

Ohio Valley Educational Cooperative
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Financial Procedures Manual

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Ohio Valley Educational Cooperative
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INTRODUCTION

This Financial Procedures Manual was prepared by the Chief Financial Officer in consultation with the Chief Executive Officer, Program Directors, Auditors, and Accounting staff. The manual has been approved by the Chief Executive Officer.

The Chief Executive Officer is the only person authorized to amend, modify or terminate any of the procedures contained in the manual. Accordingly, any violations of the procedures should be reported to the Chief Executive Officer.

ORGANIZATION

Ohio Valley Educational Cooperative receives membership dues from participating local school districts for the Cooperatives administration purposes and to provide programs and services in these local districts.

OVEC is also the recipient of federal, state, local and foundation grants. Accordingly, OVEC is subject to statutory and regulatory requirements applicable to these grants.

The OVEC Board of Directors is the entity's overall governing authority. It is fundamentally a policy-making and oversight body. The Board defines policy and practice within the entity. Executing the Board's policy and plans is the function of the staff, under guidance and direction of the Chief Executive Officer. The Head Start policy council functions with the Board in overseeing the governance and operation of the Head Start program. Its specific responsibilities, prerogatives, and authority are set forth in federal regulations, "Head Start Transmittal Notice 70.2," which defines designated Head Start operational roles for parents, administrators, and the Board.

CONFIDENTIALITY OF INFORMATION

In accordance with OVEC policy, all Payroll/Human Resource records must be confidentially maintained. To that end, no personnel information should be released to or obtained from other agencies without signed, written consent from past or present employees. The only exceptions being the reporting of suspected child abuse/neglect.

In addition, all staff members working with the Payroll/Human Resources area of OVEC will sign a letter of confidentiality. This letter indicates that any breach of confidentiality could be considered grounds for disciplinary action and / or dismissal.

FINANCIAL MANAGEMENT SYSTEM STANDARDS

The Cooperative shall meet the following standards for all of its programs.

- A. Financial Reporting – Accurate, current and complete disclosure of the financial results of each project or program shall be made in accordance with the financial reporting requirements of the grant.
- B. Accounting Records – Records which identify adequately the source and application of funds for grant or supported activities shall be maintained. These records shall contain information pertaining to grant awards, authorizations, obligations, unobligated balance assets, outlays and income. All transactions will be posted in the accounting records in a consistent and timely manner. The automated computer accounting system identifies and segregates costs by program.
- C. Internal Control – Effective control and accountability shall be maintained for all grant cash, real and personal property. A clear separation of duties and responsibilities between individuals will be maintained so that no one person has access to all financial operations, procedures, and records. This separation of duties is an effective tool in the prevention and detection of fraud.
- D. Budgetary Control – The actual and budgeted amounts for each grant shall be compared. Budgetary controls are in place to assure that obligations incurred for a specific Federal program are allocable to that Federal program.
- E. Advance Payments – Cooperative procedures shall be established to minimize that time elapsing between the advance of Federal grant funds and their disbursement.
- F. Allowable Costs – OMB Circular A-87, “Cost Principals for State and Local Governments,” shall be used for determining the reasonableness, allowability, and allocability of cost charged to federal grants.
- G. Source Documentation – Accounting records shall be supported by source documentation such as canceled checks, paid bills, payrolls, contracts etc. OMB Circular A-87 or Title 45 CFR Part 74 should be used to determine the reasonableness of certain costs, bids or quotes.
- H. Non-Federal Audits – The Cooperative shall comply with the requirements concerning Non-Federal Audits in OMB Circular A-128, “Audits of State and Local Governments,” including any amendments to those requirements published in the Federal Register by OMB.
- I. Audit Resolution – The Cooperative shall follow a systematic method to assure timely and appropriate resolution of audit findings and recommendations in accordance with the requirements of OMB Circular A-128, “Audits of State and Local Governments.”

FINANCIAL REPORTING

Internal Reporting

The Cooperative's accounting records are maintained on an automated computer system and fund accounting software which provides on-line financial information to the Chief Executive Officer, Chief Financial Officer, and Program Directors. In addition, financial reports are distributed to each Program Director as a management aid in the administration of their programs and to assure that expenses are kept within the budget. These reports show a comparison of budget with actual expenditures for the period-to-date and year-to-date total. A consolidated financial report is submitted to the Board of Directors at each meeting. This report shows the total month-to-date expenditures and revenues for each program. Responsibility for preparing and reviewing financial reports are as follows:

The Chief Financial Officer is responsible for supervising the preparation of all financial reports including the computer-generated information and reports. The Chief Financial Officer will also supervise the preparation of all Federal SF-269 reports to assure that all reports correspond with the accounting records.

The Program Director is responsible for monitoring and reviewing all financial information including any financial reports which are either computer generated or manually prepared for his or her program. Discrepancies or questions are to be resolved through the Chief Financial Officer.

All financial reports which are to be distributed to the Board of Directors or to anyone outside the Cooperative must have the approval of the Chief Executive Officer, the Chief Financial Officer, or Program Director.

Reporting to Funding Sources

The Agency has a variety of funding sources, each unique and requiring a variety of reporting formats and reporting dates. To assure that all reports are timely submitted, the following procedures will be followed:

1. The Chief Financial Officer is responsible for supervising the preparation of all financial reports required by funding sources. As part of the responsibility, the Chief Financial Officer will maintain a file for each funding source, which contains copies of all reports by program year, blank reports, and reporting instructions.
2. The Program Director will receive a copy of each financial report for review and will maintain a report file by year. Discrepancies or questions will be directed to the Chief Financial Officer.
3. The Chief Executive Officer will receive the original of each report for his approval and signature. The Chief Executive Officer is the authorized official to approve and sign financial reports or in the absence of the Chief Executive Officer, the Chief Financial Officer or Program Director.

COMPUTER SYSTEMS

The Cooperative's accounting software is maintained on an automated computer system using fund accounting software. The automated computer system and peripheral equipment used by the finance staff will not be used by anyone without prior approval of the Chief Executive Officer.

The Chief Financial Officer and the finance staff are the only personnel authorized to input, change, process, or merge data. The Chief Financial Officer will assign passwords to permit access to the fund accounting software and system. These passwords will be changed regularly; especially when there are personnel changes, and must be kept secret.

The Chief Financial Officer is responsible for all application software with any subsequent modifications.

The following backup and recovery procedures will be followed:

- a) Financial Data files will be backed up weekly.
- b) The operating system and application software files will be backed up weekly.

PROPERTY MANAGEMENT

OVEC definition of "Property"

For the purposes of the Cooperative's Inventory Control and Record System, the following definitions/standards shall be employed:

Real Property – Real property means real estate, including land, land improvements, structures (buildings) and appurtenances (attachments, built-in accessories, etc.) thereto, excluding movable equipment.

All real property shall be properly secured by deed and maintained on a current inventory of Cooperative Real Property.

Personal Property – Personal property means cooperative property of any kind except real property. It may be tangible, that is, having a physical existence – or it may be intangible, that is without physical properties, and include such things as copyrights, trademarks, patents, inventions, or any other form of "intellectual property" created by staff or contractors while in the paid employ of the Cooperative.

Cooperative personal property is not usually maintained on a formal inventory, but such property still belongs to the agency.

Employee personal items- Personal items located in employee's offices or other cooperative premises are individual private property. These should be labeled by the respective owners to prevent later questions arising as to the true ownership of those items.

Non-expendable Personal Property – Non-expendable personal property means at a minimum tangible personal (cooperative) property having an acquisition cost of \$5000 or more per unit and an expected useful life of one year or more or an acquisition cost of less than \$5000 but an expected useful life of five (5) years or more. The latter would include items such as desk, credenzas, chairs (office furniture only, not folding chairs, children's chairs, and so forth), file cabinets, fax machines, desk calculators and other minor equipment.

Individual cooperative programs should be more restrictive definitions than that above as may be required by their respective grantor contracting agencies. Individual program directors must advise the Chief Financial Officer when more restrictive than usual standard/definition of property is required by their respective grantor or contracting agency.

All non-expendable personal property – all program grantor property that meets the above definitions – must be maintained on the program Inventory of Non-Expendable Property.

Some programs, Head Start, for example, may opt to maintain classroom/center-based/ local-operations property on a separate inventory. This is permissible so long as the inventory is monitored/verified regularly – at least every two (2) years – and properly recorded.

The Head Start inventory will be coordinated by the Head Start Director and performed in conjunction with his/her designee(s) responsible for Head Start's respective classroom/center-based/local-operation property inventory.

No items in the inventory of Program Non-Expendable Property may be moved from one location to another without first notifying the program director of its planned relocation. All appropriate paperwork must then be submitted to the program director so that the inventory can be updated.

Expendable Personal Property – Expendable personal property refers to all tangible (physical) property of the cooperative other than that which is required to be listed on the inventory of non-expendable property. It includes anything purchased by the agency – other than services, license fees, and such. All expendable personal property of the Cooperative is available for cooperative use only and may not in any event or extent be converted for private use.

Property Disposal Procedure – The Chief Executive Officer will advise the Board when certain properties are no longer needed for the Cooperative purposes. Upon receiving this report, the Board may, at such time as it deems proper and after compliance with applicable state regulation, authorize the disposal of properties through closed sealed bids or public auction. The Board reserves the right to reject any and all bids.

To prevent loss, damage or theft to property, the program property management system for non-expendable personal property including the following procedural requirements:

- A. Property records for items having an acquisition cost of \$5000 or more per unit shall be maintained accurately and shall include:
1. A description of the property.
 2. Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number.
 3. Source of the property.
 4. Whether title vests in recipient of the Federal Government.
 5. Acquisition date (or date received, if the property was furnished by the Federal Government) and cost.
 6. Percentage (at the end of the Budget year) of Federal participation in the cost of the project or program for which the property was acquired.
 7. Location, uses and condition of the property and the date the information was reported.
 8. Unit acquisition cost.
 9. Ultimate disposition data, including date of disposal and sales price or the method used to determine fair market value when retained by OVEC.
- Items having an acquisition cost of less than \$5000 per unit need only meet requirement 1, 5, 7, and 8.
- B. Property owned by Federal Government must be marked to indicate Federal ownership.
- C. Any loss, damage or theft of non-expendable personal property will be investigated and fully documented by the program director.

BUDGETS

A budget will be prepared for each program operated by the Cooperative at least annually. Development of the program budget will require the cooperative and active involvement of the Chief Executive Officer, the Chief Financial Officer, the Grant Writer, and the Program Director. The following procedures will be followed:

Authorization – OVEC programs are funded primarily by federal and state grants, which are awarded annually. Therefore, formal notification or permission to proceed with planning will be issued by the funding agency, together with a projected program funding level. This may be in the form of a letter of understanding or some similar document. Also, during the budget preparation process for Federal grants, there will be interaction with Federal staff as needed.

Budget Preparation – The Program Director is primarily responsible for the preparation of the program budget and grant proposal. Consequently, the program budget and grant proposals will be prepared by the program Director in consultation with members of the program staff and other designated persons. Program budgets will be prepared by individual cost elements (e.g., salaries, supplies, etc.). The individual cost elements will be based on estimated units of cost using current rates. The Program Director as well as other staff responsible for preparing the budgets will keep current with all applicable grant policies. This will require budget personnel to attend seminars and other trainings such as the Grants/Fiscal Management Seminars.

Financial Review – All budgets will be submitted to the Chief Financial Officer for review prior to being submitted to the funding agency. The Chief Financial Officer will as a minimum do the following:

1. Check the budgets for mathematical accuracy.
2. Ascertain whether budget is in compliance with financial guidelines.
3. Ascertain whether budget complies with applicable laws and regulations.
4. Recommend possible changes or improvements, based on personal observations, to the Program Director.

Administrative Review – All budgets must be submitted to the Chief Executive Officer for review and approval before they can be included in funding applications.

Board Approval – The Chief Executive Officer will at appropriate times submit proposals to the Board of Directors for consideration and approval. Proposals will include both budgets and work programs.

1. Head Start Proposals – In the case of the Head Start program, the proposal will also be submitted to the Head Start Policy Council for the consideration and approval.

Budget Amendments – All changes, or requested changes to budgets, must be submitted to the Chief Financial Officer. Request for change which require prior grantor Agency approval will be submitted by the Program Director to the appropriate Federal grants officer or other authorized official prior to making such changes.

Recordkeeping – The Chief Financial Officer will insure that budgets, which have been properly approved by funding source, are on file for all grants and contracts.

CASH MANAGEMENT

The standard for effective cash management which is discussed in 45 CFR 74.61 (e) states that procedures must be established to minimize the time elapsing between the advance of grant or funds and their disbursement by the recipient. The Cooperatives cash management procedures are as follows:

The Chief Financial Officer is responsible for monitoring the request of funds for all federal sponsored programs. The following procedures will be followed:

Under Advances by Treasury Check – Under this method, a cash advance will be requested monthly based upon cash needs of the program. The Chief Financial Officer in coordination with the Program Director will monitor drawdowns vs. disbursements, and will request adjustments in the schedule of advances, as appropriate.

Under Payment Management System (PMS) – Under this method, cash advance will be requested one or two days in advance of the programs cash needs. The cash advance will be requested from PMS by internet access. The Chief Financial Officer in coordination with the Program Director and Accounting/HR Specialists will request all drawdowns. The Chief Financial Officer will make sure that the Federal funds are fully disbursed by the close of the business the next workday after they are received, and immediately return all undisbursed Federal funds to PMS.

GRANTS AND CONTRACTS

The Board of Directors shall approve all grants and proposals submitted to granting agencies. The Chief Executive Officer is the authorized official to sign grant requests, contracts, grants, amendments, or other related documents, unless the Chairman of the Board is directly specified by the respective grantor/contractor.

All grants, contracts, and amendments awarded to the Cooperative for the operation of programs will be processed in accordance with the following procedures:

- A. All grants, contracts, and amendments will immediately upon receipt be forwarded to the Chief Executive Officer to review the grant, contract, or amendment and if acceptable will distribute copies to the Program Director and Chief Financial Officer.
- B. The Chief Financial Officer will review the grant, contract, or amendment thereto and will report any possible errors or observations to the Chief Executive Officer. If the award is acceptable, the Chief Financial Officer will do the following:
 1. Maintain a file for each grant or contract which will contain all awards, amendments, budgets, and special conditions.
 2. Record budget or update budget in the Accounting system.
 3. Initiate a request for funds if appropriate or, if cost-reimbursement program, arrange for an advance of funds from the unrestricted fund.
- C. The Program Director will review the grant, contract or amendment thereto and report any possible errors or observations to the Chief Executive Officer. If the award is acceptable, the following procedures will be followed.

1. The Program Director will take steps to implement the program in accordance with the terms of the grant or contract.
2. The Program Director will coordinate with the Chief Financial Officer concerning budgeting, reporting, and monitoring of the program.

NON-FEDERAL AUDITS

The Agency shall have an annual audit made in accordance with OMB Circular A-128, "Audits of State and Local Government." The audit will be for the fiscal year ended June 30; the Cooperative's adopted fiscal year. The cognizant federal agencies for monitoring audits and ensuring the resolution of audit findings are the U.S. Department of Health and Human Services, and the U.S. Department of Education.

The following procedures will be followed by the Cooperative for all non-federal audits:

- A. A letter of engagement between the organization and the auditor shall be prepared which contains an understanding of the work that needs to be performed to satisfy the Cooperative's OMB Circular A-128 requirements for an audit. The letter shall provide an understanding of the terms, nature, and limitations of the engagements. The letter shall include the reporting, objectives and responsibilities assumed by the auditors. Agency responsibilities such as the requirements for a client representation letter will also be included.
- B. The Chief Financial Officer is responsible for scheduling the audit fieldwork, providing records and financial information, coordination with program directors and accounting personnel for any needed information, and answering all questions related to the financial audit.
- C. The Program Director in coordination with the Chief Financial Officer is responsible for providing information and answering all questions in connection with the audit that are related to compliance with laws and regulations as it related to his or her program.
- D. The Chief Executive Officer in coordination with the Program Director and Chief Financial Officer is responsible for the resolution of any audit findings or questioned costs. These findings will be resolved within six (6) months after the receipt of the audit report.

CASH DEPOSITORIES

The following sets forth the Cooperative's policy and procedures regarding the use of banks and other institutions as depositories of funds:

Depositories will be selected on a competitive basis and will be reviewed periodically as deemed necessary by the Chief Executive Officer.

1. All funds of the Board will be deposited in local banks. Such banks will be accessible, capable of handling investment funds and be able to provide those services needed by the Board in the operation of the Cooperative.
2. Depositories must be Federal Deposit Insurance Corporation (FDIC) insurance coverage, and any balance exceeding the FDIC insurance must be collaterally secured.

CASH RECEIPTS

The Cooperative has the following procedures to assure that all cash receipts are deposited promptly and recorded accurately as to account, amount, and period.

- A. Incoming Mail – The mail is sorted and routed to the various programs and departments in individual compartments in the file cabinet for mail and inter-office documents.
 1. All cash, checks, and other forms of legal tender are forwarded to the Executive Assistant.
 2. Payroll information, Workman’s Compensation and Unemployment information are forwarded to the Accounting/HR Specialists
 3. Vendor statements, utility bills, telephone bills, etc. are forwarded to the Accounting/HR Specialists.
 4. Personnel information, resumes, employment applications, changes of name/address, employment verification are forwarded to Accounting/Human Resources.
 5. Bank statements are forwarded to the Chief Financial Officer.
- B. Recording – The Executive Assistant will receive all cash, checks, and other forms of legal tender received by the Cooperative. The following procedures are followed:

Executive Assistant records all receipts into a deposit log.

Executive Assistant stamps all checks with a restricted endorsement as follows, “For Deposit Only to the account of Ohio Valley Educational Cooperative.”

Executive Assistant forwards deposit log and checks to the Chief Executive Officer.

The Chief Executive Officer gives checks and cash to the Chief Financial Officer.

Chief Financial Officer completes a deposit slip and makes deposit daily. The Chief Financial Officer gives a copy of the deposit ticket and the bank deposit verification to the Chief Executive Officer for comparison to the log. After the Chief Executive

Officer makes verification, he forwards the log and ticket to the Executive Assistant who maintains the records in a file.

Chief Financial Officer enters cash receipts into the computer system's cash receipts program as deposited.

Documentation for all receipts is filed along with the duplicate deposit slip and the validated bank receipt.

PROCUREMENT STANDARDS

The Chief Executive Officer is responsible for administration of the procurement function. Any delegation of purchasing authority shall be made by the Chief Executive Officer. The Chief Executive Officer will establish procedures in accordance with KRS 424.260, state regulations, OVEC Purchasing Procedures, and accepted business principles, to control the purchase of items by employees.

A. Responsibility and Delegation of Authority

The Chief Executive Officer may delegate to a chief purchasing officer and to other such authority as may be appropriate and necessary for the proper performance of the procurement function.

- a) Any delegations of purchasing authority shall be in writing and shall be included in policies and procedures issued pursuant to these regulations.
- b) Designated employees may be authorized in writing by the Chief Executive Officer to make expenditures in cases of emergency in accordance with approved procedures for subsequent approval by the Board of Directors.
- c) The Chief Executive Officer shall ensure that every procurement by an employee of the Ohio Valley Educational Cooperative engaged in or responsible for the performance of any procurement activity or function and constituting a final procurement action shall be made in writing.

The Chief Executive Officer shall maintain records of all small purchase contracts, and competitive sealed bidding results.

No contract shall be awarded for an amount, which exceeds the sum, budgeted and appropriated for the procurement by the Cooperative.

The Chief Executive Officer shall establish procedures to verify the receipt of goods purchased by the Cooperative before the payment will be made for the goods ordered.

B. State Bid Purchasing

The Chief Executive Officer may purchase supplies and equipment from the State bid price contracts. The Chief Executive Officer shall include the State bid price contract number on all purchase orders or invoices used to purchase from the State price contract.

C. Cooperative Purchasing

1. The Board of Directors may authorize the Chief Executive Officer to enter into an agreement, subject to Board ratification, for cooperative purchasing with another public agency.
2. When the Cooperative contracts with another agency for supplies, services, or construction pursuant to State laws, all other parties to the agreement shall be deemed to have complied with the promises of these laws.

D. Small Purchase Procedures

1. Small purchases are hereby authorized for the procurement of necessary supplies, services, or construction, the cost and quality of which are of such that any possible savings of public funds realized through the practice of other procurement procedures would not justify the administrative time and expense necessary for the conduct of competitive sealed bidding.
2. Small purchases for construction services costing \$10,000 or less and \$1,000 or less for other purchases may be made from any available source of supply without obtaining quotations. Small purchases in excess of the above limits but less than \$30,000 may be made only after informally obtaining three or more price quotations from responsible sources. Each determination shall be based on written findings that support the determination and shall be signed by the employee making the determination.
3. Required purchases shall not be fragmented or artificially divided to avoid use of other source selection methods. Categories of supplies, services or construction reasonably anticipated to be required during a fiscal year shall be considered to be one procurement for the purpose of small purchase procedures. The contract may be for any period of time that will provide the most beneficial market price to the Cooperative, provided the time period does not avoid the requirements of competitive sealed bidding. In determining whether supplies, services or construction is normally supplied as a unit, the test is not such supplies, services or construction are furnished by a particular vendor, but rather whether supplies, services, or construction are closely related in their function and use.

E. Competitive Sealed Bidding Procedures

The Chief Executive Officer shall develop evaluative bid procedures that permit the Board of Directors to select the bid that is in the best interest of the Cooperative.

The Ohio Valley Educational Cooperative shall advertise and bid that which involves an expenditure of more than \$30,000 or such other amounts as may be prescribed by statute or regulation during the fiscal year provided that this requirement shall not apply in an emergency. The Cooperative may also bid items of lesser amounts where items are categorical and a savings can be made.

If durability of the product, the quality of service or other factors are to be considered in bid selection, such factors shall be stated in the bid documents.

Notice for bidding shall state the time and place for receiving and opening of bids, the time and place where specifications may be obtained, and shall be mailed or emailed to all potential bidders, and at a minimum, advertised on the website not less than seven (7) days before the date set for the bid opening.

Bids may be submitted electronically when permitted, otherwise in writing, typewritten or in ink and sealed; opened and read publicly by the Chief Executive Officer or Bid Coordinator.

No bids may be changed after they are once submitted. This in no way prevents the acceptance or rejection of alternates, which are specified as a part of the regular bid forms and specification.

The contract for the successful bidder shall be deemed as having been awarded when the Board of Directors has taken action at a regular or special meeting. The awarded shall receive formal notice of the awarding on the contract by the Bid Coordinator.

In the event the lowest bid is not accepted, the Board of Directors shall record in the minutes the reason for the rejection.

All bids submitted shall be recorded in the official minutes.

Notification of the awarding of the contract shall be given in writing to all bidders. The notice shall include a list of all bidders together with their bids.

Any bid, which is accepted in non-compliance with any of the above items, shall be considered null and void.

F. Non-Competitive Negotiation Purchases

1. The non-competitive negotiated process may be used instead of advertisement for bids when a written determination is made by the Chief Executive Officer showing that competition is not feasible in the following circumstances:
 - a) When an emergency exists that will cause public harm as a result of the delay in competitive procedures.
 - b) When there is a single source of the product or service to be procured.
 - c) When the contract is for services of a licensed professional. A professional service is one performed by a licensed professional and an activity for which a license is required.
 - d) When the contract is for the purchase of perishable items purchased on a weekly or more frequent basis, such as fresh fruits, vegetables, or fish.
2. The Board of Directors, upon the Chief Executive Officer's recommendation, shall approve all noncompetitive purchases exceeding \$30,000 except in a case that the Chief Executive Officer may declare an emergency in which a delay in making the

non-competitive purchase will result in danger to health, safety, or property and submit determination to the Board of Directors at the next regular meeting.

3. Items for resale are authorized to be purchased by noncompetitive negotiation.

G. Competitive Negotiated Purchase Procedures

1. Competitive negotiated purchasing is authorized for the procurement of necessary supplies and services under the following conditions.

Bids must have been received and opened

There are not sufficient budgeted funds to award the contract

When the best interest of the Cooperative will not permit the delay caused by resolicitation under revised specifications and quantities.

2. Procedures for competitive negotiated purchases shall be established by the Chief Executive Officer and shall be in compliance with State statutes and regulations governing purchasing procedures by public agencies.

H. Maximum Free and Open Competition -It is the clear intention of the Ohio Valley Educational Cooperative to foster all procurement transactions in a manner to provide, to the maximum extent practicable, open and free competition. (20 U.S.C. 1221e--3(a)(1) and 3474, —2CFR 200.319, OVEC Policy)

1. OVEC shall make positive efforts toward procuring and utilizing small business and minority-owned business sources of supplies and services. All such efforts shall be made to allow these sources the maximum feasible opportunity to compete for contracts with OVEC.
2. All procurement procedures developed and implemented by OVEC shall assure that unnecessary or duplicative items are not purchased. Where appropriate, considerations of lease and purchase alternatives will be made to determine which would be the most economical and practical procurement.
3. All OVEC bids and solicitations for goods and services shall be based upon a clear and accurate description of the technical requirements for the material, product or service to be procured. Such description shall not, in competitive procurements, contain features that unduly restrict competition. Brand name or equal clause may be used as a means to define the performance of other salient requirements of procurement, and when so used the specific features of the named brand that must be met by bidders/offerors are clearly specified.
4. OVEC shall use procuring instruments such as fixed price contracts, cost reimbursable contracts, purchase orders, and incentive contracts, where appropriate and or required by state law and which promotes the best interest of OVEC and its programs and services. OVEC shall not use a "cost-plus-a-percentage-of-cost" method of contracting.

5. Contracts will be entered into by OVEC with only responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be made by OVEC for such matters as a contractor's integrity, record of past performance, financial and technical resources or accessibility to other necessary resources. OVEC may be required by federal grants to seek prior approval by the granting agency for purchases of an aggregate amount of \$5,000 or more in the event of receiving only one bid or proposal.
 6. OVEC shall follow the principles of cost analysis in the review and evaluation of proposals or bids to determine if the offeror meets the requirements of reasonableness, allocability, and allowability.
 7. OVEC shall for all purchases that exceed \$30,000 maintain procurement files that include the basis for contractor selection; justification for lack of competition when competitive bids or offers were not obtained; basis for award cost or price; and a system for contract administration so as to insure contractor conformance with the terms, conditions and specifications of the contract, and to ensure adequate and timely follow-up of all purchases.
 8. OVEC shall follow all laws of the Commonwealth of Kentucky requiring bidding of goods or services in excess of \$30,000.
- I. Conflict of Interest - The following conduct will be expected of all persons who are engaged in the award and administration of contracts supported by School Food Service Program Funds.
1. No employee, officer, or agent of the OVEC shall participate in selection or in the award or administration of a contract supported by Program funds if a conflict of interest, real or apparent, would be involved. Conflicts of interest arise when one of the following has a financial or other interest in the firm selected for the award:
 - a) OVEC employee, officer, or agent;
 - b) Any member of his/her immediate family;
 - c) His/her partner;
 - d) An organization that employs or is about to employ one of above.
 2. OVEC employees, officers, or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties to sub agreements.
 3. The purchase during the work day of any food or service from a contractor for individual use is prohibited.
 4. The removal of any food, supplies, equipment, or OVEC property such as records, recipe books, and the like is prohibited.
 5. The outside sale of such items as used oil, empty cans, and the like will be sold by contract between the OVEC and the outside agency. Individual sales by any OVEC employee to an outside agency or other person is prohibited.

Failure of any employee to abide by the above-stated code may result in disciplinary action, including but not limited to, a fine, suspension, or dismissal.

PURCHASING PROCEDURES

For the procurement of equipment, merchandise or services, the following documents and procedures will be used for all Cooperative purchases.

- A. Purchase Orders (See Appendix A)-A purchase order for goods and services must be completed for all purchases. The purchase order is a document used by Cooperative employees for the purchase of goods and services.
 - 1. The purchase order will be completed using an online software and e-signed by the person making the request. The purchase order is then forwarded to the Project Director for approval. After the Project Director has approved, the Executive Assistant will check the purchase order to ensure policies and procedures for purchasing are being followed. The purchase order will then be forwarded for approval by the Chief Financial Officer, then to the Chief Executive Officer for signature, and sent to Accounting for the purchase order to be transferred into the accounting software.
 - 2. A copy of the purchase order will be sent to the vendor.
 - 3. The Program will keep a copy of the purchase order until such time as the goods or services are received along with an original copy of the invoice.
- B. Receiving- The purchase order will be used to document that the goods and services have been received. When goods or services are received the Program Staff will forward the invoice or packing slip, initialed and dated showing receipt, to the Accounting office.
- C. Review – After the goods or services have been received, the packing list along with original invoice should be forwarded to Accounting. The Accounting/HR Specialists will attach the Accounting copy of the purchase order to the invoice and complete the check request section of the purchase order for payment. The Accounting/HR Specialists will verify that each invoice or packing slip contains an appropriate signature and date indication that the goods or services have been received. In addition, the Accounting/HR Specialists will verify that invoice amounts agree with the purchase order prior to payment.

Purchases involving the use of credit cards by employees

The Chief Executive Officer is the only authorized employee who may obtain a corporate credit card for use by employees under the conditions stated herein. The Chief Executive Officer shall select the corporate credit card that offers the Cooperative the best terms and conditions.

The sole purpose of a corporate credit card is for securing and paying of hotel room reservations from in-state and out-of-state hotels where such hotels will not honor a Purchase Order from the Cooperative; and securing or paying for airline reservations where a purchase order is not accepted by the airline. Approval may be granted for car rental, taxi fees, shuttle

fees, hotel parking and airport parking fees, when the situation warrants such a need. Use of a gasoline credit card(s) is limited to purchasing gasoline for OVEC-owned vehicles.

1. Authorization and Payment of Credit Card Expenses -The Chief Financial Officer must authorize in writing and in advance the use of the corporate credit card (see Appendix B). The Chief Financial Officer shall give prior written authorization to the employee for use of the credit card for payment for hotel room charges, excluding any meals or miscellaneous additional charges, and airline reservations. The Accounting/HR Specialists shall process the prompt payment of all authorized credit card charges so as to avoid any payment of interest and or penalties.
2. Notification- The Chief Financial Officer shall notify the Board of Directors of all request for payment of credit card charges and the purpose(s) of the expenses when said expenses appear on the Orders of Treasurer.
3. Abuse of Credit Card(s) -The Chief Executive Officer shall hold any staff member accountable for all expenses incurred from the unauthorized use of the Cooperative's Corporate Credit Card or gasoline card(s), including any interest or penalties charged by the credit card company. Any employee using the credit card(s) for purposes other than those authorized by this policy shall be accountable by the Chief Executive Officer for all expenses incurred from the use of the credit card. Additionally, the Chief Executive Officer shall take appropriate disciplinary action as necessary and authorized by the policies of the Cooperative. Use of the gasoline credit card for purchases of gasoline or other products and services for private vehicles shall be considered an abuse of the credit card privilege.

STANDARD INVOICE

The Cooperative uses a standard invoice system for the payment of utilities, payroll and insurance bills, travel reimbursement, contracts, subscriptions, and other instances where a vendor invoice is unavailable. The standard invoice system requires a Standard Invoice/Check Request form (See Appendix D) be prepared for every payment not purchased using a Purchase Order.

Any purchase other than those listed above must be made using the purchase order system, unless a vendor cannot be found who will accept Purchase Orders. In this instance an Authorization To Purchase Without a Purchase Order form (See Appendix C) must be completed by the person requesting the item and be approved by the Chief Financial Officer. This approved form must accompany the Standard Invoice to be approved by the Program Director and Chief Executive Officer. If these standard invoices are submitted without the written prior authorization, they will not be approved for payment.

To make a payment, it is necessary to complete a standard invoice giving the facts about the amount to be paid and showing proper coding of the expense. Standard invoices are to be approved only by duly authorized persons in the Cooperative.

There will be no personal reimbursement for purchases other than monthly travel expenses and phone expenses. Any exceptions must have prior written approval by the Chief Financial Officer.

The payment of standard invoices will be in accordance with the Cooperative's regular cash disbursement procedures. The Chief Financial Officer is responsible for designating which expenses will use the standard invoice for payments and which special situations warrant the use of the standard invoice versus Purchase Order.

CASH DISBURSEMENTS

The Accounting/HR Specialists are responsible for the preparation of checks for payment of all invoices and related payables for goods and services. The process of check preparation, which is primarily computer generated, involves the records of expenses to the various programs and operated by the Cooperative. The following procedures shall be followed:

- A. Vendor invoices, utility bills, telephone bills, contracts, leases, etc. along with completed purchase orders should be forwarded to Accounting. The Accounting/HR Specialists will prepare bills as follows:
 - 1. Utilities, telephone, payroll withholding etc. will be prepared using a Standard Invoice/Check Request form and will process for payment on the next payables run (check preparation).
 - 2. Vendor invoices etc., travel, and standard invoices submitted and received by Accounting on or before the last working day of the month will be paid on the day of the monthly board meeting (last Wednesday of the month), generally within thirty (30) days.
 - 3. Leases, etc. which are paid monthly will be prepared for payment as provided by the lease terms.
- B. The Accounting/HR Specialists or designated fiscal staff will verify that all bills are properly supported by documentation, properly approved, and properly coded by the Program Directors or designated persons. Bills not properly supported in accordance with the above will be sent back to the Program Directors. Bills properly supported will be entered into the computer for payment.
- C. The Accounting/HR Specialists or fiscal staff enters bills into the computer from appropriate documents.

Computer checks are generally written once a month on the third Wednesday of each month. Checks are printed by the computer and this process involves the posting of the expenses to the various programs and accounts. Consequently, various edits will be performed prior to the printing of the checks and the posting of the expenses. The Cooperative authorizes the Chief Financial Officer to issue checks on the depository bank for all legal claims under the following conditions:

- A. Following approval of the Orders of Treasurer (check register) by the Board at a regular or special meeting of the Board.

- B. Checks will also be released between meetings of the Board for:
 - 1. Payroll and payroll related expenses
 - 2. Payment to take advantage of discounts
 - 3. Payment to avoid penalties or disruption of services
 - 4. Partial payments to contractors on construction contracts previously approved by the Board
- C. The Board shall give subsequent approval for all disbursements made between Board meetings in accordance with this policy.

Check Signing – The following procedures apply to all check signing:

Check Signers for Accounts Payable checks will consist of:

- 1. The Chief Executive Officer and Chief Financial Officer. Checks are also signed with an automatic check-signing machine.
- 2. The two keys necessary for operation of the machine are kept in separate locations under supervision of the Chief Executive Officer and the Chief Financial Officer.
- 3. Check numbers of all signed checks are recorded sequentially in a log controlled by the Chief Financial Officer.

Signing blank checks is forbidden

Blank check stock will be locked in the Finance Department office to prevent unauthorized use.

Custody of checks after signature and before mailing will be controlled by the Chief Financial Officer who will supervise the mailing.

The vendor's invoice, purchase order and check request are filed in vendor number order in the regular paid invoice file.

PAYROLL

The Cooperative's "Personnel Handbook" contains the procedures and authority for all employee actions. These policies provide that the Chief Executive Officer is the authorized person for executing and signing personnel actions. The following procedures apply to all personnel actions:

- A. For new employees a "Recommendation for Employment" form (See Appendix G) is completed and signed by the Program Director. It is then forwarded to Accounting/HR

Coordinator and is verified and approved and forwarded to the Chief Executive Officer for final approval. The following will be done:

Accounting/HR Coordinator will prepare an Employee Personnel File with the necessary paperwork for orientation. The Accounting/HR Coordinator will also prepare a contract or probationary agreement following the constraints of the Recommendation for Employment.

Accounting/HR Coordinator will file the original and one copy of the "Recommendation for Employment" form in the employee's personnel file and maintain the files in the department.

- B. Program Directors upon receipt of an approved "Recommendation for Employment" form will contact the employee to set up an orientation appointment with the Accounting/HR Specialists.

The following personnel actions will be handled in the same manner (See Appendix G):

- A. Payroll Status Change Forms
- B. Notice of Termination
- C. The Accounting/HR Coordinators are responsible for conducting new employee orientation. As part of the orientation, the Accounting/HR Coordinator obtain the following which are kept in the employee's personnel file:
 - Corporal Punishment Form (Head Start only)
 - Drug Free Form
 - Criminal Records Check Releases
 - OVEC Personnel Handbook Acknowledgement Form
 - Kentucky Department for Employment Service – Form UI-414A
 - W-4
 - K-4

Employee Background file:

- Criminal Records Check Releases

Employee Medical files:

- Health Insurance Application
- Elective Benefits Form

Separate binder:

- Employment Eligibility Verification (I-9)

- D. The Accounting/HR Coordinator will use information contained in the employee's personnel file to set-up employee information in the computer's payroll system. Data entry of new employees and payroll changes to existing employees are calculated and checked by another Accounting employee for accuracy. Once the data is entered, the Accounting/HR Coordinator will maintain the original "Recommendation for Employment" form and contract alphabetically in a contract book in the Accounting department.
- E. The "Verification of Experience Form" is available in the onboarding documents to new employees.
- The new hire will send the form to the last employer(s). The completed form, along with the attached required documentation including job description, must be returned to the Human Resources office no later than two (2) months from start date. Any information received after that two (2) months time period will not be considered for purpose of calculating the compensation.
 - Past work experience will be recognized if the previous job responsibilities closely correlate to the job responsibilities contained in the OVEC job description. Information received will be reviewed by the Human Resources department for similarity of duties. A recommendation for awarding past experience for compensation will be made to the Chief Financial Officer.
 - Certain positions may require additional testing to support awarding past experience for similarity of duties.
 - Experience will be counted in increments of years and not half years. A year's experience would be granted if the employee worked 70% or more of the number of days of last full time position.
 - New hires will have their compensation calculated on zero (0) years experience until all the verification of experience has been reviewed by the Human Resources staff in the first two (2) months of employment. Any compensation increase based upon verification of experience will be retroactive back to the start date.
 - A maximum of ten (10) years verified non-OVEC experience will be accepted for persons not previously employed by OVEC.
 - New hires, previously employed by OVEC, who had resigned from OVEC or been terminated by OVEC due to the end of a grant, may be allowed to count all years of experience at OVEC if they return within six (6) months. If the individual has been away from OVEC longer than six (6) months, they may be able to count a maximum experience of ten (10) years.
- F. TRANSFERS:
- A current OVEC employee would be granted experience for compensation purposes if reassigned or transferred to another position within OVEC. If the OVEC employee

transfers or is reassigned due to a promotion, the employee may only receive experience adjusted at one-half (1/2) of current experience on the compensation schedule. This does not apply when a promotion is granted based upon education requirements.

The Cooperative's employees will be paid on a semi-monthly basis. Payroll checks for new employees not set up in the direct deposit system and direct deposit vouchers for all other employees are issued on the 15th and the last day of month. If payday occurs on a weekend, then they are issued the Friday before. If it occurs on a holiday the payroll checks and direct deposits are issued the day before. The following shall apply to the Cooperative's payroll procedures:

Time cards or Calendars (See Appendix G) – time cards and calendars, showing hours or days worked, approved by the supervisor and properly dated are required by all the Cooperative's employees. The following procedures apply to time cards:

1. Employees are responsible for submitting an accurately completed time card to their supervisor in Paychex.
2. The Program Director or Supervisor is responsible for the correctness of the time cards of his/her staff. Accordingly, time cards are reviewed by the Program Director or Supervisor and each time card is approved in Paychex indicating that the review has been performed.
3. The Executive Assistant shall receive employee time cards no later than 5 workdays from the end of the pay period to record time and attendance.

Payroll Checks/Direct Deposits and Register – During the processing of payroll checks, direct deposits and the various payroll registers, edits will be made prior to running payroll to assure that no errors have been made. The procedures for payroll checks and direct deposits are as follows:

1. Payroll check stubs can be viewed through the employee's Paychex account.
2. Time sheet hours and hours recorded on the stubs are compared for accuracy. These time sheets and stubs are maintained by pay date in Paychex.
3. A direct deposit file is created and transmitted electronically to the bank representative two days prior to payday for deposit into the employees' accounts on payday.

INDIRECT COST

The Cooperative has had an approved Indirect Cost Rate Agreement since 1991, which is negotiated every two years. The following procedures will be followed relative to indirect costs.

- A. Indirect Cost Proposal – Within six (6) months after the close of the fiscal year, the Cooperative shall submit a new Indirect Cost Proposal covering the new fiscal year to the cognizant federal agency. The following procedures will be followed:
1. Audited financial statements will be used to prepare the Indirect Cost Proposal.
 2. The Chief Executive Officer is responsible for the preparation of the Indirect Cost Proposal. As part of this process, the Chief Financial Officer will provide assistance.
 3. The Chief Executive Officer will approve the Indirect Cost Proposal and sign the certification related to lobbying activities. The Chief Executive Officer is the authorized person to negotiate an indirect cost rate with the cognizant federal agency.
- B. Indirect Costs – The Indirect Cost Rate Agreement identifies the salaries and expenses that are to be treated as indirect cost. These expenses (administrative costs) will be accounted for in a separate fund. In lieu of charging administrative cost direct to the various programs, the following procedures will be followed:

Monthly, the Chief Financial Officer will charge the various programs through the process of multiplying the indirect cost rate by the allowable direct cost (Direct Salaries and Wages).

The Chief Financial Officer will follow the additional procedures relative to programs sponsored by the federal funds.

- a) Monitor the administrative requirements to assure that administrative costs do not exceed the negotiated allowable rate and, if applicable, any other limitations, such as Head Start's 15% limitation of costs of development and administration.
- b) Monitor the budget to assure that funds are available for payment of the administrative costs.

CONSULTANT AND CONTRACT SERVICE

The Cooperative shall use formal contracts for all projects involving professional or technical services. The Chief Executive Officer must approve all professional and technical service.

Selection – Note: By law, a worker may be determined to be an employee even if he has willingly entered into a contract to work as an independent contractor. To be considered a contract employee, the individual must provide a service outside the normal realm of responsibility and the individual is not under direct control of the employer. Therefore, the following must be considered before contracting for professional or technical service:

1. Can in-house staff from any program provide the service?

2. Will this be a consultant position or an OVEC employee? To make this determination, the following must be answered:
 - a) Is the individual in business for himself and offers services to the public?
 - b) Is the service provided in the normal line of business for the client for whom the service is provided?
 - c) Does the individual possess a special skill or ability?
 - d) Are the services being provided for a limited time (a single job)? Is the individual being paid for by the job rather than by the hour?
3. Is the cost provided for in the program budget, and if applicable, an allowable program expense?
4. The qualifications of the consultant and the reasonableness of the fee.

Payment – Consultant services will be paid following cash disbursements guidelines and as specified in the contract.

Requirements of Contractors Doing Business with the Cooperative

Any contract between OVEC and a business or individual that calls for supplying OVEC with goods or services shall be governed in all respects as to validity, construction, capacity, performance, or otherwise by the laws of the Commonwealth of Kentucky.

All contractors providing goods or services to OVEC will assure OVEC they are conforming to the provisions of the Civil Rights Act of 1964 as amended. Further, contractors shall comply with the Executive Order 11246, entitled, "Equal Employment Opportunity," as amended by Labor regulations (41 CFR Part 60); the Copeland Act (18 U.S.C. 784 as supplemented in the Department of Labor regulation (29 CFR part 3).

Contractors shall comply with all applicable federal, state, and local laws and regulations pertaining to wages, hours, and conditions of employment. Included in this provision is the compliance of contractors with the Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et. Seq. And all applicable sections of the act of the Department of Labor's supplemental regulations (29 CFR parts 5 and 1926).

In connection with the contractor's performance of work under any contract of bid award offered by OVEC, the contractor(s) shall agree not to discriminate against any employee(s) or applicant(s) for employment because of race, age, religious creed, sex, national origin, or handicap.

Finally, contractors holding contracts from OVEC in excess of \$100,000 shall comply with all applicable standards, orders, or requirements issued under Section 306 of the Clean Air Act (42 U.S.C.) 187 [h], and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251 et. Seq.); and, Executive Order 11738 and Environmental Protection Agency (EPA) regulations (40

CFR Part 15), which prohibits the use of non-exempt federal contracts, grants, or loans of facilities included in the EPA list of violated facilities.

Contracts with OVEC shall include the provision granting OVEC employees the right to access to the contractor's records.

TRAVEL

USE OF CREDIT CARDS BY EMPLOYEES

The Chief Executive Officer is the only authorized employee who may obtain a corporate credit card for use by employees under the conditions stated herein. The Chief Executive Officer shall select the corporate credit card that offers the Cooperative the best terms and conditions.

Purposes

The sole purpose of a corporate credit card is for securing and paying of hotel room reservations from in-state and out-of-state hotels where such hotels will not honor a Purchase Order from the Cooperative; and securing and paying for airline reservations, baggage charges, shuttle charges, and cab charges where a purchase order is not accepted. Use of gasoline credit cards is limited to purchasing gasoline, oil and emergency related supplies for OVEC owned vehicles.

Authorization and Payment of Credit Card Expenses

The Chief Executive Officer must authorize in writing and in advance the use of the corporate credit card. The Chief Executive Officer and Chief Financial Officer shall authorize the employee use of the credit card for payment of hotel room charges, excluding any meals or miscellaneous additional charges, for airline reservations, for shuttles and cabs while on the trip, and payment for airline baggage charges.

To use an OVEC credit card, an employee must first get authorization to travel from their Supervisor by submitting a Training/Conference Travel Request form (See Appendix B). The Director then submits the request to the Chief Financial Officer for review. He will then forward it to the Chief Executive Officer for approval.

When airline reservations are made, online tickets that show the charges should be copied and the copy forwarded to the Accounting department. Upon return from the trip, all receipts from the hotel, shuttles, cabs and airline baggage charges must be forwarded to the Accounting department with a copy of the Director Level Request for Out-of-State Travel form. The Accounting department shall process the prompt payment of all authorized credit card charges so as to avoid any payment of interest and or penalties.

Notification

The Chief Financial Officer shall notify the Board of Directors of all requests for payment of credit card charges and the purpose(s) of the expenses when said expenses appear on the Orders of Treasurer.

Abuse of Credit Card(s)

The Chief Executive Officer shall hold any staff member accountable for all expenses incurred from the unauthorized use of the Cooperative's Corporate Credit Card or gasoline card(s), including any interest or penalties charged by the credit card company. Any employee using the credit card(s) for purposes other than those authorized by this procedure shall be accountable by the Chief Executive Officer for all expenses incurred from the use of the credit card. Additionally, the Chief Executive Officer shall take appropriate disciplinary action as necessary and authorized by the policies of the Cooperative. Use of the gasoline credit card for purchases of gasoline or other products and services for private vehicles shall be considered an abuse of the credit card privilege.

TRAVEL REIMBURSEMENT

Employees and other individuals representing the Cooperative are entitled to reimbursement for travel expense incurred during the course of trips made on official business for the Cooperative. In the instances that multiple employees are travelling to the same location for meetings/trainings, OVEC employees must carpool. Unless there is a pre-approved, business reason to drive separately, any employees not carpooling will not be reimbursed for the mileage to the meeting location. To be reimbursed for the travel expense, a Travel Voucher Form must be submitted within 30 days of completion of a trip, along with supporting documentation . See Appendix E for example of Travel Voucher. Travel Voucher forms should be obtained monthly by accessing the OVEC website as these forms are updated with the current mileage rate. Failure to use the current Travel Voucher form could result in delay of payment. If any employee of the Cooperative shall be required in the discharge of his official duties to travel from the place of his official workstation and the travel requires overnight stay, he shall be paid as reimbursement for subsistence and lodging deemed to have been incurred during such official travel, provided a "Request to Travel" form has been approved, the sum of the amounts stated below. For example, to be eligible for breakfast reimbursement, an employee shall leave at or before 6:00 a.m. and return at or after 9:00 a.m. **This requirement will apply to all meals. In all instances and in accordance with IRS rulings, reimbursement for meals shall be paid the employee only if an overnight stay was required. Employees must be traveling the entire time periods listed below:**

1. Subsistence (for overnight travel):
 - a. Breakfast -Authorized travel 6:00 a.m. through 9:00 a.m. \$8.00
 - b. Lunch -Authorized travel 11:00 a.m. through 2:00 p.m. \$12.00
 - c. Dinner -Authorized travel 5:00 p.m. through 8:00 p.m. \$26.00
 - d. Maximum per day substance for each day \$46.00
 - e. In lieu of above, any officer or employee who attends a conference or meeting sponsored by a non-OVEC organization where the cost of the meal is fixed, shall be entitled to reimbursement for actual charges where receipt is given.

- f. Receipts are not required for per diem allowances. Per diem allowances are reimbursed after the trip is completed.
2. Lodging:
- a. More than 16 hours, when lodging is necessary, upon submission of a preprinted receipt from a hotel, motel, or other place of public accommodation covering an overnight lodging at such place of accommodation during the period of absence, and which must be located at least 50 miles from his work station, place of domicile or usual residence. This provision may be waived by the Chief Executive Officer. Actual Cost

All claims for reimbursement of subsistence expenses in the amounts specified in these regulations shall be filed on an OVEC Travel Voucher. Since employee travel has a direct effect on project budgets, **Travel Vouchers should be submitted on a timely basis, preferably monthly. Travel Vouchers should be submitted no later than the 5th working day of the month following the month traveled.** Vouchers submitted later than this will not be recommended for payment. In the event of grant termination, failure to submit travel within this time frame could result in loss of reimbursement. The Chief Executive Officer can waive non-recommendations at his discretion. Also, all out-of-state travel must have prior approval from the Chief Executive Officer.

Personnel authorized for Official Travel

- Chief Executive Officer
- Consultants
- OVEC Board Members
- Cooperative Board Personnel
- Employees of the Ohio Valley Educational Cooperative
- Others approved by the Chief Executive Officer

Rate of reimbursement for use of personal automobiles for official travel shall be equivalent to the state travel policies and shall be determined by the circumstances below for employees of the Cooperative.

1. Employees will be reimbursed for mileage above and beyond their regular daily commute (driving a car between your home and your main or regular place or work). The sum of the mileage for which you are being reimbursed for in a day cannot be greater than the actual miles less your commute.
2. Employees who do not have a central work site and who work at more than one workplace in a day will be reimbursed for mileage from one workplace to the other. However, mileage from their home and their first workplace as well as mileage from their last workplace and their home is not reimbursable.
3. Cooperative owned vehicles should be used if available and car-pooling should be used in all circumstances.

4. OVEC employees that work a 185-day contract or less and substitute during the summer months will be reimbursed for mileage above and beyond their regular daily commute. Non-OVEC employees who substitute on an intermittent basis will be assigned a central work site. If a substitute is needed at a site other than their central work site, the substitute will be reimbursed mileage above and beyond their regular daily commute.

Exceptions to the above travel and expense policies may be made when agreed to by the Cooperative and an employee, and/or as provided for in contractual arrangements made with other Agencies.

CONTRIBUTIONS AND DONATIONS

The Cooperative will accept all contributions or donations, which can be used effectively in the operation of the Cooperative or its programs. These contributions or donations may be in cash or in-kind.

Cash Donations – The Chief Executive Officer and Program Directors are authorized to accept cash donations on behalf of the Cooperative or its programs. The following procedures shall be followed for all cash donations:

1. Notification shall be made to the Chief Financial Officer of plans to receive cash donations using the Request to Receive Donated Items/Funds form (Appendix F).
2. Cash donations designated for a specific purpose or program will be recorded clearly identifying its restriction and purpose.
3. Cash donations, which are unrestricted, will be deposited in the Cooperative's unrestricted fund.
4. All cash donations will be forwarded to the Chief Financial Officer for deposit and recording in accordance with the Cooperatives cash receipts procedures.

In-Kind Contributions – In-Kind contributions usually fall into the following categories: (a) Donated Services; (b) Supplies; (c) Loaned equipment or space; or (d) Donated equipment, building or land. The following procedures shall be followed for all in-kind donations.

1. Notification shall be made to the Chief Financial Officer of plans to receive cash donations using the Request to Receive Donated Items/Funds form (Appendix F).
2. Program Directors are responsible for collecting, recording, and summarizing in-kind contributions for their respective programs.
3. An in-kind contribution voucher will be prepared by the Program Director or designated person, and the voucher will be signed by the donor. The voucher will also be signed by the Program Director or employee, signifying approval.

4. Valuation of in-kind donation will be as follows:

Volunteer services will be based on rates consistent with that paid for similar work plus a reasonable amount for fringe benefits.

Supplies and materials will be valued based on market value at date of donations.

5. Should the Granting Agency require the market value or fair rental rate to be established by a certified real property appraiser, the Program Director should arrange and obtain such appraisals and retain copies for at least five (5) years.

NON-FEDERAL SHARE OR MATCHING

The Cooperative has Federal sponsored programs which require cost sharing and matching. In general, cost sharing and matching represent that portion of project or program costs not borne by the Federal Government. Cost sharing or matching may consist of:

- A. Charges incurred by the Cooperative as project costs.
- B. Project costs financed with cash contributed or donated to the Cooperative by other non-federal public agencies and institutions, private organizations, or individuals.
- C. Project costs represented by services and real and personal property, our use thereof, donated by other non-federal public agencies and institutions, private organizations, or individuals.

All contributions, both cash and in-kind, shall be accepted as part of the Cooperative cost sharing and matching when such contributions meet all of the following criteria:

- A. Are verifiable by the Cooperative's records.
- B. Are not included as contributions for any other federally-assisted program.
- C. Are necessary and reasonable for proper and efficient accomplishment of project objectives.
- D. Are types of charges that would be allowable under the applicable cost principles.
- E. Are not paid by the Federal Government under another assistance Agreement (unless the Agreement is authorized by Federal law to be used for cost sharing or matching.)
- F. Are provided for in approved budget when required by the federal agency.
- G. Are not provided by Cooperative's employees.

In-kind services will be valued in accordance with procedures on contribution and donations. In addition, the accounting for cost sharing and matching will be in accordance with procedures on contributions and donations.

Program Directors are responsible for cost sharing and matching requirements for their respective programs. Accordingly, cost sharing and matching requirements will be reviewed by Program Directors during the budgeting process and also as part of their review of cost reports.

The Chief Financial Officer will review cost sharing and matching as part of the budgeting, reporting, and closeout process for the Cooperative's programs.

FEDERAL GRANT – RELATED INCOME

Grant-related income refers to: (1) interest and other investment income earned on grant funds, and (2) program income.

Except where exempted by Federal Statute, the Cooperative shall remit to the Federal sponsoring agency any interest or other investment income earned on grant funds. The following procedures shall apply to interest and investment income.

- A. The Chief Financial Officer in consultation with the Program Director will develop a chart of accounts that will provide for separate accounts for recording interest and investment income earned.
- B. Unless the Cooperative received other remittance instructions from the sponsoring federal agency, the Chief Financial Officer through the Cooperative's disbursement procedures shall remit the amount due by check to the sponsoring Federal Agency.

Program income generally means gross income earned by the Cooperative from activities, part or all of the cost of which is either borne as a direct cost by a grant or counted as a direct cost towards meeting a cost-sharing or matching requirement of a grant.

- A. Examples of Program Income
 - Fees for services provided
 - Sales of products/commodities/assets
 - Usage of rental fees for space and equipment
 - Copyright or patent royalties
 - Publication sales
 - License fees or permits
- B. General program income will be retained by the Cooperative unless the grant permits alternate procedures, the income will be used for allowable costs of the project or program. If there is a cost-sharing or matching requirements, costs borne by the income may not count toward satisfying that requirement. Therefore, the maximum percentage of Federal participation is applied to the net amount determined by deducting the income from total allowable costs and third-party in-kind contributions. The income shall be used for current costs unless the granting agency authorized deferral to a later period.

The following procedures shall be used by the Cooperative when program income is generated by a federal sponsored project or program.

The Program Director is responsible for anticipating program income and negotiation with responsible Federal officials during the funding or refunding stage of the grant a method for the use of program income, which would benefit both the project and the Cooperative.

The Chief Financial Officer in consultation with the Program Director will develop a chart of accounts, which will provide for separate accounts for recording program income on the grant program.

Program income will be reported on the SF-272 in accordance with the SF-272 specific instructions by the Chief Financial Officer.

TAXES

Income Taxes – The Cooperative is exempt from income taxes under Section 115 of the Internal Revenue Code of 1986. However, the Cooperative may be subject to income tax if it has income from operation of a business enterprise not related to the purpose for which it received its exemption.

Sales and Use Taxes – The Cooperative is exempt from Kentucky Sales and Use Tax on property used for its exempt purpose.

State and County Property Taxes – The Cooperative is exempt from tangible and intangible property taxes on property used for its exempt purpose.

Federal Unemployment Taxes – The Cooperative is exempt from federal unemployment taxes as a result of it being exempt under Internal Revenue Code of 1986 Section 115.

The Cooperative is responsible for the following federal and state taxes:

Federal Withholding Tax – The Cooperative will withhold federal income taxes from employee's wages based on Form W-4 (Withholding Allowance Certificate) and applicable withholding tables. Taxes withheld will be deposited in an authorized institution or Federal Reserve Bank within three (3) days after they have been withheld.

Social Security and Medicare Taxes – The Cooperative will withhold Social Security and Medicare taxes from employee wages based on applicable rates prescribed by the Internal Revenue Service. Social Security and Medicare taxes withheld will be matched by the Cooperative and deposited in an authorized institution or Federal Reserve Bank within three (3) days after they were withheld.

State Income Taxes – The Cooperative will withhold state income taxes from employee's wages based on withholding allowance certificates and applicable withholding tables. Taxes withheld will be remitted to the states based on their requirements.

State Unemployment Taxes – The Cooperative is responsible for unemployment taxes, which are based on employee earnings, multiplied by an assigned rate. Unemployment taxes will be paid quarterly to the appropriate state unemployment commission.

Paychex is responsible for preparing all payroll tax reports for the Cooperative. Paychex is also responsible for preparing all payments for payroll taxes.

The Chief Financial Officer will review all payroll tax reports.

TELEPHONE

The Cooperative's telephones have been installed based on need and for the benefit of its programs. Each telephone is assigned to a particular program and should be used only to conduct business related to that program. Program Directors are responsible for their telephones and should annually review their needs. The following procedures relate to Cooperative's telephones:

- A. Security codes have been installed to assure that programs are properly charged and to ensure that programs are not charged for unauthorized calls. These security codes are confidential.
- B. Collect calls are prohibited except for calls from known staff members.
- C. Personal Calls – Because personal calls may tie up the lines and delay important business matters, personal calls should be limited to cases of real need or emergency.
- D. Long Distance – The following procedures should be followed for all long distance calls:
 - 1. Do not make person-to-person calls without specific approval from the Chief Executive Officer or a Program Director.
 - 2. Direct distance dialing should be used and operator-assisted calls should be avoided.
 - 3. Keep telephone calls to necessary minimum.
- E. Telephone Bills –The following procedures will be used for monthly telephone bills:

Questionable telephone calls and charges will be routed to the respective program directors for their review.

- a) Charges which appear to be in error or incorrect should be resolved with the telephone company. Any unresolved discrepancy should be reported to the Chief Executive Officer.
- b) Bills, which have been approved for payment and properly coded, will be routed to the Accounting/HR Specialists for payment.

Telephone bills will be paid in accordance with the Cooperative's disbursements procedures.

- F. Any additional features such as *69 and call return should not be used.

BONDING AND INSURANCE

The Cooperative will maintain adequate insurance to attempt to protect itself against possible claims or damages resulting from fire and theft, property damage, personal injury, and liability.

Insurance Policies – The Chief Financial Officer will maintain an insurance file, which contains all of the insurance policies maintained by the Cooperative.

Adequacy of Insurance – Annually the Chief Executive Officer and Chief Financial Officer will review the adequacy of coverage before renewal.

Types of Insurance – The Cooperative will maintain insurance coverage in the following general areas, subject to budgetary limitations and other considerations:

Fire and Theft – The Cooperative will provide fire and theft coverage for all property and equipment at all locations.

General Liability – The Cooperative will provide commercial general liability insurance and excess liability coverage to protect against personal injury and property damage. The insurance will provide for reasonable amounts of coverage for Head Start students resulting from accidents on Cooperative property or transportation to and from their homes.

Errors and Omissions – The Cooperative will provide errors and omissions insurance to provide for all losses due to a wrongful act.

Automobile Liability – The Cooperative will provide insurance protection for all owned automobiles to include the following coverage: (a) comprehensive; (b) collision; (c) liability; (d) medical and bodily injury; and (e) uninsured motorist.

Fidelity Bond – The Cooperative will maintain a fidelity bond to protect against employee dishonesty.

Workmen's Compensation – Workmen's Compensation insurance will be provided to all employees in the amount of statutory limits.

Covers 14-year-old moms in Head Start program.

Private Insurance – In addition to the insurance carried by the Cooperative, every employee who uses his or her personal car for any purpose related to his or her position with the Cooperative must have liability insurance coverage as required by Kentucky Statute.

PETTY CASH

Program Directors may be authorized with approval by the Chief Executive Officer to establish a petty cash fund, as they deem necessary; however, the following procedures will be followed:

A. The petty cash fund cannot exceed \$150.00.

- B. Responsibility for the fund will be assigned to only one person.
- C. Petty Cash fund will be maintained on an imprest basis.
- D. Disbursements cannot exceed \$25.00 for any item or purpose.
- E. Disbursements must be supported by an invoice or other supporting documentation.
- F. Cashing accommodation checks for employees are discouraged.
- G. Reimbursements to petty cash funds should be as follows:
 - 1. When expenditures exceed approximately 70% of the total petty cash fund, the petty cash custodian will total disbursements by program and account classification, and submit a check request with all receipts attached for reimbursement.
 - 2. Petty cash fund reimbursement checks will be made payable to the petty cash.
- H. The Chief Financial Officer is also authorized to conduct surprise counts of petty cash funds and report any problems to the Chief Executive Officer.

LOANS

Restricted funds such as federal and state grants, endowment, and donor restricted funds cannot be used for purposes other than the purpose for which they were designated. Consequently, restricted funds cannot be loaned to other programs within the fund. It is the combined responsibility of the Chief Executive Officer, Chief Financial Officer, and Program Directors to monitor restricted funds to assure that violations do not occur.

Unrestricted funds represent resources over which the Board of Directors has discretionary control and are used to carry our operation of the Agency in accordance with its bylaws.

RETENTION AND ACCESS REQUIREMENTS FOR RECORDS

Each program or department is responsible for their own records and files. The following applies to all financial and programmatic records, supporting documents, statistical records and other records, which are:

- A. Required to be maintained by the terms of a grant or contract.
- B. Required to be maintained by the Internal Revenue Code or other Federal regulations.
- C. Required to be maintained by the commonwealth of Kentucky Statutes or other Kentucky regulations.

The following retention periods will be used by the Cooperative:

- A. Records shall be retained five (5) years from the date the Cooperative's fiscal year ends which is on the last day of June, except as follows:

If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 5-year period, the records shall be retained until completion of the action and resolutions of all issues which arise from it, or until the end of the regular 5 year period, whichever is later.

If a grantor retention period is for longer than a 5-year retention period, the records that pertain to that grantor will be retained for the longer period.

The retention period for equipment records, where the equipment was purchased in whole or in part with Federal funds, will be three (3) years and the retention period will begin on the date of the equipment's disposition, replacement or transfer at the direction of the awarding party.

The retention period for income transactions on Federal sponsored programs will be three (3) years and will begin at the end of the Cooperative fiscal year in which the income was applied to reduce the allowable cost to the program.

Indirect cost rate proposal retention period is three (3) years and will begin on date of such submission.

Copies made by microfilming, photocopying, or similar methods may be substituted for the original records.

Access to any Federal sponsored programs will be as follows:

1. The Federal sponsoring agency and the Comptroller General of the United States, or any other authorized representatives, shall have the right of access to any books, documents, papers or other records of the Cooperative, which are pertinent to the sponsored program, in order to make an audit, examination, excerpts, and transcripts.
2. Access will not be limited to the required retention period but shall last as long as the records are retained.

Access by the Internal Revenue Service and the Commonwealth of Kentucky regulators will be in accordance with the applicable laws and regulations.

Access to all non-federal grants will be in accordance with contract or grant terms.

Access by the general public in accordance with Chapter 65 and 424 of the Kentucky revised Statutes.

The Chief Executive Officer in coordination with the Chief Financial Officer will designate and coordinate the storage of all Cooperative records.

The Chief Executive Officer in coordination with the Chief Financial Officer and, if appropriate, Program Director will direct and provide access to any Cooperative records.

COMMITTEES AND BOARD EXPENSES

The Cooperative By-Laws provide that the Directors of the Cooperative shall serve as such without compensation, except that the Board may utilize reimbursement of reasonable expenses incurred by the Directors in performance of their duties. The Head Start Policy Council serves without compensation and for all intents and purposes are treated the same as Directors. Travel expenses incurred by Directors and the Head Start Policy Council will be reimbursed in accordance with the Cooperative's travel procedures.

CLOSE-OUT OF GRANTS OR PROGRAMS

Each grant or program shall be closed out as promptly as is feasible after expiration or termination. In closing out grants or programs, the following procedures shall be observed:

- A. Request for payment should be filed for any allowable reimbursable costs not covered by previous payments.
- B. The Cooperative will immediately refund or otherwise dispose of, in accordance with instruction from grantor, any unobligated balance or cash advanced.
- C. The Cooperative will submit, within ninety (90) days of the date of the expiration or termination, all financial, performance, and other reports required by the terms of the grant.
- D. The Cooperative shall make a settlement for any upward or downward adjustment of the Federal share of costs, to the extent called for by the terms of the grant.

Close-out will require the combined effort of the Program Director and the Chief Financial Officer. Reports should be prepared and approved in accordance with the Cooperative's financial reporting requirements.

BANK RECONCILIATIONS

The bank accounts of the Cooperative will be reconciled promptly after the end of each month. The following procedures will be used:

- A. One member of the Accounting/HR staff is the person designated to prepare all bank reconciliations.
- B. The Chief Financial Officer receives all bank statements (with canceled checks, debit and credit advices, etc.) unopened from the bank.

- C. The reconciliation procedures for all bank accounts include the following with respect to disbursements:
1. Accounts for the sequence of check numbers.
 2. Examination of canceled checks on a test basis for authorized signatures.
 3. Examination of canceled checks on a test basis for irregular endorsements.
 4. Examination of canceled checks on a test basis for alterations.
 5. Comparison of canceled checks with the check register (payable checks and payroll checks) as to number, date, payee, and amount.
 6. The completed bank reconciliation and supporting documentation is filed in a binder in chronological order and returned to the Chief Financial Officer.
- D. The Chief Financial Officer reviews and signs completed bank reconciliations and returns them to the Accounting/HR office for secure storage.

OCCUPANCY

The Agency's procedures for occupancy costs are as follows:

1. If the Cooperative rents facilities used for a program, documentation will be obtained to show that charges are reasonable.
2. If the Cooperative is using occupancy costs as Non-Federal share, values will be calculated as follows:
3. If the Cooperative does not own the building and rental costs are being contributed, documentation will be obtained to show that charges are reasonable.
4. All contracts or agreements will be legally sound and will be in the best interest of the Cooperative.

If the renovations are included under the grant, such renovation will qualify as renovation and not construction and will be charged in accordance with the cost principles and if appropriate, regulatory guidance.

APPENDICES

Appendix A

Attached are copies of the forms mentioned in these Financial Procedures. Below is a summary of the information necessary for each form to be considered correctly and completely filled out:

PURCHASE ORDERS

1. Vendor name
2. Complete address if there is no vendor number for the company on the vendor list
3. Ship to information
4. Per-item cost information
5. Complete description (NOTE: if getting food items, pizzas, catering, etc. you **must** list the reason for food, such as what type of meeting or training, **and** the date of the meeting or training; if going to a conference, list the type of conference and the dates of the conference, if getting incentive items note type of incentive)
6. Grand total information
7. Model procurement KRS.45A box has purchase type selected
8. FOR OVEC OFFICE USE ONLY box has Program name, program account, grant, and LED numbers for all accounts, grants, or LED's included, and the PO amount is filled in, for each line item (or the total is shown if there is only one-line item)
9. The PO is signed and approved by the program director and Chief Executive Officer.

INVOICES

(See page 16 of the Financial Procedures manual for allowable uses of the Standard Invoice and the authorizations needed)

Authorization to Purchase without Purchase Order (when applicable)

- a. (Employee Name) Enter name of employee requesting permission to make the purchase.
- b. (Product/Service Purchasing) Enter the item or service you need.
- c. Vendor Number-Enter Vendor number.
- d. Give a detailed reason for needing to use a Standard Invoice versus a Purchase Order.
- e. Forward completed form to the Chief Financial Officer for approval. Once approved form is returned, complete invoice as follows.

Vendor number, and date at top of form

Vendor name, social security number, and address completed

Complete description of reason for invoice, i.e. meeting, training, stipend, etc. NOTE: these descriptions need to be complete in that the meeting/training date **and** meeting type should be listed, and if the invoice is for some type of reimbursement or payment other than there **must** be supporting documentation such as receipts attached.

The TOTAL DUE box is filled in.

The FOR OVEC OFFICE USE ONLY box should be completed by the Program Support staff as follows: the Program name, account number, grant number, LED and amount to be paid should be entered in the lines under the appropriate columns. If the total is broken down

into different accounts/grant numbers, please show the total under the individual figures to cross check that the breakdown balances with the TOTAL DUE amount.

Complete the Invoice # line. If the Check Request is for an outside company and the invoice attached has an invoice number, that is the number that goes into this line, as it will enable the company to cross-reference the check with the amount due to them. If there is no invoice number to reference, use the following: 'Vendor number-month/year the expense occurred'. For example, if you turn in a standard invoice/check request form for reimbursement to you of phone expense incurred in March of this year and your vendor number is 1111, then the invoice number is 1111-0301.

Complete the invoice date. Again, if there is an outside invoice that has an invoice date on it, then that is the date to use, otherwise use the date at the top of the Standard Invoice/Check Request form.

If at all possible, the person seeking the funds should be the one to sign at the "Signed" line. The Director approves at the first Approved for Payment line and the Chief Executive Officer gives final approval signing on the CEO line. The Directors and Chief Executive Officer should only approve the Standard Invoice after determining if the Authorization to Purchase Without Purchase Order form was needed and, if needed, the approved form is attached to the Standard Invoice.

The above will insure that we maintain the most complete records possible. If you have any questions, please contact the Accounting office.