

# **BILLING/ INVOICING/ REIMBURSEMENT REQUEST POLICIES**

## **Overview of Billing/Invoicing**

The Agency's primary sources of revenue is listed in the REVENUE RECOGNITION section of this manual. Depending on the type of revenue source, the Agency may generate a bill or invoice, including a request for reimbursement.

## **Responsibilities for Billing/Invoicing Request for Reimbursement and Collection**

Eastern Action's Finance Department is responsible for the invoicing of funding sources and the collection of outstanding receivables. Also see CREDITS AND OTHER ADJUSTMENTS TO ACCOUNTS RECEIVABLE section of this manual.

## **Billing/Invoicing Request for Reimbursement and Advance and Financial Reporting**

Eastern Action strives to provide management, staff, and funding sources with timely and accurate financial reports applicable to federal awards. These reports include monthly and cumulative expenditures, a project budget, and a balance remaining column. Also see FINANCIAL STATEMENTS section of this manual.

Eastern Action will prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports will be the responsibility of Staff Accountant, subject to review and approval by Controller.

The following policies will apply to the preparation and submission of billings/invoices requests for reimbursement and advances to funding agencies under awards made to Eastern Action:

1. The Agency will request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. Eastern Action will strive to minimize the time between receipt of advances of federal funds and disbursement of grant funds. Also see CASH DRAWDOWNS OF ADVANCES OF FEDERAL AWARDS section of this manual.
3. Each award normally specifies a particular billing cycle. Therefore, a schedule is established for each grant and contract to ensure that billings/invoices request for reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
4. Billings/invoices Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice/reimbursement amounts.
5. All financial reports required by each federal award will be prepared and filed on a timely basis. To the extent Eastern Action's year-end audit results in adjustments to amounts previously reported to funding agencies, revised reports will be prepared and filed in accordance with the terms of each award.

Eastern Action will maintain separate invoicing/billing request for reimbursement records in addition to the official general ledger accounting records. These records will be reconciled to the general ledger on a monthly basis.

At the time invoices/billings requests for reimbursement are prepared, revenue and accounts receivable will be recorded in the accounting records of Eastern Action by the Staff Accountant.

If an award authorizes the payment of cash advances to Eastern Action, the Controller may require that a request for such an advance be made. See the Agency's REVENUE RECOGNITION policies elsewhere in this manual.

Also see CASH DRAWDOWNS OF ADVANCES OF FEDERAL FUNDS section of this manual.

## **RECEIPTS**

### **Overview of Receipts**

The receipts section includes policies and procedures for the receipt of cash, checks, direct deposit, and credit/debit card payments.

### **Processing of Funds Received**

The following procedures will be followed:

- Receipts are processed in a central location, rather than at remote sites, to ensure that receipts are appropriately directed, recorded, and deposited on a timely basis.
- Mail is opened and a listing of cash/checks received will be prepared in an open area, in the presence of other employees.
- The individual preparing the daily list of receipts will be someone that is not involved in the accounts receivable or accounts payable process.
- A deposit slip is prepared from the cash/checks received and compared to the daily receipts listing for discrepancies.
- Deposits are prepared and taken to the bank by an individual other than the employee who prepared the daily receipts listing.

Electronic transfers of funds are processed as follows:

- The Controller notifies the Staff Accountant when funds are received via an electronic transfer or other electronic deposit.
- The Staff Accountant matches the deposit and remittance information to the corresponding receivable recorded in the accounting system.
- The Staff Accountant records the receipt of funds to the receivable in the general ledger and appropriate subledger.

### **Endorsement of Checks**

All checks received that are payable to the Agency will immediately be restrictively endorsed by the individual who prepares the daily receipts listing. The restrictive endorsement will be a stamp that includes the following information:

1. For Deposit Only
2. Eastern WV CAA



### **Timeliness of Bank Deposits**

Bank deposits will be made on a daily basis, unless the total amount received for deposit is less than \$500. In no event will deposits be made less frequently than weekly. Undeposited checks and cash will be stored in a secure area until deposited. Such cash will not be used as petty cash or to make change.

### **Online Receipts**

Eastern Action accepts credit card payments via Paypal. Individual Eastern Action departments may not use or negotiate individual contracts with these or other payment card companies or processors.

When clients or donors wish to make payment via credit or debit card, they will be directed to the Agency's website to make payment. Also see ONLINE CONTRIBUTIONS section of this manual.

### **Reconciliation of Cash and Check Deposits**

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

## **RECEIVABLE MANAGEMENT**

### **Grants Receivable Management**

Accounts receivable consists of Program fees and other non-grant related activities.

Grants receivable represent amounts that have been billed under agency contracts but not collected as of the date of the financial statements. All grants receivable represents amounts owed by federal, state and local government agencies.

Eastern Action may charge interest on balances that are past due.

Eastern Action records receivable and revenue as earned in accordance with the REVENUE RECOGNITION policies elsewhere in this manual. The Controller is responsible for monitoring budget-to-actual program expenditures throughout the grant year and will meet monthly with Program Managers to discuss grant financial results.

### **Accounts Receivable Management**

On a monthly basis, the Finance Department will reconcile a detailed accounts receivable report (showing aged, outstanding invoices by customer) to the general ledger. The Controller will review the reconciliation and ensure that all differences are immediately investigated and resolved.

### **Credits and Other Adjustments to Receivables**

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

### **Direct Write-off Method of Bad Debt**

Eastern Action uses the direct write-off method for bad debts. The Agency has determined that the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

### **Receivable Write-Off Authorization Procedures**

All available means of collecting receivables will be exhausted before write-off procedures are initiated. Write-offs are initiated by the department associated with the amount to be written off, in conjunction with the Accounting Department. If a receivable is deemed uncollectible, the following approvals are required before the write-off is processed:

<b><u>Amount</u></b>	<b><u>Authorized in writing by</u></b>
Less than \$1,500	Controller
\$1,500 or more	Chief Executive Officer

If write-off procedures have been initiated and approved, the receivable amount will be written off recorded to bad debt expenses. If the agency uses the specific charge-off method, the amount will be posted to bad debt expense after management determines the amount is not collectible and the write-off is approved.

After a write-off has been processed, appropriate individuals in the originating department will be advised to ensure that further credit is not granted and the master list of bad accounts is updated. Customers listed as poor credit risks will be extended future credit only if the back debt is paid and the customer is no longer deemed a collection problem.



## **POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS**

### **PROCUREMENT POLICIES AND PROCEDURES**

Please see the Procurement Policy of the organization which is a separate document attached as Appendix 3.

# SUBAWARD MANAGEMENT

## Making Subawards

From time to time, Eastern Action may find it practical to make subawards of federal funds to other organizations. In general, Eastern Action does not make subawards. All subawards will be subject to the CODE OF CONDUCT policies described in the PURCHASING POLICIES AND PROCEDURES section. In addition, all subrecipients must be approved in writing by the federal awarding agency and agree to the subrecipient monitoring provisions described in the next section.

Eastern Action is required to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward to determine the appropriate monitoring. Evaluations may include such factors as: (*2 CFR Part 200.332(b)*)

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel, or new or substantially changed systems; and
- The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

In addition, Eastern Action will obtain the following documents from all new subrecipients:

1. Articles of Incorporation
2. Bylaws or other governing documents
3. Determination letter from the IRS (recognizing the subrecipient as exempt from income taxes under IRC section 501(c)(3))
4. Last three years' Forms 990 or 990-EZ, including all supporting schedules and attachments (also Form 990-T, if applicable)
5. Copies of the last three years' audit reports and management letters received from subrecipient's independent auditor (including all reports associated with audits performed in accordance with 2 CFR Part 200 Subpart F, if applicable)
6. Copy of the most recent internally prepared financial statements and current budget
7. Copies of reports of government agencies (Inspector General, state or local government auditors, etc.) resulting from audits, examinations, or monitoring procedures performed in the last three years
8. Other information deemed important for evaluation by the organization.

Eastern Action will ensure that every subaward is clearly identified to the subrecipient as a subaward and include the following data elements at the time of the subaward and if any of the data elements change, including changes in subsequent subaward modifications. When some of this information is not available, Eastern Action will provide the best information available to describe the federal award and subaward. The following required information will be provided to all subrecipients:

1. Federal Award Identification.
  - a. Subrecipient name (which must match the name associated with its unique entity identifier);



- b. Subrecipient's unique entity identifier (DUNS)
  - c. Federal Award Identification Number (FAIN);
  - d. Federal Award Date;
  - e. Subaward Period of Performance Start and End Date;
  - f. Amount of federal funds obligated by this action;
  - g. Total Amount of federal funds obligated to the subrecipient;
  - h. Total Amount of the federal award;
  - i. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
  - j. Name of federal awarding agency, pass-through entity, and contact information for awarding official;
  - k. Assistance Listing Number (CFDA) and Name. Eastern Action must identify the dollar amount made available under each federal award and the Assistance Listing Number(CFDA) at time of disbursement;
  - l. Identification of whether the award is research and development (R & D); and
  - m. Indirect cost rate for the federal award (including if the de minimis rate is charged per 2 CFR Part 200.414 Indirect (F&A) costs).
2. All requirements imposed by Eastern Action on the subrecipient so that the federal award is used in accordance with federal statutes, regulations and the terms and conditions of the federal award.
  3. Any additional requirements that Eastern Action imposes on the subrecipient in order for Eastern Action to meet its own responsibility to the federal awarding agency including identification of any required financial and performance reports.
  4. Identify acceptance of the subrecipient's approved indirect cost rate negotiated between the subrecipient and its cognizant agency. If no such rate exists, the Agency will include information on how the subrecipient can negotiate a rate between Eastern Action and the subrecipient (in compliance with the grant regulations), or request the subrecipient to disclose its election to use the de minimis indirect cost rate, as defined in 2 CFR Part 200.414(f) Indirect Costs.

If the subrecipient elects to use a direct cost allocation method to account for its entity-wide costs in accordance with 2 CFR Part 200.405(d), the Agency will document this method of allocation in the subaward agreement.

5. A requirement that the subrecipient permit Eastern Action and auditors to have access to the subrecipient's records and financial statements as necessary for Eastern Action to meet the monitoring requirements of 2 CFR Part 200.
6. Appropriate terms and conditions concerning closeout of the subaward.
7. Subawards require that subrecipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.
8. Subawards require that subrecipients submit financial and program reports to Eastern Action on a basis no less frequently than monthly.

### **Monitoring of Subrecipients**

When Eastern Action utilizes federal funds to make subawards to subrecipients, Eastern Action is subject to a requirement to monitor each subrecipient in order to provide reasonable assurance that subrecipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program. Monitoring terms and conditions will be included in the grant agreement with the subrecipient.



# **POLITICAL INTERVENTION**

## **Prohibited Expenditures**

Consistent with its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, Eastern Action will not incur any expenditure for political intervention. For purposes of this policy, political intervention will be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the federal, state, or local level. Examples of prohibited political expenditures include, but are not limited to, the following:

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

## **Endorsements of Candidates**

Eastern Action will not endorse any candidates for public office in any manner, or otherwise make statements that support or oppose a candidate or a political party, either verbally or in writing. This policy extends to the actions of management, the Board of Directors, volunteers, and other representatives or agents of Eastern Action, when these individuals are acting on behalf of, or are otherwise representing, the Agency.

## **Individual vs. Organization Activities**

The preceding policies prohibiting acts of political intervention apply to the Agency and to individuals acting on behalf of the Agency. They do not apply to the personal lives of employees and volunteers of the Agency, who have the right to support or oppose political candidates and parties as individuals. Employees and volunteers of Eastern Action who engage in political activities outside the scope of their employment with or service to the Agency will at all times be mindful of maintaining a clear distinction between personal activities and those which can be attributed to the Agency.

## **Prohibited Use of Organization Assets and Resources**

No assets or personnel of the Agency will be utilized for political activities, as defined above. This prohibition extends to the use of Agency assets or personnel in support of political activities that are engaged in personally by Board members, members of management, employees, or any other representatives of Eastern Action. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing the Agency), these individuals must at all times be aware that Agency resources (including computers and email systems) cannot at any time be utilized in support of political activities.

# LOBBYING

## Overview of Lobbying

Unlike political intervention, described in the preceding section, expenditures by a section 501(c)(3) public charity for lobbying activities are allowable under the Internal Revenue Code. However, no lobbying expenditures may be charged directly or indirectly to any federal award (i.e., the Agency must have a non-federal source of funds to which such lobbying costs can be charged).

## Definition of Lobbying Activities

Lobbying activities conducted by the Agency may be either direct or indirect. Direct lobbying activities consist of attempts to influence legislation through communication with any member or employee of a legislative body (federal, state, or local levels) or, if the principal purpose of the communication is lobbying, with any government official or employee who may participate in the formulation of the legislation. Direct lobbying occurs when employees of the Agency or paid lobbyists communicate directly in attempts to influence legislation. Lobbying is distinguishable from advocacy activities, which involve efforts to advocate certain positions which may have legislative implications, as long as a nonpartisan analysis of the relevant facts is performed.

Lobbying occurs only when there is a specific piece of legislation or legislative proposal pending that the Agency is attempting to influence. Therefore, lobbying is considered to have taken place only if both of the following elements are present:

1. The communication refers to specific legislation (legislation that has been introduced or a specific legislative proposal that the Agency supports or opposes), and
2. The communication reflects a view on the legislation (supporting or opposing it).

Indirect lobbying involves communications with the general public (rather than directly with legislators, etc.) where the communication includes the same two preceding characteristics, plus it encourages the recipient of the communication to take action with respect to the specific legislation (by contacting legislators, etc.).

## Segregation of Lobbying Expenditures

Lobbying expenditures are allowable for charities under the Internal Revenue Code. However, lobbying may not represent a substantial portion of the Agency's overall activities. The Agency's tax exemption would be at risk if lobbying becomes a substantial portion of the Agency's activities. Currently, as of 2021, Eastern Action does not perform any lobbying activities.

Accordingly, Eastern Action would segregate all direct and indirect lobbying expenditures in a separate section of the chart of accounts in the general ledger [identified within a separate project code, function code]. Where appropriate, lobbying expenditures will also be allocated their fair and reasonable share of employee benefits and other allocated costs in accordance with COST ALLOCATION PLAN POLICY found elsewhere in this manual.

## Lobbying Election



As a public charity, the Agency has two options with respect to the Internal Revenue Code's restriction against lobbying being a "substantial" portion of its activities.

- One option is to make a formal lobbying election, which results in the Agency following a specific mathematical formula to determine its lobbying limitations. Exceeding the limitation would result in an excise tax assessed to the Agency. Exceeding the limitation by 50 percent- (50%) or more over a four-year period would result in loss of the Agency's overall tax exemption.
- The other option is to not make the election, resulting in an entirely judgmental assessment of its lobbying activities by the IRS. If it is deemed by the IRS to have engaged in substantial lobbying for any period, the Agency would lose its overall tax exemption under this option.

If Eastern Action incurs lobbying expense, it will complete Schedule C of the Form 990. Additional forms may need to be completed depending on the Agency's election to be subject to the lobbying expenditure limitations of Internal Revenue Code section 501(h).

# CHARGING COSTS TO FEDERAL AWARDS

## Overview of Charging Costs to Federal Awards

Eastern Action charges costs that are reasonable, allowable, and allocable to a federal award directly or indirectly. All unallowable award costs will be appropriately segregated from allowable award costs in the general ledger in order to assure that unallowable award costs are not charged to federal awards.

## Criteria for Allowability of Costs

In accordance with Subpart E-Cost Principles, terms and conditions of the federal award, (2 CFR 200.302(b)(7), and 2 CFR 200.403(c)), Eastern Action's written procedures to determine allowability of costs will include the following:

All costs must meet the following criteria from 2 CFR Part 200.402 – 406, Basic Considerations, in order to be treated as allowable direct or indirect costs under a federal award:

1. The cost must be "reasonable" for the performance of the award, considering the following factors:
  - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the Agency or the performance of the award.
  - b. Restraints imposed by such factors as generally accepted sound business practices, arm's length bargaining, federal and state laws and regulations, and the terms and conditions of the award.
  - c. Whether the individuals concerned acted with prudence in the circumstances.
  - d. Consistency with established policies and procedures of the Agency, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be "allocable" to an award by meeting one of the following criteria:
  - a. The cost is incurred specifically for a federal award,
  - b. The cost benefits both the federal award and other work and can be distributed in reasonable proportion to the benefits received, or
  - c. The cost is necessary to the overall operation of the Agency, except where a direct relationship to any particular program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions of 2 CFR Part 200, Subpart E-Cost Principles, or the federal award itself.
4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of the Agency.
5. Costs must be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles (GAAP).
7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.



8. The cost must be adequately documented.

### **Cost Allocation Plan Policy**

Eastern Action prepares and maintains a Cost Allocation Plan to document its method and process to fairly and equitably allocate direct, shared or joint, and indirect costs to the programs and activities benefiting from the cost. Any organization with which Eastern Action maintains a fiscal agent relationship may create its own Cost Allocation Plan.

All costs of Eastern Action will comply with this plan, regardless of the amount of federal funding received for each award.

This plan is reviewed annually, at a minimum, and updated as necessary. A finalized approved copy of the plan can be found on the Shared Drive under the Cost Allocation Plan folder.; is as follows: added as appendix 4.

### **Direct Costs**

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a program or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy (2 CFR Part 200.413(a)). Eastern Action identifies and charges these costs exclusively to each award or program.

Each requisition, purchase order, invoice will be coded with the appropriate Distribution Code reflecting which program received direct benefit from the expenditure. Requisitions, Purchase orders are reviewed and approved in accordance with the Agency's PROCUREMENT THRESHOLDS AND AUTHORIZATION LIMITS chart found in the procurement policy. Invoices are approved by the appropriate Program Manager and reviewed by the Controller and/or CEO prior to payment.

Time sheets are submitted on a regular basis, reflecting employees' work and which programs, services, Distribution Codes directly benefited from their effort. Time sheets will serve as the basis for charging salaries directly to programs, services, federal awards and nonfederal functions. See the PAYROLL section of this manual for detailed procedures.

Equipment purchased for exclusive use on a federal award and reimbursed by a federal agency will be accounted for as a direct cost of that award (i.e., such equipment will not be capitalized and depreciated for grant purposes but will be capitalized and depreciated at year-end for financial statement purposes) after obtaining prior written approval from the funder. Also see CAPITAL ASSETS section of this manual.

Eastern Action does not have indirect costs as all costs are directly charged to programs and activities in accordance with its cost allocation plan. See the COST ALLOCATION PLAN POLICY section of this manual.

## **Shared Costs**

Shared costs are those that have been incurred for some, but not all, programs or objectives and are not easily identifiable with a particular grant or programs but are necessary to the operation of these grants or programs. Shared costs will be allocated fairly to all objectives benefiting from the costs as described in Eastern Action's approved cost allocation plan.

Examples of Eastern Action's shared costs are:

- Occupancy Costs
- Administrative Costs
- Office Supplies
- Postage

Per federal guidelines, each grant will be charged its fair share of costs. Any costs not reimbursed by a particular funding source will be charged to unrestricted funds or other funds that may cover indirect or shared costs after the allocation process is complete.

## **Joint Costs**

Joint costs are the costs of conducting joint activities. Joint activities are activities that have elements of fundraising and another activity, program, function, etc. Joint costs of joint activities will be accounted for in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Code (ASC) 958-720.

## **Direct Costing Procedures**

All remaining shared costs will be allocated on the most meaningful measures in accordance with the Agency's annually approved cost allocation plan. See the COST ALLOCATION PLAN POLICY section of this manual.

Program-related costs will be allocated based on relevant activity measures as indicated in the cost allocation plan.

## **Segregating Unallowable from Allowable Costs**

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

1. The budget and grant or contract for each award will be reviewed for costs specifically identified as allowable or unallowable.
2. Grant managers, program managers, and accounting personnel will be familiar with the allowability of costs provisions (2 CFR Part 200, particularly:
  - a. The list of specifically identified unallowable costs found in 2 CFR Part 200.420 – 475, Selected Items of Cost, such as alcoholic beverages, bad debts, contributions, fines and penalties, etc.

- b. Those costs requiring advance approval from federal agencies in order to be allowable in accordance with 2 CFR Part 200.407, Prior Written Approval, such as participant support costs, equipment purchases, etc.
- 3. No costs will be charged directly or indirectly to any federal award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR Part 200, Subpart E-Cost Principles. Costs determined to be unallowable will be recorded separately in the general ledger to an identifiable non-federal Distribution Code to ensure the unallowable costs are not directly or indirectly allocated to an award.
- 4. For each federal award, an appropriate set of general ledger accounts (or account segments) will be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget. See CHART OF ACCOUNTS section of the manual.
- 5. All items of miscellaneous revenue or credits, including the subsequent recording of uncashed checks, rebates, refunds, and similar items, will be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a federal award or to activity associated with a federal award in the current period. If the credit, refund, etc. is for expenditures for a prior period, it will be reported as miscellaneous revenue in the federal award. The reduction in expenditures or miscellaneous revenue will be reflected in the year in which the credit is received (i.e., if the purchase that results in the credit took place in a prior period, the prior fiscal year financial statements will not be amended for the credit).

Also see CRITERIA FOR ALLOWABILITY OF COSTS section of this manual.



# **ACCOUNTS PAYABLE MANAGEMENT**

## **Overview of Accounts Payable Management**

Eastern Action strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and bank account reconciliation. The following are general policies for accounts payable:

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the contractor invoice for the related goods or services.
- The contractor invoice will be supported by an approved purchase order where required by Organization policy and will be reviewed and approved in accordance with the PROCUREMENT THRESHOLDS AND AUTHORIZATIONS LIMIT chart and DISBURSEMENT POLICIES found elsewhere in this manual prior to being processed for payment.
- Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

The primary objective for accounts payable and cash disbursements policies and procedures is to ensure that:

- Disbursements are properly authorized.
- Invoices are processed in a timely manner.
- Contractor credit terms and operating cash are managed for maximum benefits.

## **Recording of Accounts Payable**

- All valid accounts payable transactions, properly supported with the required documentation, will be recorded as accounts payable in a timely manner.
- Accounts payable are processed on a regular basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.
- Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the contractor records.
- Invoices received via email will be printed, initialed, secured and saved electronically on the Accounting folder on the Shared Drive by the Senior Accounting Clerk.
- Any additional copies of the emailed invoice will be deleted.
- No payments will be made from contractor statements, unless that is the only document received from the contractor.

## **Preparation of a Voucher Package**

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

1. Contractor invoice (or employee expense report)

2. Packing slip, where appropriate
3. Receiving report or other indication of receipt of merchandise and authorization of acceptance
4. Purchase order as required by procurement policies
5. Any other supporting documentation deemed appropriate

### **Processing of Voucher Packages**

The following procedures will be applied to each voucher package by the Accounting Clerk (Senior):

1. Check the mathematical accuracy of the contractor invoice.
2. Compare the nature, quantity, and prices of all items ordered per the contractor invoice to the purchase order, packing slip, and receiving report.
3. Obtain the review and approvals as indicated in the PROCUREMENT THRESHOLDS AND AUTHORIZATION LIMITS chart elsewhere in this manual.

Upon receipt, each invoice will be forwarded for approval.

### **Invoice Approval**

Eastern Action's invoice process is as follows:

- Eastern Action will process and pay only original invoices. Acceptable original invoices may be either in paper or electronic form. All invoices must be sent by the contractor directly to the Finance Department for processing.
- Upon receipt of the contractor invoice, it will be forwarded to the appropriate Program Manager for review and approval.
- Program Managers will provide the appropriate Distribution Code and General Ledger coding to the invoice. Approvals will be documented with initials or signatures of the approving individual; electronic routing noting approval and date of approval.
  - Approved invoices are returned to Accounts Payable for processing
  - Invoices requiring revision/correction are returned to the contractor by the invoice approver; with the Accounts Payable department copied on the communication; a notation documented in the workflow. Supervisory approval is required for changes to invoices in the accounts payable system.
- Follow-up on unmatched invoices, open purchase orders, requisitions, receiving reports will occur each month.

### **Payment Discounts**

To the extent practical, Eastern Action takes advantage of all prompt payment discounts offered by contractors. When such discounts are available and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

### **Employee Expense Reports/ Employee Reimbursements**

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

policies under the TRAVEL section of this manual.) All required receipts must be attached, and a brief description of the business purpose of the trip or meeting must be noted on the form. Expense reports will be processed for payment in the next accounts payable payment cycle.

### **Reconciliation of A/P Subsidiary Ledger to General Ledger**

At the end of each monthly accounting period, the total amount due to contractors per the accounts payable subsidiary ledger will be reconciled to the total recorded in the accounts payable general ledger account (control account). All differences will be investigated and adjustments made as necessary. The reconciliation and the results of the investigation of differences must be reviewed and approved by the Controller.

On a monthly basis, the Accounting Clerk (Senior) will also perform the following procedures:

1. Check all received contractor statements for unprocessed invoices.
2. Check and follow-up on the purchase order file for open purchase orders more than 30 days old.



## **TRAVEL – MUST, IF COSTS WILL BE CHARGED TO GRANTS**

### **Travel Advances**

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance. Travel advances may include meal per diems and mileage estimates. Additional funds require prior approval by the Chief Executive Officer. Travel advances are to be used only for the purpose intended. Travel expenses are to be incurred and reimbursed in accordance with the Agency's travel policies as explained in this section.

Employees receiving travel advances are required to complete a travel advance form, sign for the advance signifying their acknowledgment of, and agreement with, these policies. Employees receiving travel advances must submit an expense report within 5 business days of returning from the business travel for which the advance was received. Any advances that remain outstanding more than 15 calendar days following the business trip will be deducted from the employee's next paycheck.

### **Travel Expense Report Preparation**

At the conclusion of an Eastern Action business trip, the employee or member of the Board of Directors who has incurred business-related expenses should complete an expense report in accordance with the following policies and procedures:

1. Documentation must justify that travel costs incurred by the business traveler is necessary for the agency, program objectives, and the federal award, and costs are reasonable and consistent with Eastern Action's travel policy. Travel costs for individuals accompanying the business traveler are not allowable or reimbursable (see SPOUSE/PARTNER AND DEPENDENT TRAVEL section of this manual). (2 CFR Part 200.475(b)(1) and (2))
2. Identify each separately incurred business expense (i.e., do not group all expenses associated with one trip together).
3. With the exception of tips, tolls, reimbursed mileage, and per diems, all business expenses must be supported with invoices/receipts.
4. Eastern Action will reimburse employees for meals and incidentals at per diem rates established by the General Services Administration (GSA) for the location to which they travel. Therefore, meal receipts are not required, except for business meals not reimbursed as a per diem which is addressed in this section below.
  - a. It is the Agency's policy that payment for the first and last day of travel will be at 75% of the full per diem.
  - b. If the conference or meeting which the traveler attends provides a meal, the value of that meal, as determined by GSA tables, will be deducted from that day's per diem.
5. Contractor receipts/invoices must be submitted for all lodging and any expenditure other than meals and incidentals reimbursed with per diems.
6. For airfare, airline-issued receipts must be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a

combination of an itinerary, certificate of attendance, a credit/debit card receipt, and return trip boarding pass(es).

7. Mileage will be reimbursed at the standard federal rates in effect at time of travel, as published each year by the IRS.
8. Distribution Codes must be identified for all expenditures.
9. For all meals not reimbursed as a per diem and other business expenditures, the following must be clearly identified:
  - a. Names, titles, organizations, and business relationships of all persons
  - b. The business purpose of the meal or other business event (topics discussed, etc.)
  - c. Meal receipts should be the actual, detailed receipt, not the credit/debit card receipt. (The credit/debit card receipt may not provide enough detail.)
10. All expense reports must be signed and dated by the employee.
11. All expense reports must be reviewed and approved by the employee's supervisor.
12. Only one expense report form should be prepared for each business trip.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the expense report results in a balance due to Eastern Action (as a result of receiving a travel advance greater than actual business expenditures), the employee must attach a check or sign a withholding statement indicating authorization to settle the balance due through payroll deduction. If the expense report results in a balance due to the employee, the employee will be reimbursed through the next accounts payable payment cycle.

Employees and directors who travel for the purpose of attending training or conference on behalf of Eastern Action are required to request and obtain a certificate of attendance from the training or conference sponsor. A copy of this certificate is to be provided to finance department to be included in the employee or uploaded to DBA FACSPRO (or its successor) director file, attached to the reimbursement packet associated with the travel as supporting documentation.

No further travel advances will be issued to any employee who has an outstanding balance due to Eastern Action from previous business trips.

### **Reasonableness of Travel Costs**

Eastern Action will reimburse travelers only for those business-related costs that are necessary and reasonably incurred. Accordingly, the following guidelines will apply:

1. Payment for suites and other upgraded rooms at hotels will not be allowed, unless required by a medical condition which must be documented in the personnel file and approved by a supervisor. Travelers should stay in standard rooms.
2. Eastern Action will ask hotels for any available discounts – nonprofit, government, or corporate rates.



3. When utilizing rental cars, travelers should rent midsize or smaller vehicles, unless safety considerations or group size require a larger vehicle. Rental of a vehicle larger than midsize must be approved by a supervisor. Travelers will share rental cars whenever possible.
4. Reasonable tips for baggage handling will be reimbursed. No receipts are required.
5. If required by the funding source, foreign travel charged to federal grants must be approved in writing by the funding source prior to travel.

### **Special Rules Pertaining to Air Travel**

The following additional rules apply to air travel:

1. Air travel should be at coach class or the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
  - a. Require circuitous routing,
  - b. Require travel during unreasonable hours,
  - c. Excessively prolong travel,
  - d. Result in additional costs (e.g. baggage fees) that would offset the transportation savings, or
  - e. Offer accommodations not reasonably adequate for the traveler's medical needs.
2. First class or business class air travel will not be reimbursed unless there is a medical reason which must be documented in the personnel file and approved by a supervisor.
3. Memberships in airline flight clubs are not reimbursable.
4. Cost of flight insurance is not reimbursable.
5. Cost of upgrade certificates is not reimbursable.
6. The cost of baggage fees required by airlines to either check or carry-on luggage is allowable and reimbursable.
7. Cost of canceling and rebooking flights is not reimbursable, unless it can be documented that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.).
8. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e., Eastern Action will not reimburse for the personal legs of a trip).
9. Frequent flyer miles will accrue to the traveler, not the Agency.

### **Spouse/Partner and Dependent Travel**



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

## **CELL PHONES**

### **Issuance of Agency-Owned Cell Phones and Cell Phone Reimbursement**

Eastern Action recognizes that certain job functions require an employee to be accessible when away from the office or during times outside scheduled working hours. For this reason, Eastern Action will provide cell phone reimbursement to select employees as a working condition fringe benefit. Eastern Action will include language in employment letters, job descriptions, and/or personnel manuals documenting the business reasons for providing employees with cell phone reimbursement. Eastern Action does provide agency owned cell phones for use by the Weatherization Crews. These phones are included on an agency cell phone plan and are to be stored at the office during non-business hours.

While agency-issued cell phones are intended for Agency-related business use, Eastern Action recognizes that occasional personal use may occur. Eastern Action employees should make every effort to keep personal use of agency-owned cell phones to a minimum.

Because the cell phone reimbursement is considered to be a working condition fringe benefit, the Eastern Action employees' use of the cell phone for personal reasons may be treated as excludable from the employees' income as a de minimis fringe benefit. That is, the cell phone reimbursement will not be taxable income to the employee.

### **Cell Phone Use**

Employees of Eastern Action are prohibited from using an organization-owned cell phone or similar device, hands-on while driving, whether the business conducted is personal or organization-related. This prohibition includes receiving or placing calls, text messaging, accessing the Internet, receiving or responding to email, checking for or listening to voice messages, or any other uses.

Similarly, employees of Eastern Action are prohibited from using their personal cell phone or similar device for any purpose, hands-on while driving either an agency vehicle or a personal vehicle while on agency business.

Also see USE OF CELL PHONES WHILE DRIVING section of this manual.

### **Cell Phone Plans**

The Finance Department will negotiate a cell phone contract with a single contractor. All agency-owned cell phones are to be acquired through the pre-approved contractor.

### **Employee Cell Phones**

Use of personal cell phones during Eastern Action paid time should be considered a privilege as long as there is no abuse by staff. Each department may restrict carrying or use of cell phones by staff as

deemed appropriate for the department working conditions based on the judgment of the Department Head, with advance notice to staff. Excessive personal calls or abuse of cell phone privileges during working hours will subject an employee to discipline as well as restriction on carrying and use of personal cell phones.

Employees needing to make periodic legitimate Agency business calls when they are off-site may elect to utilize their personal cell phones for such calls.

### **Use of Cell Phones While Driving**

For the safety of our staff and the public, use of either Eastern Action issued or personal cell phones, including hands-free, while operating a motor vehicle on Eastern Action business is strongly discouraged. Hands-on use is prohibited. Cell phones should be turned off, or not answered while driving. If a call needs to be answered, the employee should stop his or her vehicle in a safe location and park while using the cell phone.

Also see CELL PHONE use section of this manual.

### **Personal Cell Phones or Similar Devices at Work**

Employees of Eastern Action are asked to minimize the use of personal cell phones in the workplace.

Carrying or use of personal cell phones on Eastern Action premises is a privilege for employees, who are expected to abide by this policy regarding cell phone use. Violations of this policy may result in revocation of the permission to carry a cell phone on Eastern Action premises in addition to discipline up to and including discharge depending on the violation.

## **DISBURSEMENT POLICIES**

Each requisition, purchase order, invoice will be coded with the appropriate distribution code reflecting which program received direct benefit from the expenditure. Requisitions and purchase orders are reviewed and approved in accordance with the Agency's PROCUREMENT THRESHOLDS AND AUTHORIZATION LIMITS chart found in the procurement policies. Invoices are approved in accordance with the INVOICE APPROVAL section of this manual, prior to payment.

### **General Disbursement Policies**

Eastern Action processes disbursements and expense reimbursement payments on a weekly basis. Disbursements will be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized disbursement signers (check signers).

All contractor and expense reimbursement payments will be processed in accordance with the following guidelines:

1. Expenditures must be supported in conformity with purchasing, accounts payable, and travel policies and procedures described elsewhere in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
3. Generally, all contractors will be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services and approval of the invoice for payment.
4. Total cash requirements associated with each disbursement cycle is monitored in conjunction with the available cash balance in bank prior to the release of any funds.
5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized bank account signer.
6. Checks will be utilized in numerical order and unused checks are stored in a secure location in the Finance Department.
7. Checks will never be made payable to "bearer" or "cash."
8. Checks will never be signed prior to being prepared.
9. Upon the preparation of a disbursement, contractor invoices and other supporting documentation will immediately be canceled in order to prevent subsequent reuse.

### **Disbursement Approval**

All disbursements of require two signatures. No disbursements will be approved prior to the disbursement and supporting documentation is prepared in its entirety (no signing of blank checks).



Disbursements will be approved by an individual other than the one who approved the transaction (expense approver).

Authorized disbursement signers should examine all original supporting documentation to ensure that each item has been properly reviewed and approved prior to signing a check. Disbursements should not be authorized if supporting documentation appears to be missing or there are any questions about a disbursement.

### **Non-Manual or Electronic Disbursement Approval**

Equipment used to sign checks (plates, CD-ROM, password-protected function, etc.) will be secured. Access will be restricted to the authorized disbursement signers. Passwords to authorize the posting of a signature will be entered by authorized disbursement signers only. An authorized bank account signer will review each disbursement run and supporting documentation, and initial and date indicating approval.

### **Mailing of Checks**

After checks are signed, they are mailed by the finance department with the appropriate documentation attached. Checks will not be mailed by, or returned to, the individuals or departments that authorized the expenditures.

### **Voided Checks and Stop Payments**

Checks may be voided due to processing errors by making proper notations on the check, scanning the check, and defacing the check by clearly marking it as "VOID" and removing the signature line(s). All voided checks will be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction; written authorization to the bank by the Finance Department. A journal entry is made to record the stop payment and any related bank fees.

### **Recordkeeping Associated with Independent Contractors**

Eastern Action will obtain a completed Form W-9 or equivalent substitute documentation from all contractors to whom payments are made (see ACCOUNTS PAYABLE MANAGEMENT policies). A record will be maintained of all contractors to whom a Form 1099 is required to be issued at year-end.

No payment will be issued to a contractor until a properly completed Form W-9 is received and on file in the Finance Department.

## **CREDIT CARDS/ PURCHASING CARDS/ CHARGE ACCOUNTS**

### **Organization-Issued Credit Cards or Purchasing Cards**

Eastern Action recognizes that there will be occasions when employees need to use an agency-issued credit card for travel or other organization-approved purposes. Therefore, the Agency has one credit card available to be checked out by employees upon approval by their supervisors for purchases made in accordance with the Agency's approved procurement process. The cards will be retained in a secure location by the Chief Executive Officer who will temporarily assign them to users.

Cash advances on any organization-issued credit card, charge account, or other financing arrangement is not allowed.

Also see the CREDIT CARDS subsection of the FINANCING ARRANGEMENTS section of this manual.

### **Sales Tax**

Card users should remind contractors at the time of purchase that according to the tax laws in West Virginia, Eastern Action is exempt from sales tax. Card users should keep a copy of Eastern Action's sales tax exemption form with them to present to the contractor at the time of purchase. If a card user is charged sales tax for a card purchase that should be tax exempt, the card user should contact the contractor directly to request a credit for the amount of the sales tax.

### **Card User Responsibilities**

Card users are reminded that use of credit card does not relieve the user from following all of the Agency's procurement policies and procedures. Use of a credit card or charge account is a payment method, not a procurement procedure.

There is one Agency credit card which will be used as follows:

- The card will be used exclusively for legitimate organization-related business purposes
- The card user will avoid splitting purchase or service costs over multiple transactions to circumvent the single transaction limit (see PROCUREMENT THRESHOLDS AND AUTHORIZATIONS LIMITS section of this manual)
- The card user agrees to take reasonable precautions to protect the card and account information from loss or theft by storing it in a secure location, and understands the actions to take in case of theft or loss
- The card user will follow all required procurement policies and procedures
- The card user understands and agrees to disciplinary procedures for misuse of the card

Card users will turn in receipts with appropriate distribution code to the Staff Accountant when they return the credit card. If the Finance Department is missing a receipt when the monthly statement is reconciled, the Staff Accountant will confer with the Controller to determine who used the card and follow up with that employee to get the receipt.

Any fraudulent or other unauthorized charges will immediately be brought to the attention of the Controller for further investigation with the card provider.

Personal use of agency-issued credit cards is strictly prohibited. Any personal use will subject the employee to the Agency's disciplinary actions discussed earlier in this manual and in the Employee Handbook.

Card users will report the loss or theft of an agency-issued credit card immediately by notifying the credit card company 24 hours a day, seven days a week as well as the Controller. Contact information for the credit card issuer can be obtained from Summit Community Bank.

### **Revocation of Organization Credit Cards or Purchasing Cards**

Failure to comply with any of these policies associated with the use of Eastern Action's issued credit cards will be subject to possible revocation of card privileges. The Controller, with the approval of the Chief Executive Officer, will determine whether credit cards access will be revoked.



## **PAYROLL AND RELATED POLICIES**

### **Compensation – Personal Services**

*(2 CFR Part 200.430)*

Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under an award, including but not necessarily limited to wages and salaries is considered an allowable cost to the award to the extent that it satisfies the following requirements:

- The compensation is reasonable for services rendered;
- The compensation complies with laws, regulations, and other written policies of Eastern Action (see Eastern Action's Personnel Policies);
- The compensation is properly documented and supported as stated in the STANDARDS OF DOCUMENTATION OF PERSONNEL EXPENSES section of this manual.

Costs which are unallowable under 2 CFR Part 200, are also unallowable solely on the basis that the cost constitutes personal compensation.

The Agency will comply with administrative compensation limits stated in the statutes and regulations of its funding sources.

If Eastern Action must implement its Business Continuity Plan; Disaster Plan or Emergency Plan as a result of local, state, or national emergencies or directives, resulting in the displacement of Agency employees or when the Agency is deemed to be an essential business, the Agency may implement temporary incentive or premium pay adjustments for its essential workers. Aggregate adjustments up to \$1,000 must be approved by the Chief Executive Officer per employee, per emergency or directive amounts. Aggregate adjustments exceeding \$1,000 per employee, per emergency or directive must be approved by the Board of Directors.

### **Compensation – Fringe Benefits**

*(2 CFR Part 200.431)*

Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. The costs of fringe benefits are allowable to federal grants provided the benefits are reasonable and are required by law, employer-employee agreement, or an established policy of Eastern Action.

See Eastern Action's Employee Handbook for the established written policies of these fringe benefits.

Costs which are unallowable under 2 CFR Part 200, are not allowable under this regulation solely on the basis that the cost constitutes a fringe benefit.

### **Classification of Workers as Independent Contractors or Employees**

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

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

The Agency's Controller in consultation with the Human Resources Consultant will make the final determination.

### **Wage Comparability Study**

Eastern Action will perform wage comparability studies every three years to ensure the salary and wage structure is similar to other organizations of like size and employee base in our area. Please see the Agency's Employee Handbook manual for details.

### **Review and Approval of Senior Management Compensation**

In connection with the salaries and benefits of senior management (to include the Chief Executive Officer and Director of Finance (if applicable)), a triennial study will involve a salary and benefits survey conducted by personnel committee. The analysis of senior management salaries and benefits will be conducted under the direction of the Personnel Committee of the Board of Directors. If an appropriate survey cannot be located, the Personnel Committee will consider utilizing a salary and benefits consulting specialist firm or conducting its own customized comparison with similar organizations.

Although the formal comparison with external data will be performed once every three years, the Personnel Committee will document its consideration and authorization of the salaries and benefits of the Chief Executive Officer on an annual basis.

### **Payroll Administration**

Eastern Action operates a biweekly payroll period. A personnel file is established and maintained for all employees with current documentation, as described throughout this section and more fully described in Eastern Action's Employee Handbook.

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

1. Eastern Action Employment Application (and resume, if applicable)
2. Applicant references (work and personal)
3. Interview questions and notes
4. Form W-4 Employee Federal Withholding Certificate
5. Form WV/ IT-104 State Withholding Certificate
6. Form I-9 Employment Eligibility Verification
7. Copy of driver's license



8. Copy of Social Security card issued by the Social Security Administration
9. Starting date and scheduled hours
10. Job title and starting salary
11. Authorization for direct deposit of paycheck, along with a voided check or deposit slip
12. Job description

For employees without a current, valid driver's license or Social Security card, acceptable alternative documents include the unexpired acceptable documents allowable by the U.S. Citizenship and Immigration Services as listed on the Form I-9 in effect at the date of hire (<https://www.uscis.gov/i-9>).

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

If required by specific grants, the employee personnel file must also include a pre-employment background check.

### **Changes in Payroll Data**

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

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

New hires, terminations, and changes in salaries or pay rates will be authorized in writing by the appropriate Program Manager and the Chief Executive Officer, as required by Agency policy as documented in the Employee Handbook.

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

Documentation of all changes in payroll data will be maintained in each employee's personnel file.

### **Payroll Taxes**

The Finance Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Finance Department may utilize the services of an outside payroll service center for the processing of payroll taxes, as determined by the Controller and approved by the Board of Directors.

Eastern Action will request an updated Form W-4 and WV/IT-104 from each employee in January of each year. If there are no changes from the prior year, employees are not required to provide a new W-4. Withholding of federal income taxes will be based on the most current Form W-4 prepared by each employee.



## **Standards of Documentation for Personnel Expenses**

Eastern Action follows the requirements in 2 CFR Part 200.430(i), Standards for Documentation of Personnel Expenses, as well as requirements in specific grants to document personnel expenses.

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records will:

1. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
2. Be incorporated into the official records of the Agency;
3. Reasonably reflect the total activity for which the employee is compensated;
4. Encompass both federally assisted and all other activities compensated by the Agency on an integrated basis;
5. Comply with the established accounting and financial policies and practices of the Agency; and
6. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal and/or non-federal award or more than one cost activity/objective.
7. Budget estimates may be used for interim accounting purposes provided the estimates produce reasonable approximations of the activity actually performed, significant changes in work activity is identified and entered into the records in a timely manner, and an after-the-fact review is completed to make all necessary adjustments to the final amount charged to the federal award to help ensure charges are accurate, allowable, and properly allocated.

## **Preparation of Time Records**

Each Eastern Action employees must submit to the Finance Department a signed and approved timesheet no later than 10:00 a.m. on the 1st day following the close of each pay period. Timesheets will be prepared in accordance with the following guidelines and the STANDARDS OF DOCUMENTATION FOR PERSONNEL EXPENSES section of this manual:

1. Each timesheet will reflect all hours worked during the pay period (time actually spent on the job performing assigned duties), whether compensated or not.
2. Timesheets will be prepared manually using a paper timesheet; or electronically using Excel or via an Abila MIP electronic format.
3. Employees will identify and record hours worked based on the nature of the work performed.
4. Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such.
5. Timesheets will be signed, electronically approved by the employee prior to submission.

After preparation, Program Managers or their designees will approve timesheets prior to submission to the Finance Department. Corrections identified by an employee's supervisor or Program Manager will be authorized by the employee by initialing next to the change; or updating electronic time record.

An employee who is on leave, traveling, or is ill on the day that timesheets are due may telephone; email; login remotely his/her timesheet information (actual time worked and the appropriate classifications) to his or her supervisor (or designated alternate). The employee must initial a timesheet, electronically approve time submitted in this manner immediately upon his or her return to the office. Timesheets submitted via phone or email will bear the notation, "Time reported by telephone or email by (employee) to (supervisor or designated alternate)." The timesheet will be signed, approved by the supervisor or the designated alternate.

### **Processing of Timesheets**

The Senior Accounting Clerk will process the timesheets by checking them for mathematical accuracy (not required if timesheets are electronic), then entering all timesheets into the payroll system.

The Senior Accounting Clerk may not change or correct timesheets. When errors are noted, if a corrected and approved timesheet is not resubmitted in time to the Senior Accounting Clerk, the employee may not receive a paycheck until the next pay period.

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

### **Review of Payroll**

Upon calculation of all payroll reports, the Controller reviews payroll prior to creation of the direct deposit file and printing of checks and distribution to employees. The Controller will initial and date, the payroll register indicating approval of the payroll.

### **Distribution of Payroll**

Paychecks (or remittance advices for electronic deposits) will be distributed to individuals either in person or via the mail.

### **Internal Audit of Payroll Data**

Eastern Action will conduct an annual internal audit of certain payroll data. This internal audit will be performed by the Agency's Controller. The purpose of this internal audit is to determine the integrity of the Agency's payroll records. The internal audit will include the following procedures:

1. Tracing a sample of salaries, withholdings, deductions, and direct deposit information to supporting documentation in each selected employee's payroll and/or personnel file.
2. Tracing a sample of new hires and departures to personnel files, including verification of first and last pay dates.
3. Cross-checking the payroll master files for employees with identical addresses, social security numbers, or direct deposit bank account information.

Any unexplained deviations found as a result of these internal audit procedures will be reported to the chair of the Finance Committee.



# **POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS**

## **CASH AND CASH MANAGEMENT**

### **Cash and Cash Equivalents**

Eastern Action considers all short-term highly liquid investments with an original maturity date of three-(3) months or less to be cash equivalents.

### **Cash Accounts**

#### ***Non Federal Checking Account (operating account):***

The primary operating account provides for routine business disbursements including accounts payable and payroll. All Agency cash, check, and electronic funds deposits are made to this account. This is an interest bearing account.

Cash transfers are done on an as-needed basis to cover cash needs for disbursements. Excess funds in this account are transferred into short-term investments or higher interest-bearing cash equivalents.

In addition, all advances of federal funds will be deposited in an interest-bearing account. Interest earned on such funds, over \$500 per year, will be allocated to federal grants based on a percentage of funds received during the month.

#### ***PCB Checking Account***

Eastern Action has established an Operating Reserve fund to provide an internal resource of funds to assist the Agency during periods of an unexpected loss of funding, uninsured losses, or unexpected increase in expenses. These reserves may not be used to replace a permanent loss of funding or eliminate an ongoing budget gap. Also see OPERATING RESERVES section of this manual

#### ***WDB Checking Account***

The Region VII Workforce Development Board for whom the Agency provides Fiscal Management has a checking account to receive electronic funds deposits and for accounts payable disbursements.

### **Authorized Disbursement Signers**

The following Eastern Action personnel are authorized to sign checks drawn on and approve disbursements from the checking accounts, as authorized by the Board of Directors:

- Treasurer, Board of Directors
- Chief Executive Officer
- ERRP Program Manager
- WDB Executive Director (WDB checking only)
- Other employee(s) as approved by the Board of Directors

Controller will promptly notify the Agency's financial institutions of changes in authorized disbursement signers upon the departure of any authorized disbursement signer and any changes authorized by the Board of Directors. Refer to CHECK SIGNING for procedures. The Controller will only have authority

to transfer funds between accounts and to approve the payroll direct deposit file, but will not have authority to approve check disbursements.

### **Bank Reconciliations**

Bank account statements are received in paper form each month and forwarded unopened to the Chief Executive Officer. The Chief Executive Officer will open the statement and review its contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. This review will be performed in a timely manner so that reconciliation of the bank account is not delayed and completed prior to the monthly close process. Unusual or unexplained items will be reported immediately to the Finance Committee.

After this review is complete, the entire bank statement (all pages) is forwarded to the Controller who prepares a reconciliation between the bank balance and general ledger balance. The bank reconciliation process will be completed within one week of receipt of each bank statement.

The reconciliation process will involve an inspection of check image, etc. The purpose of this inspection is to identify signs of forgery, altered or substitute checks, unusual payee names, or other signs of fraudulent activity. If the Agency's financial institution does not return original cancelled checks or paper copies thereof, the person preparing the monthly bank reconciliation will view electronic copies of cancelled checks provided by the financial institution via internet access to the Institution's website.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed and approved by the Chief Executive Officer on a monthly basis.

Bank reconciliations and copies of resulting journal entries are filed in the current year's accounting files.

### **Cash Flow Management**

The Controller monitors cash flow needs on a weekly basis to minimize the time elapsing between the receipt and disbursement of funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

Eastern Action adheres to the requirements of its grants which prohibit loaning funds between programs; therefore, cash management and reporting is performed at the program level as well as for the Agency as a whole.

### **Unpresented Checks**

Unpresented checks include checks that are outstanding, written-off, stale-dated, or returned by the post office. Unpresented checks will be categorized by Eastern Action into two categories: payroll checks and general checks.

Eastern Action will comply with the West Virginia laws regarding unclaimed property. Accordingly, the Agency will file all appropriate forms and remit unclaimed property to the appropriate jurisdiction for all uncashed checks subject to a state reporting and transfer requirement.



The Finance Department will attempt to contact the payee and re-issue unpresented checks older than three-(3) months; this attempt and re-issuance will be documented. Checks that remain unpresented, or uncashed, after six-(6) months will be recorded in a separate liability account named, "Unclaimed Property". The Finance Department will maintain a listing of the checks in the Unclaimed Property liability account by:

- Payee
- Amount
- Original issue date
- Original check number
- Re-issued date (not by date reclassified to the Unclaimed Property liability account)
- Re-issued check number

Unclaimed property procedures to comply with West Virginia's laws are as follows:

1. See WV State Treasurer's Office Unclaimed Property Business Reporting Guidelines for the latest guidance.

### **Petty Cash**

Eastern Action will not maintain petty cash at any of its facilities. However, a debit card account exists with Summit Community Bank that maintains a balance up to \$500 for small purchases.

### **Wire Transfers**

The Controller will be the only Eastern Action employee authorized to initiate wire transfers from Eastern Action bank accounts. Only authorized bank account signers are authorized to approve wire transfers. See AUTHORIZED DISBURSEMENT SIGNERS section of this manual. Eastern Action will follow all bank guidelines for the creation and completion of a wire transfer.

Confirmations of all wire transfers are delivered to the Staff Accountant.

### **Cash Management**

Eastern Action will maintain financial assets, consisting of cash and short-term investments, to meet 60 days of normal operating expenses. Short-term investments to help manage the Agency's unanticipated liquidity needs include:

- Cash and cash equivalents
- Accounts and interest receivable
- Contributions receivable
- Grants receivable
- Short-term investments
- Other investments appropriated for current use

Cash in excess of daily requirements is invested according to the approved Investment Policy (see INVESTMENTS and CASH ACCOUNTS section of this manual.)

Also see CASH DRAWDOWNS OF ADVANCES OF FEDERAL FUNDS section of this manual.



# **INVENTORY OF MATERIALS**

## **Description of Inventory**

Eastern Action maintains an inventory of materials used for home weatherization and rehabilitation. Examples of such items include:

- Insulation and related items

- Caulking

- Other various small hardware including electrical and plumbing items

## **Accounting for Inventory**

Eastern Action accounts for purchased inventory items using the first-in, first-out (FIFO) method. Unit cost will be computed by adding freight, insurance, and other shipping costs to the actual cost of purchased inventory, dividing this total amount by the number of units purchased.

## **Physical Counts**

A physical count of inventory will be performed on an annual basis by someone who does not have responsibility for ordering or approving purchases of such items. Any inventory items that appear damaged, obsolete, or otherwise unable to be used will be excluded from the counts. A detailed record of the physical count will be kept by the individuals involved in taking the inventory.

At the conclusion of the physical count, the inventory count sheets will be compared to the report from the Inventory management system. The general ledger balance will be adjusted to reflect the total inventory on hand as determined by the physical count. Unusual discrepancies such as lost or damaged inventory will be investigated by the Controller.

## **Contributed Inventory**

Inventory items donated to Eastern Action will be recorded as assets of the Agency at the fair market value as of the date of the contribution. Contributed inventory items will be subject to the same physical counting and other policies as purchased inventory items. Also see VALUATION OF NONCASH (IN-KIND) CONTRIBUTIONS and GIFT ACCEPTANCE sections of this manual.

# **PREPAID EXPENSES**

## **Accounting Treatment**

Eastern Action treats payments of expenses that have a time-sensitive future benefit as prepaid expenses and amortizes these items over the corresponding time period. For purposes of this policy, payments of less than \$500 will be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

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

## **Procedures**

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

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

# **INVESTMENT POLICIES**

## **Overview of Investments**

Eastern Action treats all assets of the Agency, including those funds that are legally without donor-imposed restrictions, as though they are held in a fiduciary capacity for the purpose of accomplishing the Agency's tax-exempt mission. Hence, the policies described in this section are to be interpreted in light of that overall sense of stewardship, and the investment standards will be those of a prudent investor.

This investment policy has been arrived at upon review by the Finance Committee and describes the prudent investment process the Finance Committee deems appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer the opportunity to diversify the portfolio in a manner consistent with the specified risk and return requirements of the portfolio.

Funds to be invested do not include those from federal awards. Such funds will be spent on program requirements as budgeted or returned to the awarding agency. Any advances of federal funds will be maintained in an interest-bearing account (see CASH ACCOUNTS and CASH MANAGEMENT sections elsewhere in this manual). Interest earned on such funds, over \$500 per year, will be allocated to federal grants based on a percentage of funds received during the month. Investment return is generally considered free of donor restrictions, unless its use is limited by a donor-imposed restriction or by law.

Also see ENDOWMENT and ENDOWMENT FUNDS sections elsewhere in this manual.

## **Delegation of Authority**

The Board of Directors of Eastern Action has delegated supervisory authority over its investing activities to the Finance Committee. The Finance Committee is responsible for regularly reporting on the Agency's investments to the full Board of Directors.

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

## **Accounting Treatment**

All purchased investments will initially be recorded at cost. All investments acquired by donation to Eastern Action will initially be recorded at their fair market value as of the date of donation. Donated investments will be recorded as contribution revenue with or without donor restriction based on the existence or absence of such restrictions, as defined in the CONTRIBUTIONS section of this manual.

Subsequent to acquisition, Eastern Action carries all equity securities with readily determinable fair market values and all debt securities at their market values. Adjustments to market value will be made in the accounting records and financial statements of Eastern Action on a quarterly basis.



Adjustments to market value result in unrealized gains and losses on investments. Such gains and losses resulting from contributed investments (or from investments purchased with contributed funds) will be classified as net assets without donor restriction or net assets with donor restriction based on the existence or absence of explicit donor restrictions on such appreciation and depreciation, as defined earlier. Unrealized gains and losses from investments purchased with funds without donor restriction will be classified as net assets without donor restriction.

See REVENUE RECOGNITION POLICIES elsewhere in this manual.

### **Performance Goals**

Performance goals will be developed with the Finance Committee and Investment Counselor (if any).

### **Procedures and Reporting**

The following reporting procedures will be followed to ensure that investments are properly managed and that these investment policies are consistent with the mission and strategic objection of Eastern Action and accurately reflect the current financial condition of the Agency:

1. The Controller will maintain a schedule of investments and reconcile this schedule with the general ledger and with investment account statements on a monthly basis. The schedule of investments will include the following information with respect to each investment:
  - a. Date acquired
  - b. Method of acquisition (purchase or donation)
  - c. Cost or basis at acquisition
  - d. Description of investment
  - e. Interest rate (if applicable)
  - f. Date of maturity (if applicable)
  - g. Holder/issuer of security
  - h. Current market value
  - i. Unrealized gain or loss
  - j. Accrued interest receivable (if applicable)
  - k. Revenue received, year-to-date (i.e., interest, dividends, etc.)
2. The Controller and Investment Counselor (if any) will prepare a schedule of investments for presentation on a quarterly basis for the Finance Committee and on an annual basis for the Board of Directors.
3. The quarterly investment reports will detail the portfolio's composition and performance for the quarter and year-to-date, along with a comparison to budget and to the prior year.
4. The annual investment report will be presented to the Board of Directors at the annual meeting in April, outlining in detail the investment portfolio's composition and performance for the fiscal year, along with a comparison to appropriate market indices (if available). The report will show results for the most recently completed fiscal year and for the last three years; projections for the next year and three years.

## **Accounting for Investments in Other Entities**

Non-exempt entities in which the Agency possesses a greater-than-50-percent ownership interest will be consolidated into the financial statements of the Agency. A non-exempt entity as used here means any for-profit entity that is not exempt from federal income taxes, such as corporations, limited partnerships, S Corporations, LLPs, and LLCs, and that issues ownership or interests. See the PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS section for procedures related to financial statement presentation.

Entities in which the Agency holds a 50 percent or less interest, but which the Agency exercises significant influence over operating and financial policies, will be accounted for using the equity method of accounting. Under this method of accounting, an asset account is maintained to track the Agency's investment in the entity, and this asset account will be adjusted upwards or downwards based on the Agency's share of the entity's profits or losses.

If the Agency holds less than 50 percent of an entity, or does not exercise significant influence, ownership will be accounted for at the lower of cost or market value. Also see CONSOLIDATIONS section of this manual.

## **Endowment Funds**

### ***Board Interpretation of State Law***

The interpretation of how West Virginia specific state law applies to any endowments of Eastern Action will be made by the Controller and subject to the review and approval of the Finance Committee.

### ***Spending Policy***

As permitted by the donor, West Virginia state law, and considering the long-term expected return on the endowment funds, the Board of Directors will appropriate for distribution each year 5% of its endowment fund's average fair value over the prior 12-quarters; one-half of the annualized rate of return for the prior 12-quarter period through the calendar year-end preceding the fiscal year in which the distribution is planned. This appropriation will occur with approval of annual budget or during the year as unexpected needs arise (i.e. emergency).

Also see UNDERWATER ENDOWMENTS elsewhere in this manual.

### ***Endowment Investment Objective***

Eastern Action's endowment investment objective is for its endowment fund to grow over time and earn, through a combination of investment revenue and value appreciation, an annualized rate of return in excess of the amount appropriated for spending and other benchmarks established by the Board of Directors in conjunction with the Board's calculation and establishment of the annual OPERATING RESERVES goal.

The majority of endowment assets will be invested under advisement of an Investment Counselor to minimize volatility risk. Assets will be diversified across multiple markets not similarly affected by economic, political, or social developments. See Eastern Action's separate Endowment Investment Policy Statement approved by the Board of Directors.

Endowment funds will be classified as follows:



**Donor-Restricted Endowment Fund** – An endowment fund that is created by a donor stipulation (donors include types of contributors, including makers of certain grants) requiring investment of the gift in perpetuity or for a specified term. Some donors or laws may require that a portion of revenue, gains, or both be added to the gift and invested subject to similar restrictions. This does not include a Board-Designated Endowment Fund.

**Board-Designated Endowment Fund** – An endowment fund created by Eastern Action's Board of Directors by designation of a portion of the net assets without donor restrictions to be invested to provide revenue for a long, but not necessarily specified, period of time. In rare circumstances, a board-designated endowment fund also includes a portion of net assets with donor restrictions. (This is sometimes called Funds Functioning as Endowment or Quasi-Endowment.)

In connection with all endowment funds of the Agency, Eastern Action will disclose in a footnote to its annual financial statements all of the following information:

1. A description of the Board's interpretation of relevant state law regarding the net asset classification of donor-restricted endowment funds.
2. A description of the Agency's policies for the appropriation of endowment assets for expenditure (spending policy).
3. A description of the Agency's endowment investment policies, including, at a minimum:
  - a. The Agency's return objectives and risk parameters
  - b. How those objectives relate to the Agency's endowment spending policies
  - c. The strategies employed for achieving those objectives
4. Endowment fund net asset composition by classification with donor restriction and without donor restriction, in total and by type of endowment fund, and cumulative investment return, if any, contained in the net assets with donor restriction group resulting from the Agency's interpretation of relevant state law, beyond the amount required by explicit donor stipulations.
5. A reconciliation of the beginning and ending balance of the Agency's endowments, in total and by net asset group, showing all of the following:
  - a. Investment return, separated into investment revenue (interest, dividends, rents, etc.) and net appreciation or depreciation of investments. As previously noted in this policy section, investment return is generally considered free of donor restrictions, unless its use is limited by a donor-imposed restriction or by law.
  - b. Contribution revenue
  - c. Amounts appropriated for expenditure
  - d. Reclassifications
  - e. Other changes in net assets

### **Underwater Endowment Funds**

Eastern Action will consider a donor-restricted endowment fund to be underwater when the value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the



fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Board of Directors will interpret West Virginia state law to permit or restrict spending from underwater funds in accordance with the prudent measures required under the law/ donor-imposed restrictions. If permitted Eastern Action permits spending from underwater endowment funds, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The Board of Directors would appropriate for expenditure, an amount from underwater endowment funds during the year, which represents one-half of the spending policy amount the Agency generally draws from its endowments. Underwater donor-restricted endowments will be reported as net assets with donor restriction.

Eastern Action will monitor the value of its donor-restricted endowment fund to ensure proper reporting and disclosure of the following:

- Aggregate fair value of the underwater funds
- Aggregate fair value of the original endowment gift or amount required to be maintained by donor stipulation or the law that extends to donor restrictions
- Aggregate amount by which the funds are underwater

See the CONTRIBUTIONS ACCOUNTING and NET ASSET sections elsewhere in this manual for related policies on Endowment Funds.

### **Investment Expenses**

Eastern Action will present a net presentation of external and direct internal investment expenses against investment returns on the statement of activities. The netted investment expenses will not be included in the functional expenses analysis. External and direct internal investment expenses may include:

- Salaries, benefits, other costs of employees involved in or responsible for generating investment return and developing and executing the Agency's investment strategy
- Fees for outside investment managers or volunteers
- Fees embedded in the investment

### **Disclosures of Endowment Funds**

In connection with its annual financial statements, Eastern Action will prepare the following information for disclosure in its financial statements:

- Net asset classification (with or without donor restrictions)
- Net asset composition (board-designated or donor-restricted endowments)
- Changes in net asset composition
- Spending policies
- Related investment policies

- Description of the Board of Director's interpretation of West Virginia state law underlying net asset classification, including its interpretation of the ability to spend from underwater endowments
- Description of the following policies
  - Endowment spending policies
  - Return objectives and risk parameters and how they relate to spending policies
  - Strategy to achieve return objectives
- Summary of the endowment(s) by net asset class, in total and by type, separately disclosing donor-restricted from board-designated endowment funds
- Reconciliation of the beginning and ending endowments, in total and by net asset class, including:
  - Net investment return
  - Contributions
  - Amounts appropriated for expenditure
  - Other changes

## **CAPITAL ASSETS**

### **Capitalization Policy**

Physical assets acquired with a per unit cost in excess of \$5,000 with a useful life exceeding one year are capitalized as property and equipment on the Agency's financial statements. Items with unit costs below this threshold will be expensed in the year purchased.

If an awarding agency requires a lower amount for equipment, Eastern Action will adhere to that dollar amount only for that program or contract.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives, as described elsewhere in this section.

Capitalized assets will be reported as expensed for grants if they were so budgeted in the grant application. However, for the Agency's financial statements, these assets will be capitalized and depreciated according to these policies.

### **Contributed Assets**

Assets with fair market values in excess of \$5,000 (per unit) that are contributed to Eastern Action will be capitalized as assets on the financial statements. Contributed items with market values below this threshold will be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land, are subject to depreciation over their estimated useful lives, as described elsewhere in this section.

See GIFT ACCEPTANCE and VALUATION OF NONCASH (IN-KIND CONTRIBUTIONS) sections of this manual.

### **Release of Donor Restriction**

Donor-imposed restrictions on contributed assets will be released when the asset is placed into service, unless otherwise stipulated by the donor.

Also see NET ASSET section of this manual.

### **Equipment Purchased with Federal Funds**

*(2 CFR Part 200.313)*

Eastern Action may occasionally purchase equipment that will be used exclusively in a program funded by a federal agency. For purposes of federal award accounting and administration, *equipment* will include all assets with a unit cost equal to the capitalization threshold utilized by Eastern Action.



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

1. Adequate insurance coverage will be maintained with respect to equipment charged to federal awards. See INSURANCE section of this manual.
2. When no longer needed for the original project or program for which it was purchased:
  - Equipment with a per unit fair market value below \$5,000, may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency.
  - Eastern Action will obtain disposition instructions from the awarding agency for equipment with a per unit fair market value is \$5,000 or more. These instructions may involve include returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less \$500 or 10% of the proceeds, whichever is less, to the federal agency. (2 CFR Part 200.313(e)(2))
3. The Controller will determine whether a specific award with a federal agency includes additional equipment requirements or thresholds and requirements that differ from those described in this section.

Also see RECEIPT AND ACCEPTANCE OF GOODS section of this manual.

### **Establishment and Maintenance of a Capital Asset Listing**

All capitalized property and equipment will be recorded in a property log. This log will include the following information with respect to each asset: (2 CFR Part 200.313(d)(1))

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number or other identification number)
4. Source of the funds used to purchase the equipment, including the award number, if applicable
5. Whether the title vests with the Agency or the federal government
6. Information to calculate the federal share of the cost of the equipment, if applicable
7. Location, use, and condition of asset
8. Depreciation method
9. Estimated useful life
10. Ultimate disposition data including the date of disposal and sale price
11. Other information deemed appropriate

A physical inventory of all equipment purchased with federal funds will be performed annually by an employee who is not responsible for ordering or approving the purchase of these assets. The results of the physical inventory will be reconciled to the accounting records of, and federal reports filed by, Eastern Action. All adjustments resulting from this reconciliation will be approved by the Controller.

### **Receipt of Newly Purchased Equipment**

At the time of arrival, all newly purchased equipment will be examined for obvious physical damage. If an asset appears damaged or is not in working order, it will be returned to the contractor immediately.

In addition, descriptions and quantities of assets per the packing slip or bill of lading will be compared to the assets delivered. Discrepancies should be resolved with the contractor immediately.

Also see RECEIPT AND ACCEPTANCE OF GOODS section of this manual.

### **Depreciation and Useful Lives**

All capitalized assets are maintained in the property and equipment account group of the general ledger and are not included as an operating expense. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month. For example, an asset purchased on the 15th day of the 5th month will have eight-(8) full months of depreciation (8/12 of one year) recorded for that year.

Estimated useful lives of capitalized assets will be determined by the Finance Department. The following is a list of the estimated useful lives of each category of capital asset for depreciation purposes:

Furniture and fixtures	Up to 10 years
General office equipment	5 years
Computer hardware and peripherals (which exceed the capitalization threshold)	3-5 years
Computer software	2-3 years
Leased assets	Shorter of remaining lease term or Estimated useful life of leased asset
Leasehold improvements	Shorter of remaining lease term or Estimated useful life of leasehold improvement

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

### **Changes in Estimated Useful Lives**

If it becomes apparent that the useful life of a particular capitalized asset will be less than the life originally established, an adjustment to the estimated useful life will be made. All such changes in estimated useful lives of capitalized assets must be approved by the Controller.

When a change in estimated useful life is made, the new life is used for purposes of calculating annual depreciation expense. In the year in which the change in estimate is made, the cumulative effect of the change will be reflected as depreciation expense in the Agency's statement of activities.



For example, if in the 4<sup>th</sup> year of an asset's life, it is determined that the asset will last five-(5) years instead of the original estimate of seven-(7) years, depreciation expense for that year will be equal to the difference between 4/5 of the asset's basis (accumulated depreciation at the end of year four-(4)) and 3/7 of the asset's basis (accumulated depreciation at the beginning of the year).

### **Repairs of Property and Equipment**

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

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

### **Dispositions of Property and Equipment**

Management will determine property and equipment needs. When property and equipment is no longer needed, Eastern Action will determine how to dispose of the asset based on how equipment was acquired and funded. When required, the Agency will obtain disposal instructions from the funder, in accordance with funding regulations.

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

### **Write-Offs of Property and Equipment**

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



# INTANGIBLE ASSETS

## Acquisition of Intangible Assets

Intangible assets include a variety of items, such as copyrights, service marks, trademarks, license agreements, photographs, videos, and others. The Agency may acquire intangible assets in any of the following manners:

- Contribution from a donor
- Purchase from an outside party that holds title to an intangible asset
- Internally developing an intangible asset through utilization of the Agency's employees, volunteers, and vendors/contractors (e.g., an employee writes a document on behalf of the Agency)

## Accounting for Intangible Assets

Intangible assets acquired through contribution from donors will be accounted for as assets measured at fair value at the date of the gift. (See FAIR VALUE ACCOUNTING and GIFT ACCEPTANCE sections elsewhere in this manual.)

Intangible assets acquired by purchase will be capitalized as assets at the purchase price paid for such assets.

The costs of intangible assets that are developed internally will be charged to expense (not capitalized) if any of the following criteria are met:

- The intangible asset is not specifically identifiable.
- The asset has an indeterminate life.
- The asset is inherent in the Agency and related to the Agency taken as a whole, for example, an organization logo.

Costs of internally developed intangible assets not meeting any of the three preceding criteria will be capitalized. These costs may include salaries, allocated employee benefit costs, consultant fees, and other related costs.

## Amortization

Capitalized intangible assets of the Agency will be classified into one of three categories, as follows:

- Assets with finite and precise useful lives (such as a license agreement with a fixed term)
  - Intangible assets with finite and precise useful lives will be amortized over their useful lives, using the straight-line method of amortization.
- Assets with finite, but imprecise, useful lives
  - Intangible assets with finite, but imprecise, useful lives, the Agency will estimate a useful life and amortize the asset over that life, using the straight-line method of amortization.

For either of the two preceding categories of amortizable intangible assets, the Agency will evaluate the useful life on an annual basis to determine whether an adjustment of the useful life is appropriate.

- Assets with indefinite useful lives

For intangible assets with indefinite useful lives, the cost of the asset will remain on the accounting records of the Agency as an asset, without reducing this basis for amortization, until such time as an impairment in the value of the asset is determined to have occurred. Also see ASSET IMPAIRMENTS section.

In addition, intangible assets with indefinite useful lives will be evaluated on an annual basis for purposes of determining whether the previously indefinite useful life has become finite and estimable (e.g., a copyright that when initially acquired had an indefinite life, but which has become dated and now has a finite remaining useful life). If it is determined that any intangible asset previously accounted for as having an indefinite useful life has become an asset with a finite and estimable useful life, the Agency will begin amortizing the intangible asset over the estimated remaining useful life (i.e., rather than recording an impairment in the value of the asset).