

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

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

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

Executive Department staff
Accounting Department staff
Human Resource staff

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

Executive Director
Development Director

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

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

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

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

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

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

Indirect costs – The costs of space occupied by staff whose salaries are indirectly charged is also charged indirectly. The cost of space for staff whose salaries are charged on a mixed basis

(directly and indirectly) shall be allocated on a mixed basis in the same ratio as their salaries are allocated.

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

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

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

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

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

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

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

Central Office

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

Cape Girardeau Office

Local service is charged by percentage determined by department directors.

Outreach Offices

Local service is split equally among programs utilizing space.

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

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

Audit fees – Cost of the financial statement audit and preparation of Form 990 shall be charged as an indirect cost. Additional audit costs associated with that portion of the audit associated with OMB Circular A-133 shall be charged directly to the audited programs, based on estimates received from the independent CPA firm.

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

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

Independent Consultants – Costs associated with staff development specialists shall be charged directly to the program/function that benefits from the services. Fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

Independent Building Contractors – Costs associated with staff development specialists shall be charged directly to the program/function that benefits from the services. Fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

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

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

Cost Sharing and Matching

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

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

1. They are verifiable from East Missouri Action Agency, Inc. records
2. They are not included as contributions for any other federally assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under OMB Circular A-122.
5. The Federal government under another award has not paid them, except where authorized by Federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the Federal awarding agency.
7. They conform to all provisions of OMB Circular A-110.
8. In the case of donated space, the space is subject to an independent appraisal to establish its value.

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

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