

# FINANCIAL PROCEDURES MANUAL



**ARKANSAS HEAD START ASSOCIATION/  
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## **I. GENERAL**

### **A. PURPOSE**

1. This Financial Plan contains the financial policies and procedures of the Arkansas Head Start Association and the Arkansas Head Start-State Collaboration Office. Its purpose is to establish financial procedures that are the same throughout the organization.
2. It may be necessary to amend this plan; when this happens, the employees will be notified by memo and provided with a copy of all amendments.

### **B. RESPONSIBILITY OF BOARD OF DIRECTORS AND EMPLOYEES**

1. The Board of Directors formulates financial policies, delegates administration of the financial policies to the administrative staff, and reviews operational activities.
2. The AHSA Executive Committee will serve as the Audit Committee to ensure effective internal controls and to identify, analyze, and minimize risks.
3. The Collaboration Director has responsibility for all operational activities, including financial management.
4. The Administrative Services Manager is responsible to the Collaboration Director for all financial operations.
5. The Collaboration Director is responsible to the AHSA Executive Committee.

### **C. OTHER GENERAL POLICIES**

1. Current job descriptions will be maintained for all employees, indicating duties and responsibilities.
2. Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts, disbursements, payrolls, and reconciliation of bank accounts.
3. Only the Administrative Services Manager, Collaboration Director, and the AHSA Treasurer have authority to access computer programs. The financial software is password protected.

4. One bank account will be maintained for the General Fund. Separate general ledgers on each project will be maintained as required by the Funding Source.
5. The financial information will be backed up monthly to a flash drive that will be in the possession of the Administrative Services Manager.
6. All forms requiring an authorized signature will be completed in ink.

#### **D. CODE OF ETHICS FOR BOARD MEMBERS<sup>i</sup>**

1. **Goal:** To establish a set of principles and practices of the Arkansas Head Start Association Board of Directors that will set parameters and provide guidance and direction for board conduct and decision-making.
2. **Code:** Members of the Board of Directors of the Arkansas Head Start Association are committed to observing and promoting the highest standards of ethical conduct in the performance of their responsibilities on the board of Arkansas Head Start Association. Board members pledge to accept this code as a minimum guideline for ethical conduct and shall:
  - a. Faithfully abide by the Articles of Incorporation, by-laws and policies of Arkansas Head Start Association.
  - b. Exercise reasonable care, good faith and due diligence in organizational affairs.
  - c. Fully disclose, at the earliest opportunity, information that may result in a perceived for actual conflict of interest.
  - d. Fully disclose, at the earliest opportunity, information of fact that would have significance in board decision-making.
  - e. Remain accountable for prudent fiscal management to association members, the board, and nonprofit sector, and where applicable, to government and funding bodies.
3. **Accountability**
  - a. Faithfully abide by the Articles of Incorporation, by-laws and policies of Arkansas Head Start Association.
  - b. Exercise reasonable care, good faith and due diligence in organizational affairs.
  - c. Fully disclose, at the earliest opportunity, information that may result in a perceived for actual conflict of interest.
  - d. Fully disclose, at the earliest opportunity, information of fact that would have significance in board decision-making.
  - e. Remain accountable for prudent fiscal management to association members, the board, and nonprofit sector, and where applicable, to government and funding bodies.
4. **Professional Excellence**
  - a. Maintain a professional level of courtesy, respect, and objectivity in all Arkansas Head Start Association activities
  - b. Strive to uphold those practices and assist other Arkansas Head Start Association members of the board in upholding the highest standards of conduct

**5. Personal Gain**

- a. Exercise the powers invested for the good of all members of the organization rather than for his or her personal benefit, or that of the nonprofit they represent.

**6. Equal Opportunity**

- a. Ensure the right of all association members to appropriate and effective services without discrimination on the basis of geography, political, religious, or socio-economical characteristics of the state or region represented.
- b. Ensure the right of all association members to appropriate and effective services without discrimination on the basis of the organization's volunteer or staff make-up in respect to gender, sexual orientation, national origin, race, religion, age, political affiliation or disability, in accordance with all applicable legal and regulatory requirements.

**7. Confidential Information**

- a. Respect the confidentiality of sensitive information known due to board service.

**8. Collaboration and Cooperation**

- a. Respect the diversity of opinions as expressed or acted upon by the Arkansas Head Start Association board, committees and membership, and formally register dissent as appropriate.
- b. Promote collaboration, cooperation, and partnership among association members.

**E. CONFLICT OF INTEREST POLICY FOR THE ARKANSAS HEAD START ASSOCIATION**

- 1. The purpose of the following policy and procedures is to prevent the personal interest of staff members, board members, and volunteers from interfering with the performance of their duties to Arkansas Head Start Association, or result in personal financial, professional, or political gain on the part of such persons at the expense of Arkansas Head Start Association or its Members, supporters, and other stakeholders.

**2. DEFINITIONS:**

- a. **Conflict of Interest** (also Conflict) means a conflict, or the appearance of a conflict, between the private interests and official responsibilities of a person in a position of trust. Persons in a position of trust include staff members, officers, and board members of Arkansas Head Start Association.
- b. **Board** means the Board of Directors.
- c. **Officer** means an officer of the Board of Directors.
- d. **Volunteer** means a person – other than a board member – who does not receive compensation for services and expertise provided to Arkansas Head Start Association and retains a significant independent decision-making authority to commit resources of the organization.
- e. **Staff Member** means a person who receives all or part of her/his income from the payroll of Arkansas Head Start Association.
- f. **Member** means a Member of Arkansas Head Start Association which shall be a state association of nonprofit organizations that represent a statewide and multi-sector or sub-sector 501(c)(3) constituency with a diverse range of corporate identities, or a regional association of nonprofit organizations that represent a specific region within a state or multi-state geographic area and a multi-sector or sub-sector constituency with a diverse range of corporate identities.
- g. **Supporter** means corporations, foundations, individuals, 501 (c) (3) nonprofits, and other nonprofit organizations who contribute to Arkansas Head Start Association.

### 3. POLICY AND PRACTICES

- a. Full disclosure, by notice in writing, shall be made by the interested parties to the full Board of Directors in all conflicts of interest, including but not limited to the following:
  - i. A board member is related to another board member or staff member by blood, marriage or domestic partnership.
  - ii. A staff member in a supervisory capacity is related to another staff member whom she/he supervises.
  - iii. A board member or their organization stands to benefit from an Arkansas Head Start Association transaction or staff member of such organization receives payment from Arkansas Head Start Association for any subcontract, goods, or services other than as part of her/his regular job responsibilities or as reimbursement for reasonable expenses incurred as provided in the bylaws and board policy.

- iv. A board member's organization receives grant funding from Arkansas Head Start Association.
  - v. A board member or staff member is a member of the governing body of a contributor to Arkansas Head Start Association.
  - vi. A volunteer working on behalf of Arkansas Head Start Association who meets any of the situations or criteria listed above.
- b. Following full disclosure of a possible conflict of interest or any condition listed above, the Board of Directors shall determine whether a conflict of interest exists and, if so the Board shall vote to authorize or reject the transaction or take any other action deemed necessary to address the conflict and protect Arkansas Head Start Association's best interests. Both votes shall be by a majority vote without counting the vote of any interested director, even if the disinterested directors are less than a quorum provided that at least one consenting director is disinterested.
- c. A Board member or Committee member who is formally considering employment with Arkansas Head Start Association must take a temporary leave of absence until the position is filled. Such a leave will be taken within the Board member's elected term which will not be extended because of the leave. A Board member or Committee member who is formally considering employment with Arkansas Head Start Association must submit a written request for a temporary leave of absence to the Secretary of the Arkansas Head Start Association Board, c/o the Arkansas Head Start Association's office, indicating the time period of the leave. The Secretary of Arkansas Head Start Association will inform the President of the Board of such a request. The President will bring the request to the Board for action. The request and any action taken shall be reflected in the official minutes of the Arkansas Head Start Association.
- d. An interested Board member, officer, or staff member shall not participate in any discussion or debate of the Board of Directors, or of any committee or subcommittee thereof in which the subject of discussion is a contract, transaction, or situation in which there may be a perceived or actual conflict of interest. However, they may be present to provide clarifying information in such a discussion or debate unless objected to by any present board or committee member.
- e. Anyone in a position to make decisions about spending Arkansas Head Start Association's resources (i.e., transactions such as purchases contracts) – who also stands to benefit from that decision – has a duty to disclose that conflict as soon as it arises (or becomes apparent); s/he should not participate in any final decisions.
- f. A copy of this policy shall be given to all Board members, staff members, volunteers or other key stakeholders upon commencement of such person's

relationship with Arkansas Head Start Association or at the official adoption of stated policy. Each board member, officer, staff member, and volunteer shall sign and date the policy at the beginning of her/his term of service or employment and each year thereafter. Failure to sign does not nullify the policy.

- g. This policy and disclosure form must be filed annually by all specified parties.

## F. WHISTLEBLOWER POLICY

1. **General:** The Arkansas Head Start Association Code of Ethics and Conduct (“Code”) requires directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the Organization, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.
2. **Reporting Responsibility:** It is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations in accordance with this Whistleblower Policy.
3. **No Retaliation:** No director, officer or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Organization prior to seeking resolution outside the Organization.
4. **Reporting Violations:** The Code addresses the Organization’s open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee’s supervisor is in the best position to address an area of concern. However, if you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor’s response, you are encouraged to speak with someone on the Board of Directors whom you are comfortable in approaching. Supervisors and managers are required to report suspected violations of the Code of Conduct to the Organization’s Compliance Officer, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, or when you are not satisfied or uncomfortable with following the Organization’s open door policy, individuals should contact the Organization’s Compliance Officer directly.
5. **Compliance Officer:** The Organization’s Compliance Officer (AHSA President) is responsible for investigating and resolving all reported complaints and



allegations concerning violations of the Code and, at his discretion, shall advise the Collaboration Director and/or the audit committee. The Compliance Officer has direct access to the audit committee of the board of directors and is required to report to the audit committee at least annually on compliance activity. The Organization's Compliance Officer is the chair of the audit committee.

6. **Accounting and Auditing Matters:** The audit committee of the board of directors shall address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing. The Compliance Officer shall immediately notify the audit committee of any such complaint and work with the committee until the matter is resolved.
7. **Acting In Good Faith:** Anyone filing a complaint concerning a violation or suspected violation of the Code must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.
8. **Confidentiality:** Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.
9. **Handling of Reported Violations:** The Compliance Officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

## **G. FRAUD RESPONSE POLICY<sup>II</sup>**

### **1. INTRODUCTION**

- a. The Organization is committed to the highest possible standards of openness, probity and accountability in all its affairs. It is determined to maintain a culture of honesty and opposition to fraud and corruption.
- b. In line with that commitment, the Organization's Anti-Fraud Policy outlines the principles we are committed to in relation to preventing, reporting and managing fraud and corruption.
- c. This Fraud Response Policy reinforces the Organization's approach by setting out the ways in which employees or members of the public can voice their concerns about suspected fraud or corruption. It also outlines how the Organization will deal with such complaints.

## 2. IMPLEMENTATION

- a. This plan is to be implemented where suspicions of fraud or corruption have been raised.

*Fraud* is defined as: **"The intentional distortion of financial statements or other records by persons internal or external to the organization which is carried out to conceal the misappropriation of assets or otherwise for gain".**

*Corruption* is defined as: **"The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person".**

- b. Fraudulent or corrupt acts may include:

**Systems Issues**-Where a process/system exists which is prone to abuse by either employees or public.

**Financial Issues**-Where individuals or companies have fraudulently obtained money from the Organization.

**Equipment Issues**-Where the Organization's equipment is used for inappropriate personal use.

**Resource Issues**-Where there is a misuse of resources, (e.g. theft of materials)

**Other Issues**-Activities undertaken by officers of the Organization which may be: unlawful; against the Organization's policies, falls below established standards or practices; or amounts to improper conduct.

- c. This is not an exhaustive list. If you are in any doubt about the seriousness of your concern, advice and guidance can be obtained from the Internal Audit Director (Collaboration Director).

## 3. SAFEGUARDS

- a. **Harassment or Victimization** – The Organization recognizes that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Organization will not tolerate harassment or victimization and will take action to protect those who raise a concern in good faith.
- b. **Confidentiality** – The Organization will do its best to protect an individual's identity when he or she raises a concern and does not want their name to

be disclosed. It must be appreciated, however, that the investigation process may reveal the source of the information and a statement by the individual may be required as part of the evidence.

- c. **Anonymous Allegations** – This policy encourages individuals to put their names to allegations. Concerns expressed anonymously are much less powerful, but they will be considered at the discretion of the Organization. In exercising this discretion, the factors to be taken into account would include: the seriousness of the issues raised; the credibility of the concern; and the likelihood of confirming the allegation from attributable sources.
- d. **Untrue Allegations** – If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the originator. If, however, individuals make malicious or vexatious allegations, action may be considered against the individual making the allegation.

#### 4. **EMPLOYEE ACTIONS**

- a. Employees are often the first to realize that there is something seriously wrong within the Organization. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Organization. They may also fear harassment or victimization. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion.
- b. The Organization's Whistle-blowing Policy is intended to encourage and enable staff to raise serious concerns within the Organization rather than overlooking a problem or blowing the whistle to the media or other external bodies.
- c. A full copy of the Whistle-blowing Policy is included in this document.
- d. In essence, employees should approach their supervisor or the Internal Audit Director. If the claim is substantiated, the Audit Committee will be notified and consulted. The nature of the complaint will determine the Organization's course of action.

#### 5. **PUBLIC ACTIONS**

- a. The Organization encourages members of the public who suspect fraud and corruption to contact the Collaboration Director or Internal Audit Director.
- b. The Internal Audit Department operates independently of all other Organization processes and departments, and works to establish procedures with the following aims:
  - To develop an anti-fraud culture.

- To deter, prevent, detect and investigate fraud and corruption.
- To see appropriate actions against those who commit or seek to commit some sort of fraud or corruption.
- To obtain compensation in respect of any losses to the Organization.

c. The possible courses of action taken by the Organization are outlined below.

**6. HOW WILL ALLEGATIONS OF FRAUD OR CORRUPTION BE DEALT WITH BY THE ORGANIZATION?**

a. For issues raised by employees or members of the public, the action taken by the Organization will depend on the nature of the concern. The matters raised may:

- be investigated internally
- be referred to the Police

b. Within 5 working days of a concern being received, the Chief Executive or designated officer will write to the complainant:

- acknowledging that the concern has been received;
- indicating how it proposes to deal with the matter;
- giving an estimate of how long it will take to provide a final response;
- telling them whether any initial enquiries have been made; and
- telling them whether any further investigations will take place, and if not, why not.

c. Where the loss is substantial, legal advice should be obtained without delay. Legal advice should also be obtained about prospects for recovering losses, where the perpetrator refuses repayment. The Organization would normally expect to recover costs in addition to losses.

The Organization accepts that those people who reported the alleged fraud or corruption need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, they will receive information about the outcomes of any investigation.

**7. REVIEW**

a. This plan will be reviewed every three years, or after each use. Any need for change will be reported to the Audit/Executive Committee for approval.

## **II. CASH RECEIPTS (Includes checks)**

### **A. DEPOSITS**

1. All cash and checks will be received by the Administrative Services Manager, who will record the receipt on the cash receipts summary and stamp “deposit only” on checks. For cash, two staff or board members will count for verification. The cash receipts summary will be signed by both counters.
2. The deposit will be recorded in the appropriate Quickbooks bank account and income accounts.
3. A deposit slip will be completed by the Administrative Services Manager. The deposit slip will include source, account number and amount of each receipt. All Checks will be endorsed as follows:

“For Deposit Only”  
AR Head Start Association  
Account Number

4. All deposits will be made weekly by the Administrative Services Manager or designated staff. All cash receipts, including checks, will be deposited intact. Checks and cash will be held in a locked box pending deposit.
5. The Collaboration Director will review deposit slips and checks prior to deposit and initial the duplicate deposit slip.
6. The Audit Committee will periodically review deposit documentation to ensure that it matches deposits indicated on the bank statement as well as the general ledger. A member of the committee will initial and date reviewed documentation.

### **B. DOCUMENTATION**

1. Documentation for all receipts (check stubs, letter, etc.) will be filed by income account.
2. The validated deposit receipt will be attached to a duplicate deposit slip with check copies and kept in a yearly bank deposit file.

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### **III. CASH DISBURSEMENTS**

#### **A. CHECK AUTHORIZATIONS**

1. All original invoices will be immediately forwarded to the Administrative Services Manager who will attach proper documentation.
2. The Administrative Services Manager will verify the items to see that funds are available for the purchase. After this procedure is made, the authorization is forwarded to the Collaboration Director to initial for final approval.
3. The Administrative Services Manager will be responsible for keying in all invoices for payment.
4. Invoices will be paid in a timely manner (at least twice a month) to maintain good credit standing and to avoid service charges.
5. The Collaboration Director and Administrative Services Manager will be responsible for any blank checks used in the organization. Blank checks must be kept under lock and key.
6. Items shipped must be verified on the packing slip with the purchase order. The invoice and purchase order should be checked against each other. Purchase orders must be approved by the Collaboration Director.
7. All checks are required to have two (2) signatures. Both signers will initial backup documentation for checks before signing.
8. The AHSA Board will designate persons authorized to sign checks.
9. The Administrative Services Manager will stamp all invoices "PAID".
10. Check vouchers will be distributed as follows:
  - a. Original-mailed to the payee by Administrative Services Manager.
  - b. Duplicate-filed chronologically and numerically by month in a binder.
  - c. Payment Record-filed by vendor with supporting documentation.
11. The check duplicate will clearly be referenced as to where the documentation can be located.

12. Voided checks will have “VOID” boldly written in ink across the face of the check and the signature portion of the original check will be cut out. The original of the voided check will be filed in a Voided Check File and the duplicate will be filed with the other duplicates and will be marked void.
13. A journal entry will be made to void the check. Cash will be debited and the expense will be credited.
14. In no event will:
  - a. Checks be prepared unless these procedures are followed.
  - b. Checks be used other than in chronological order.
  - c. Checks be prepared or signed in advance.
  - d. Checks be prepared on verbal authorization.
15. The Audit Committee will periodically review check documentation to ensure it matches bank statements and general ledger entries. A committee member will initial and date reviewed information.

## **B. BANK DEBIT CARD**

1. The Collaboration Director has the authority to use the bank debit card to make travel arrangements and pay for expenses with deadlines that conflict with the check signing schedule.
2. Any credit charges will be reviewed by at least two check signers or members of the Audit Committee.

## **C. BANK RECONCILIATIONS**

1. Bank statements will be received directly and opened by the Collaboration Director. The Collaboration Director will initial and date bank statements upon review.
2. Paid checks will be examined for date, name, cancellation and endorsements.
3. The reconciled bank balance will be compared to the cash in the bank account and to that on the General Ledgers, and will be approved by the Collaboration Director within ten days upon receipt of a bank statement. Journal entries will be made for any reconciling items.
4. Books cannot be closed until the bank statement comes in.

5. Appropriate action must be taken on checks that are outstanding for ninety (90) days or over.
6. The Audit Committee will review bank statements and reconciliations to ensure that they accurately represent information reported on the general ledger.

## **IV. PURCHASING**

### **A. PURCHASE ORDERS**

1. A purchase order must be made out for any goods or services purchased that are not on a recurring basis (ie, rent, parking, phone, etc.) and a purchase order number assigned. The Collaboration Director or designated person must approve the purchase before a purchase order can be written.
2. Purchases of less than \$500 may be made at the discretion of the Collaboration Director without competitive quotations.
3. Purchase Orders must be signed by the Collaboration Director or designated employee. The Collaboration Director and the Administrative Services Manager must approve all purchases.
4. The Collaboration Director will approve all purchase orders more than \$500 on the basis of three (3) informal verbal or written quotations. Any capital expenditure (\$5000 or more) meeting these criteria must have permission from Funding Source in order to purchase.
5. The individual signing or approving purchase orders must:
  - a. Determine if the expenditure is budgeted.
  - b. Determine if funds are available for the expenditure.
  - c. Determine if the expenditure is allowable under the grant.
  - d. Determine if the expenditure is necessary to the Program.
6. The Administrative Services Manager may designate a staff or board member who may make the actual purchase.
7. The approved purchase orders will be distributed as follows:
  - a. Original-To the vendor



- b. Duplicate-Filed in pending Purchase Order File

## **B. RECEIPT OF PURCHASED ITEMS**

1. The Administrative Services Manager will receive all purchased items, indicate “received by”, sign and date the purchase order and forward the purchase order with the packing slip or invoice attached to the Collaboration Director for review.
2. The Administrative Services Manager will compare the purchase order with the duplicate, packing slip and invoice. If there are discrepancies, the Collaboration Director will be notified immediately. If the invoices are not available, the duplicate will be placed in a separate file until the invoice has been received.
3. All purchase orders will be keyed into the computer on a daily basis.
4. All Purchase Order files will be reviewed by the Collaboration Director at the end of each month. Audit Committee will periodically review to ensure that information is accurately documented.
5. No personal purchases will be made for employees or others.
6. Any variances from procedures must be approved in writing by the Executive Committee or Board of Directors.

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## **V. PAYROLL**

### **A. PAYROLL DOCUMENTATION**

1. The Administrative Services Manager or designated staff will be responsible for all new employees completing the following:
  - a. W-4 Employee Withholding Certificate
  - b. Employment Eligibility Verification (Form I-9)
  - c. Request for Criminal Record Check
  - d. Authorization for Release of Confidential Information contained in the Arkansas Child Abuse and Neglect Central Registry
2. Employment is not effective until the W-4 and I-9 forms have been completed.
3. The Administrative Services Manager will set up a personnel file for new employees.

## **B. PAYROLL PROCEDURES**

1. Each employee will be responsible for completing a time sheet for each pay period.
2. Completed time sheets signed by the employee and an authorized signature will be submitted to the Administrative Services Manager at the end of each pay period. The payroll will be done every two weeks. Pay periods end on Friday and pay checks will be issued by Wednesday of the following week. Time Sheets received after calculation of the payroll will be compensated on the following pay period.
3. The Collaboration Director's time sheet will be reviewed by a third party appointed by the AHSA President. The payroll will be based on work as recorded on the time sheet.
4. Incomplete time sheets will be returned to the Collaboration Director.
5. The Collaboration Director or designated individual will verify the accuracy of the time sheets. Under extenuating circumstances, the supervisor or designated person may sign time cards for staff with notified leave or sick leave.
6. The Administrative Services Manager will process the payroll in the Pay Employees section of the Quickbooks Program.
7. For processing of payroll use the Quick Books User Guide, Chapter 21, Payroll Items.
8. Since direct deposits of payroll must be scheduled two days in advance, the Administrative Services Manager will estimate time for the last two days of the pay period for employees electing to have payroll direct deposited. Any unplanned leave, will be adjusted for in the next pay period.

## **C. FLEX TIME**

1. A nonexempt employee may not exceed forty (40) hours per week. The work week begins on Saturday morning and ends Friday night. Any adjustment in work hours must be approved by the Collaboration Director. If more than eight (8) hours a day is necessary for overall program operation, these hours must be adjusted within the 40-hour work week.

## **VI. PER DIEM**

### **A. AUTHORIZATION**

1. Whenever possible all out of service area per diem must be approved in advance.
2. A request for authorization for out-of-state travel must be completed and given to the Collaboration Director, who must approve the authorization.
3. Authorization for out-of-state or out-of area (over 50 miles) travel for the Collaboration Director will be approved by the AHSA Board President or designee.

### **B. PER DIEM ADVANCES**

1. Per diem advance may be paid for the amount of the lodging and food expense for the number of days authorized by the Collaboration Director and Board Designee. On out-of-state travel, per diem for food and lodging will be paid based on the current federal register rate.
2. Within ten working days after out-of-state or out-of area travel, the employee will enter the appropriate information on the travel expense statement and turn in to the Collaboration Director or designee for approval.
3. If the advance exceeds the amount of the travel voucher, then the difference will be paid by the employee and deposited in the bank account, the travel expense statement and documentation attached to the duplicate of the travel advance check and filed chronologically with the other checks for that month.
4. If the advance does not exceed the amount of the travel, then the number of the check which pays the balance will be noted on the request for authorization of official travel. The travel advance check with the request form will be filed chronologically with the other checks for that month. Receipts for travel related expenses will be turned in with the travel expense statement.

### **C. LOCAL TRAVEL**

1. Employees using personal automobiles will be reimbursed at the approved Association rate.
2. Each employee will complete the local travel reimbursement form to be submitted monthly to the Administrative Services Manager for payment.
3. Mileage to and from residence will not be paid by the Organization.

4. The cost of meals will be reimbursed only when an employee is in travel status out of his or her official duty station. Day per diem will be in effect when 10 hours are exceeded.
5. At the end of the month, the travel reimbursement form will be totaled, signed by the employee, signed by the Collaboration Director or designee, and submitted to the Administrative Services Manager on a timely basis for payment.
6. Incomplete travel reimbursement forms will be returned to the Collaboration Director.
7. The Administrative Services Manager will verify the travel reimbursement form and calculate the total amount.
8. Checks will be prepared in accordance with Cash Disbursement procedures.

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## **VII. PROPERTY**

### **A. GENERAL**

1. Equipment will be defined as all items (purchased government excess or donated) with a unit cost of \$5000 or more and a useful life of more than one (1) year.
2. Copies of all invoices for the purchase of equipment will be sent to the Administrative Services Manager, who will then prepare a property record for all equipment, and properly mark all new equipment with the Organization name and the Program purchasing the equipment and identifying number.
3. Any property purchased with Head Start funds will be used in a nondiscriminatory manner in compliance with Section 504, 85.5 © (2).

### **B. PHYSICAL INVENTORY**

1. A physical inventory will be taken annually and/or revised by AHSA Staff.
2. The Administrative Services Manager will prepare a list of all equipment from the property record, which includes:
3. Accurate property records that cover all items with a purchase price of \$500 or more, will include;
  - a. description of property

- b. serial number
- c. an acquisition date
- d. cost of equipment
- e. source of equipment
- f. current location
- g. who holds the title
- h. percentage of federal dollars used
- i. condition of equipment
- j. disposition data

4. The Administrative Services Manager will take an annual physical inventory of equipment within 90 days prior to the end of the program year. The list will indicate the condition and location and ensure that all equipment is properly marked. All discrepancies must be clearly explained.

### **C. LOSS, DAMAGE OR DESTRUCTION**

1. The Administrative Services Manager will be notified of all cases of loss, damage or destruction of equipment and will make a report to the Collaboration Director and request relief of liability.

### **D. PROCUREMENT PROCEDURES**

1. Proposed procurement actions, including utilizing a Purchase Order system, will assure that unnecessary or duplicate items are not purchased. Annually, the Bookkeeper and the Collaboration Director will analyze purchases being made to determine which would be the most economically practical.
2. All procurement transactions will be conducted in a manner which provides, to the maximum extent practical, open and free competition. Positive efforts will be made when possible to use small and minority businesses from a locally developed list.
  - a. Purchases of less than \$500 may be made without competitive bids. The Collaboration Director may delegate approval for purchases less than \$500 to the AHSA Staff with approval from the Administrative Services Manager.
  - b. Purchases more than \$500 will require at least three (3) informal bids. These bids may have a verbal quote and a written record will be made of prices quoted. These purchases must be approved by the Collaboration Director and the Administrative Services Manager. Purchases more than \$5000 will require at least three written bids.
  - c. Written justification must be in the file if the lowest bid is not accepted.

3. Solicitations for goods or services will be based upon clear and accurate descriptions of the technical requirements for the material, product or service to be procured. Such description will not, in competitive procurements, contain features which unduly restrict competition. When it is impractical or uneconomical to make clear and accurate description of technical requirements, a “brand name or equal” description may be used as a means to define the performance or other salient requirements of procurement, and when so used the specific features of the named brand which must be met by bidders/offerers will be clearly specified.
4. All contracts for procurement of property and/or services will be in writing. The Collaboration Director is responsible for ensuring that contract terms are fulfilled.
5. If the Association enters a contract, a legal provision for termination if funding is discontinued that will make the contract null and void must be stated in the contract.
6. The Administrative Services Manager will maintain records sufficient to detail the significant history of procurement. These records will include, but are not necessarily limited to, information pertinent to the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the cost or price.
7. Contractors that develop or draft grant applications, contract specifications, statements of work, invitations for bids, and/or requests for proposals are excluded from bidding for the procurement.
8. The AHSA will comply with provisions of the Davis-Bacon Act when applicable. The principal purpose of the Davis-Bacon Act (40 USCS/276a) is to protect employees on federal projects by guaranteeing to them minimum wage based on local prevailing wage rates.

## **E. PROCUREMENT OF REPLACEMENT OR OTHER DISPOSITION OF PROPERTY**

1. If equipment is no longer usable, it may be replaced through trade or sale with the proceeds used as part of the acquisition cost. The replacement equipment must serve the same function as the disposed equipment and must be of the same nature or character.
2. If additional Federal or cost-matching funds are used to acquire replacement that equipment will be subject to the property requirements applicable to the grant under which the additional funds are provided. If that grant is from HHS granting sources, the full acquisition cost (exchange value and additional outlay) will determine which property regulations apply.

3. For any replacement not covered above, the applicable regulations are the same as those applicable to the equipment replaced.
4. None of the above regulations apply if the Federal share of the equipment replaced is less than or equal to ten (10) per cent of its cost or the product of the Federal percentage times the amount received under trade or sale is \$100 or less.
5. Whenever original or replacement equipment is no longer used in the program in any manner described above, it is to be disposed of. If the equipment had a unit acquisition cost of less than \$1,000, it may be retained, sold or otherwise disposed of with no further obligation to the Federal Government. All other equipment may also be retained or sold, but the Federal Government has a right to a share of the current market value or the proceeds from the sale. The Federal share can be calculated by multiplying the current market value, or the sales proceeds, by the Federal share of the original costs. If the equipment is sold, selling and handling expenses of \$100, or 10 percent of the total sales proceeds, whichever is greater, may be deducted from the federal share and retained by the recipient.
6. The net amount due the Federal Government may be authorized for use as program income if the Head Start Program is still being supported by Federal funds. Otherwise, the net amount must be remitted to the granting organization.

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## **VIII. OTHER**

### **A. ACCOUNTS RECEIVABLE**

1. Documentation will be maintained for accounts receivable and be recorded on a timely basis.

### **B. AUDIT**

1. An annual audit will be conducted by an independent auditor in accordance with federal and state requirements.
2. The Audit Committee will periodically conduct internal audits to ensure that there are no material misstatements.
3. The Audit Committee and Administrative Services Manager will provide the independent auditor with all requested information.

4. The Audit Committee and the Administrative Services Manager will work closely with the independent auditor in the preparation of the financial statements.
5. Audit reports will be mailed in a timely fashion to state and federal agencies. Audit reports will be filed in a permanent office file.
6. Audit findings should be addressed in order to correct accounting procedures.

## **C. BUDGETS**

1. Financial budgets will be prepared by the Collaboration Director and the Administrative Services Manager.
2. The Administrative Services Manager will ensure that budgets are on file for all grants and contracts.
3. Changes to budgets will be submitted to the Administrative Services Manager as soon as they are known.
4. All budgets will be approved by the Board of Directors.

## **D. CONSULTANTS**

1. Consideration will be made of in-house capabilities to accomplish services before contracting for them.
2. Written contracts clearly defining work to be performed will be maintained for all consultant and contract services.
3. The qualifications of the consultant and reasonableness of fees will be considered in hiring consultants.
4. Consultant services will be paid for work as it is completed.
5. The Executive Committee or Collaboration Director must approve proposed contracts.

## **E. COST ALLOCATION**

1. All costs will be charged directly to each funding source.



## **F. FORM 990**

1. The Administrative Services Manager or Audit firm will prepare a Form 990.
2. The Audit Committee will review and approve the 990 before submitted.
3. The AHSA Board President or designated person will sign the Form 990.

## **G. GRANTS AND CONTRACTS**

1. Copies of all grants and contracts will be immediately forwarded to the Administrative Services Manager.
2. The Administrative Services Manager will carefully review each award to ensure that all financial provisions will be in compliance.
3. The Collaboration Director will carefully review each award to ensure that all programmatic provisions will be in compliance.
4. A copy of all grants and contracts will be maintained in the Administrative Services Manager's files.

## **H. INSURANCE**

1. The AHSA will maintain reasonable and adequate fidelity bonding, property and liability insurance.
2. Insurance policies will be maintained in insurance files by the Administrative Services Manager.

## **I. LEASES**

1. The AHSA Board/Executive Committee and the Collaboration Director will review leases prior to execution of the document.
2. All leases must be signed by the AHSA President or designated person.
3. Copies of all leases will be immediately forwarded to the Administrative Services Manager.

## **J. MATCHING**

1. Federal funds cannot be used as matching funds.

2. Matching funds are necessary and reasonable for proper and efficient accomplishment of project or program.

## **K. NON FEDERAL IN-KIND CONTRIBUTIONS**

1. In-kind will be received and recorded on a monthly basis. It will be compared to the total goal.
2. The employee who receives the contribution will prepare the voucher for Non-Federal share requirements, sign the form, and have the donor sign and date the form.
3. The voucher for Non-Federal shares will be approved by the Collaboration Director or their designee and forwarded to the Bookkeeper at the end of the month.
4. The Administrative Services Manager will complete and verify the voucher summary of all Non-Federal In-kind contributions received by each program during the month.
5. A designated person will approve the summary of Non-Federal In-kind contributions received.
6. The Administrative Services Manager will prepare the general journal entry to record the contributions.
7. At the beginning of the Organization fiscal year, the Administrative Services Manager will prepare a list of rates to be used for volunteer services based upon the rate in the community for that service.

## **L. RECORDS RETENTION/DOCUMENT DESTRUCTION**

1. The Arkansas Head Start Association will use the following table as the basis to determine document retention and destruction. The Collaboration Director must approve destruction of documents. A log will be kept of documents destroyed.

<b>Type of Document</b>	<b>Minimum Requirement</b>
Accounts payable ledgers and schedules	7 years
Audit reports	Permanently
Bank Reconciliations	2 years
Bank statements	3 years
Checks (for important payments and purchases)	Permanently

Contracts, mortgages, notes and leases (expired)	7 years
Contracts (still in effect)	Permanently
Correspondence (general)	2 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	2 years
Deeds, mortgages, and bills of sale	Permanently
Depreciation Schedules	Permanently
Duplicate deposit slips	2 years
Employment applications	3 years
Expense Analyses/expense distribution schedules	7 years
Year End Financial Statements	Permanently
Insurance Policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanently
Internal audit reports	3 years
Inventories of products, materials, and supplies	7 years
Invoices (to customers, from vendors)	7 years
Minute books, bylaws and charter	Permanently
Patents and related Papers	Permanently
Payroll records and summaries	7 years
Personnel files (terminated employees)	7 years
Retirement and pension records	Permanently
Tax returns and worksheets	Permanently
Timesheets	7 years
Trademark registrations and copyrights	Permanently
Withholding tax statements	7 years

2. Permanent records on file will include copies of grants, audits, articles of inc, by-laws, equipment records, and IRS correspondence.
3. Year-to-date ledgers will be kept in files and on disk.
4. If an audit is in question, the supporting documentation will be maintained until the questions are resolved.
5. A current Chart of Accounts will be maintained by the Administrative Services Manager for each audit year.

## **M. REPORTS**

1. The Administrative Services Manager will be responsible for preparing financial reports for funding sources.
2. The Collaboration Director will review and sign all reports to funding sources.
3. The report will be filed in accordance with the grant deadline and supported by proper documentation and agree with the general ledger.
4. Bi-monthly financial reports will be provided to the Board of Directors comparing actual expenses to budgeted expenses.

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## **IX. AUDIT COMMITTEE**

### **A. RESPONSIBILITIES**

1. This Audit/Executive Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. Duties of the committee include:
  - a. overseeing the integrity of the Corporation's financial accounting process and systems of internal controls regarding finance, accounting and use of assets;
  - b. overseeing the independence and performance of the independent auditors and staff with finance responsibilities;
  - c. overseeing the operation of the policies on conflicts of interest and the Corporation's board-staff communications;
  - d. providing an avenue of communication among the Corporation's independent auditors, management, staff, and the Board of Directors.
2. The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as to anyone in the organization. The Audit Committee has the authority to retain, at the Corporation's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

## **B. COMPOSITION AND ACTIVITIES**

1. The Audit Committee shall be comprised of the Executive Committee and others designated by the Board of Directors. All members of the Audit Committee shall be independent non-staff directors, free from any relationship that would interfere with the exercise of his or her independent judgment.
2. The specific activities of the Audit Committee are outlined in the document titled "Audit Committee Checklist."
3. The Audit Committee will perform an annual risk assessment to identify risks associated with the structure of the organization and develop solutions to minimize risk and fraud.

**Appendix:**

- A. Treasurer's Report**
- B. Budgets**
- C. Physical Inventory Sample**
- D. Other Forms not included in document:**
  - a. IRS Forms (Form 990, Form 941) are available at [www.irs.gov](http://www.irs.gov)
  - b. State Tax forms are available at <https://atap.arkansas.gov/>
  - c. Grant Forms are available through the Head Start Enterprise System at <https://hses.ohs.acf.hhs.gov>
  - d. Audit Report format is prepared by the Auditing Firm



# Arkansas Head Start Association

Board Meeting Date

## Arkansas Head Start Association Treasurer's Report

Balance Brought Forward Date:

\$  
-

Income:

- Donations
- Dues
- Products
- Institute
- Individual Dues
- GIF
- ECDG
- Collaboration Reimbursement

Total

---

- Payroll Taxes Payable
- Payroll Liabilities
- Inventory Items
- Prepaid Expense
- Dollar per Child Agency Liability
- Accumulated Depreciation
- Accounts Payable
- Deferred Dues/Grants Receivable
- Accounts Receivable
- Undeposited Funds
- Lease Obligation

---

Total Income

-

Expenses:

- Collaboration Project
  - Salary
  - Fringe
  - Collab O/S Travel
  - Instate Travel
  - Registrations
  - Supplies
  - Audit
  - Parking
  - Telephone
  - Rent
  - Dues

	Postage		
	Meeting Expense		
	Collaborative Partnership		
		_____	
		-	
Association			
	Salary		
	Fringe		
	O/A Travel		
	Instate Travel		
	Supplies		
	GIF Statewide Act		
	GIF Focus Group		
	Consultant		
	Training		
	Telephone		
	Rent		
	Dues		
	HS Training Institute		
	GIF Printing		
		_____	
		-	
G and A Expenses			
	Write Off		
	Interest on Lease		
	Payroll Fees		
	Payroll		
	Fringe		
	Supplies		
	Insurance		
	Depreciation		
	Service Charge		
		_____	
		-	
Total Expenses			-
			_____
			\$
Balance on Hand Date:			-
			_____
	Certificates of Deposit		
			\$
Balance Brought Forward Date:			-
			_____
	Iberia Bank		-
			_____
			\$
Balance on Hand Date:			-
			_____
	Arkansas Head Start Association Balance		



Balance on Hand Date:  
Restricted Funds for Dollar per Child  
Reim. due from Collab.Grants

\_\_\_\_\_

AHSA Balance

Certificates of Deposit

\_\_\_\_\_

Kellogg Account

=====

Balance Brought Forward Date:

Income

    Kellogg Fund

    ECDG Fund

\_\_\_\_\_

    Total

Payroll Liabilities

    Furniture and Equipment

    Accrued Vacation

    Accounts Payable

\_\_\_\_\_

Total Income

Expenses

    Payroll

    Fringe

    Consultant

    Registrations

    Instate Travel

    Depreciation

    Supplies

    Travel

\_\_\_\_\_

Total Expenses

\_\_\_\_\_

Balance on Hand Date:

=====

Signed: \_\_\_\_\_

Treasurer, Arkansas Head Start Association

## Arkansas Head Start Association Sample Budget

Income

Dues

Conf/Meetings

Donations

Interest

Region VI WS

Products

GIF

ECDG

Other

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Expenses

Payroll

Fringe

Payroll Fees

Travel

Equipment Dep

Supplies

Dues

Inventory

Conf/Meetings

Consultant

GIF Statewide

Act

GIF Training

GIF Focus

Group

GIF Speaker

Audit

Parking

Telephone

Postage

Rent

Insurance

Other

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Net Profit

## Sample Collaboration Office Budget

21. Direct Charges		100%
a. Personnel		Federal
Project Director-100% FTE		
	\$x26 Pay Periods	
Administrative Services Manager-35% FTE		
	\$ x26 Pay Periods-35%	
b. Fringe		
FICA	7.65%	
Workers Comp		
1%	1%	
SimIRA	3%	
Dental/Vision		
Health Insurance (\$150 per pay period)		<hr/>
c. Travel		
1. 2 ACF Regional Meeting		
	Transportation	
	Lodging	
	Meals	
2. 2 National Collaboration Meetings		
	Transportation	
	Lodging	
	Meals	
3. 1 Meetings-Related to Priority Areas		
	Transportation	
	Lodging	
	Meals	
Total Travel		<hr/>
e. Supplies		
Desk Supplies, Software, Paper, file folders,		
Envelopes, newsletters & Computer Tech		<hr/>
h. Other		
Registrations		
In State Travel	Mileage @ .56x miles	
Parking		
Audit		
Telephone		
Postage		
Dues		
Rent		
Meeting Expenses		
Collaborative Partnerships		<hr/>
		<hr/>
Grant Total		<u>125,000.00</u>

## Physical Equipment Inventory Template

Item Description	Serial Number	Vendor/Donor	Donated
<b>Room Location</b>			
<b>Item</b>			
<b>item</b>			
<b>item</b>			

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<sup>i</sup> The Code of Ethics, Conflict of Interest, Whistleblower, Document Retention and Audit Committee Responsibilities Policies have been adapted from policies developed by the National Council of Non Profit Associations.

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*The National Council of Nonprofit Associations (NCNA) is the network of state and regional nonprofit associations serving over 22,000 members in 46 states and the District of Columbia. NCNA links local organizations to a national audience through state associations and helps small and mid-sized nonprofits: manage and lead more effectively; collaborate and exchange solutions; save money through group buying opportunities; engage in critical policy issues affecting the sector; and achieve greater impact in their communities.*

<sup>ii</sup> Source for Fraud Policy: Protiviti KnowledgeLeader <http://www.knowledgeleader.com>