

# **TAPS Public Transit POLICIES & PROCEDURES**

## **CHAPTER 1 FISCAL ACCOUNTING SYSTEM**

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# **CHAPTER 1 - FISCAL ACCOUNTING SYSTEM**

## **1.1 INTRODUCTION**

This chapter presents a set of guidelines and policies, which will enable Texoma Area Paratransit System, Inc. (TAPS) to collect and present financial data in a consistent and informative manner. The guidelines and policies presented here are taken from a set of rules developed over the years by the accounting profession, which are known as Generally Accepted Accounting Principles (GAAP). This particular section of the Manual discusses the major generally accepted accounting principles that are expected to be used most often in accounting and reporting for the TAPS.

Any accounting principle and/or concept not specifically discussed in this Manual should be accounted for according to GAAP as set forth in the opinions of the American Institute of Certified Public Accountants (AICPA) and in the statements of the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB).

TAPS's Finance Department will perform all accounting functions internally for the operation of TAPS activities. Additionally, TAPS Finance Department will control and process all payments related to operation of public transit and NEMT (Nonemergency Medical Transportation) services within the TAPS service area.

## **1.2 BASIC CONCEPTS**

Financial accounting is the process of recording, classifying, and summarizing, in quantitative terms, the economic events of a business. The result of this process is a compilation of information, which reports the financial position of a business at a certain point in time and the results of its operations during a period of time. A basic objective of financial statements is to provide reliable and relevant financial information for evaluation of a business. Bookkeeping is the process of recording economic events in accordance with the accounting system.

The accounting process records the economic events of an organization by making additions to and removals from specific classifications known as accounts. There are five general types of accounts: assets, liabilities, net assets, revenues, and expenses. The first three of these categories are used to describe the financial position of an organization at a point in time. Periodically these categories are shown on a statement called the Statement of Financial Position, which is divided, into two major sections. One section lists all of the assets of the organization, and the other lists both the liabilities and net assets. The total shown in the assets section always equals the total shown in the liabilities and net assets section.

### **1.2.1 ASSETS**

Assets are economic resources over which an organization has control and ownership/custodianship. Examples of these include cash, accounts receivable, and

equipment. Generally assets are divided into current and non-current portions of the statements of position. The current portion shows those assets, which are equivalent to cash or are expected to be realized in the form of cash within the current period (generally one year). The non-current portion contains assets such as property, equipment, and investments, which will be held by the organization for an extended period of time. The Agency will capitalize assets costing more than \$5,000 individually.

### **1.2.2 LIABILITIES**

Liabilities are economic obligations of the organization such as payroll obligations, taxes unpaid and expended bills and other kinds of debts. Liabilities are also presented in current and non-current classifications. Current liabilities consist of obligations, which will require the use of current assets in their settlement, while the non-current liabilities will require settlement more than one year in the future.

### **1.2.3 NET ASSETS**

Net Assets represent the excess of assets of an organization over its liabilities. Net Assets are classified and reported as follows:

*Unrestricted net assets* – net assets that are not subject to donor-imposed stipulations. These may be designated for specific purposes by action of the Board of Directors.

*Temporarily restricted net assets* – support that is restricted by the donor that will be met either by action of TAPS and/or the passage of time. When restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

*Permanently restricted net assets* – net assets subject to donor-imposed stipulations that they be maintained permanently by TAPS.

## **1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **1.3.1 GENERAL STATEMENT**

TAPS utilizes internal staff in the finance department to manage and control all accounting and fiscal issues. TAPS staff is experienced in fund/grant based and nonprofit accounting. TAPS accounting records will be kept in accordance with Generally Accepted Accounting Principles using the accrual method of accounting.

### **1.3.2 BASIS OF PRESENTATION: NONPROFIT ACCOUNTING**

TAPS is a Texas nonprofit corporation. The Texas legislature enacted the Rural and Urban Transit Act in 1995 which created transit districts that can receive public transportation funds through the Texas Department of Transportation. Although TAPS meets the requirements of the Act, it operates as a nonprofit corporation, but retains the option to elect to implement the act and operate as a rural transit district

by action of its Board of Directors. For financial purposes, however, the organization follows the nonprofit accounting guidelines.

### **1.3.3 MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement Focus refers to what is being measured; Basis of Accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of Accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The basis of accounting used by TAPS is the accrual basis meaning that revenues and expenses are recognized when they become measurable and available.

#### **1.3.3.1 FEDERAL AND STATE GRANT REVENUE**

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods under conditions of noncompliance.

#### **1.3.3.2 OTHER INCOME**

Other income is composed of interest and miscellaneous charges for services. Interest income is recorded as earned since it is measurable and available. Interest income is considered program income if earned on deposits of program grant funds. Miscellaneous charges for services are may be recorded as revenue when due and recorded as accounts receivable, or may be recorded when cash is received for a transaction with no prior receivable.

#### **1.3.3.3 LOCAL IN-KIND CONTRIBUTIONS**

These represent personnel, goods and services contributed by subcontractors, local governments and others. They are valued at cost to the contributor and recorded as revenue when received. Offsetting charges of equal amounts are recorded as expenses to the appropriate grant project.

#### **1.3.3.4 GRANT MATCHING FUNDS**

Certain federal, , state and regional grants require the grantee to provide a percentage of the total grant funds either in the form of cash or in-kind contributions. Cash contributions to grants are from local government participants or by the application of TAPS funds from other sources. . In-Kind contributions can be used as match. All matching funds have to be approved in the program grant award to be eligible to be used as match.

## **1.4 MONTHLY TRIAL BALANCE**

TAPS has established administrative standards designed to ensure that the TAPS Finance Department is accountable for the financial results of actions taken by financial and departmental directors; control of public resources and assets; and, financial management systems are in place to process and record financial events effectively and efficiently.

These standards exist to ensure that complete, timely, reliable and consistent information is available for decision making by Management, Staff, the Board and its related oversight committees.

#### **1.4.1 MONTHLY TRIAL BALANCE PROCEDURE**

The basic tool in this process shall be the development and review of a monthly trial balance on a grant-by-grant basis. Underlying detail schedules and reconciling totals will support this trial balance. The trial balance and the related supporting documentation will be reconciled, completed and available for review by the 20th of the following month. This information shall be used as the basis for preparing timely, accurate, reliable and verifiable reports for use by Management, Staff, and oversight agencies.

The appropriate personnel responsible by direct grant management will be presented with copies of the trial balances of the grants for which they are responsible. Within the framework of each grant, the balances by cost category are reviewed to determine that category limitations are not exceeded and follow up action is taken for any variances that effect the continuing operation of the grants.

### **1.5 INTERNAL CONTROLS POLICY**

TAPS shall utilize an internal control structure to establish a financial management system that ensures overall integrity and control of program resources.

The Finance Department's internal control structure will meet the following objectives:

- 1) Protect and account for resources
- 2) Prevent wasteful/unnecessary expenditures or the creation of liabilities
- 3) Restrict liabilities, obligations, and expenditures of funds to those authorized
- 4) Properly account for revenues
- 5) Monitor the efficiency, accuracy, and effectiveness of operations
- 6) Ensure assets are safeguarded against waste, loss, unauthorized use or appropriation.

All financial and control procedures must be in writing, adhered to by the management and staff, and available for review by TAPS.

#### **1.5.1 GENERAL GUIDELINES FOR INTERNAL CONTROLS REGARDING PAYMENTS OF LIABILITIES AND RECORDING DISBURSEMENTS**

TAPS's Finance Department shall ensure that the following objectives are achieved

when paying liabilities and recording disbursements:

- a. Purchases are approved in writing and in advance of purchase.
- b. Documentation substantiating approval is maintained for each order or purchase.
- c. Procurement documentation is maintained that substantiates that needed goods and services are purchased at the best possible value. Exceptions to this rule shall be justified in writing and maintained in the procurement file.
- d. A complete audit trail exists for each purchase. An audit trail includes, but is not limited to, an approved purchase order or requisition request, receiving report, vendor's invoice and a canceled check for each voucher or payment.
- e. Limited authorized personnel are responsible for check signing.
- f. Each check should be reviewed to ensure the name of the payee and amount of the invoice agree with those on the check.
- g. To prevent duplication of payment, invoices will be attached to the portion of check retained by finance and filed in a paid invoice file alphabetically or a similar method of cancellation shall occur when checks are signed and payments are released. Additionally, invoice numbers from invoices will be entered to enable the system to detect duplicate invoice numbers on a per vendor basis.
- h. Checks will not be made payable to "Cash" or "Bearer," nor will blank checks be issued or signed in advance.
- i. Access to blank checks shall be limited to authorized personnel.
- j. Trial balances should be prepared monthly.
- k. Bank accounts should be reconciled monthly.
- l. Payroll must be supported by time and effort records and disbursed in a secure manner.

## **1.5.2 INTERNAL CONTROL PROCEDURES**

### **1.5.2.1 INTERNAL CONTROLS - ACCOUNTING SYSTEM PROCEDURES**

TAPS has established administrative standards designed to ensure that the Chief Finance Officer is accountable for the financial results of actions taken by financial and department directors; control of public resources and assets; and, financial management systems are in place to process and record financial events effectively and efficiently. Procedures for each category of fiscal management are detailed in this TAPS Policies and Procedures Manual and include specific "how to" steps to be followed for each procedure. The basic tool in this process shall be the development and review of a monthly trial balance on a grant-by-grant basis. This trial balance will be supported by underlying detail schedules and reconciling totals. The trial balance and the related supporting documentation will be reconciled,

completed and available for review by the 20<sup>th</sup> of the following month. This information shall be used as the basis for preparing timely, accurate, reliable and verifiable reports for use by Management, Staff, and oversight agencies. TAPS staff will ensure that these steps are followed:

- 1) The Chief Finance Officer shall be responsible to develop internal controls to ensure that the following objectives will be met:
  - a. protect and account for resources
  - b. prevent wasteful/unnecessary expenditures or the creation of liabilities
  - c. restrict liabilities, obligations, and expenditures of funds to those authorized
  - d. properly account for revenues
  - e. monitor the efficiency, accuracy, and effectiveness of operations
  - f. ensure assets are safeguarded against waste, loss, unauthorized use or appropriation.

**1.5.2.2 INTERNAL CONTROLS – REQUESTS FOR DRAWDOWN OF FUNDS**TAPS staff will ensure that these steps are followed:

- 1) Once a month, a draw will be made using the appropriate drawdown system for the grantor, i.e. ECHO drawdown system for FTA. The Director of Finance will prepare a trial balance, a detailed general ledger, and invoices all in a single folder in the finance drive to support the draw.
- 2) The amounts for the trial balance will be agreed to the detailed general ledger.
- 3) The detailed general ledger will be reviewed for applicability to the grant contract and any expenditure that needs to be investigated for coding will be done at that time. Any adjustments for any miscoding will be done at that time. As the process becomes more defined and policies adhered to, there should be fewer and fewer adjustments needed.
- 4) In the event cash flow is an issue at the Agency, the detailed general ledger will be compared to the cash disbursements journal to make sure the expenses have been paid. If not paid, the disbursement will be removed from the list and an adjustment made for the draw down to the trial balance.
- 5) The Director of Finance, or designee, will then go into the invoices as scanned and filed in the finance drive, and pull over the invoices into the draw down file, labeling them appropriately to correspond to line numbers in the detailed general ledger.

- 6) The Director of Finance will then prepare the request for reimbursement form (or invoice depending on the Agency the funds are being requested from), sign it, and present the folder to the CFO for approval. The request form will detail the match revenue and where it comes from and agree that amount to the trial balance presented in the folder.
- 7) The CFO will review the invoices as attached, and agree the information provided on the request for reimbursement form. (The CEO/Executive Director will sign the request form to be sent to FTA if the CFO is preparing the ECHO draw down, per FTA's requirements.)
- 8) For FTA Echo draws, once everything is agreed and the CFO is satisfied that the request agrees to the general ledger (as potentially adjusted for cash payments) and the expenditures are eligible to be requested on the grant contract, and after approval from the CEO, the CFO will go into the ECHO draw down system and request the draw. (Under ECHO Suspension, the file will first be sent to the appropriate personnel at the FTA Region VI office.)
- 9) Finance will be notified of the request for the draw down to record the receivable.
- 10) Upon receipt of the money to the bank, the receivable will be recorded to cash.

### **1.5.2.3 INTERNAL CONTROLS – AWARD CLOSEOUT PROCEDURES**

FTA will require the completion of a closeout package. The package will consist of the specified forms that must be completed in the TrAM (grant obligation system). (The forms usually address both financial and programmatic results for the award period.) Check the award document or other instructions for the specific items required for a complete closeout.

At a minimum, the following will be included in the award closeout:

#### **1.5.2.3.1 FINANCIAL REPORT**

For FTA, the final federal financial report (FFR) for the award will be submitted utilizing TrAM and will include all allowable costs incurred on behalf of the program. FTA requires milestone reports to be submitted throughout the grant and at the closing of the grant. The CFO, or appropriate designee, will make sure these reports are filed timely.

#### **1.5.2.3.2 GENERAL LEDGER**

The TAPS Chief Finance Officer assures that the final expense report balances with the general ledger for the contract. All asset and liability accounts should be at zero or should represent amounts that

are due to TAPS or owed by TAPS.

#### **1.5.2.4 INTERNAL CONTROLS - BANKING PROCEDURES**

TAPS staff will ensure that the following steps are followed for banking transactions:

- 1) All funds from TAPS will be deposited in institutions that are covered by Federal Deposit Insurance (FDIC).
- 2) TAPS will carry collateral insurance to cover the maximum anticipated deposits in this account above the FDIC coverage of \$250,000. The banking institution will provide a statement of collateral monthly.
- 3) No loans will be made against any assets not owned by TAPS.

#### **1.5.2.5 INTERNAL CONTROLS – CASH RECEIPTS**

TAPS staff will ensure that the following steps are followed for cash receipts transactions:

- 1) All cash receipts received in the mail will be received by the Administrative Assistant, who will date stamp them as of the day received.
- 2) The TAPS Accounts Receivable Accountant records cash receipts in the automated accounting system and prepares the receipts for deposit in a timely manner.
- 3) The Administrative Assistant completes the deposit transaction and returns the deposit receipt to the Director of Finance.

#### **1.5.2.6 INTERNAL CONTROLS - BACKGROUND CHECKS**

TAPS has established that all sensitive positions will require an initial background check. A sensitive position is defined as one in which an employee has access to assets, property, or confidential records. A background check will be performed on each person hired into these positions. A copy of the report will be maintained in the appropriate personnel file. Reference checks, which reflect felony convictions involving embezzlement or fraud, will result in termination of that employee.

### **1.6 BUDGETS AND BUDGETARY ACCOUNTING**

TAPS's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year. The budget process is intended to allow a critical review of

TAPS's operations based on levels of service, regional objectives, and Board policy.

The budget document is prepared each fiscal year and is the instrument used for presenting a comprehensive plan, expressed in financial terms, for accomplishing TAPS objectives for a given period of time.

TAPS's primary funding source is Federal, State, Regional, and local grants, which have grant periods that may or may not coincide with the TAPS's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods other than 12 months. Because of TAPS's dependency on Federal, State, Regional, and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. TAPS's annual budget differs from that of a local government in two respects:

- 1) the uncertain nature of grant awards from other entities and
- 2) conversion of grant budgets to a fiscal year basis.

The resultant annual budget is subject to constant change within the fiscal year due to:

- 1) Increases/decreases in actual grant awards from those estimated
- 2) Changes in grant periods
- 3) Unanticipated grant awards not included in the budget
- 4) Expected grant awards that failed to materialize.

The Board of Directors formally approves the annual budget prior to the start of the new fiscal year, with an emphasis placed on complying with the grant budget terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

TAPS's staff shall be responsible for developing a financial plan for the organization in the form of a budget. It should specify the resources expected to be received during the fiscal year and the uses of those resources in meeting the organization's goals. The organization should develop an overall budget. The overall budget should list expected total revenue by contract, by category, and by year of appropriation. Additionally the budget should reflect total expected expenses, functional classification and by cost category.

By year of appropriation, written documentation shall specify the process by which this overall budget is developed. This documentation shall clearly state the assumptions and data used in the generation of the budgets. Analysis and discussion of the methodology used to arrive at specific line items shall be stated. Anticipation of variance tolerance levels

shall be indicated. The overall budget objective is to tie anticipated spending patterns to achieving performances objectives in the most efficient utilization of funds available.

TAPS Board of Directors shall approve all budgets by grant. TAPS staff shall review and approve the line item detail budgets and acknowledge acceptance of the achievability and validity of budget assumptions.

The budget process shall utilize the organization's cost allocation plan in the development of budgets. When possible, expenses will be direct charged to specific anticipated cost categories. Revenue sources shall be inserted into an allocation spreadsheet in the appropriate locations. The remaining expenses should be allocated to the proper cost category using the organization's cost allocation plan.

Once the allocated budget is approved by the TAPS Board of Directors, it should be used to generate comparisons, at least monthly, of budget versus actual results. It is the policy of the TAPS that budget variances be explained in writing when the variance exceeds twenty percent above or below the prescribed budget- to-actual comparison on a monthly basis. This analysis process shall use an annualized approach to expenditure levels. The objective of the process is to:

- 1) ensure that expenditure and budget amounts are in compliance with applicable cost categories and limitations as set forth in the Contracts
- 2) isolate strengths and weaknesses in the budget assumptions
- 3) detect coding and other errors on a timely basis
- 4) modify the operational plan for environmental changes
- 5) provide clarity and points of analysis for management of grant resources
- 6) provide management with a tool to assess the need for changes in the plan and staff performance.

The results of this analysis process shall be presented to the TAPS Board of Directors on a quarterly basis. This presentation will include an extension of cumulative actual operating results extending to the end of the program year. The methodology utilized in this process shall:

- 1) include the reiteration of basic assumptions that still apply
- 2) state new assumptions where appropriate and the impact of these changes on the operational plan

- 3) analyze and adjust cash projections for changes determined necessary in the budget process
- 4) incorporate projected program income, if any, into the budget process
- 5) restate and refine the remaining budgets based on remaining funds and the modified budget assumptions
- 6) communicate the need for additional funding/transfers/voluntary de-obligations to the Board for approval
- 7) take appropriate steps to inform the funding agencies of TAPS of changes when appropriate.

### **1.6.1 BUDGET PROCEDURES**

#### **1.6.1.1 BUDGETARY ACCOUNTING PROCEDURES**

TAPS staff will ensure that the following procedures are followed:

- 1) Prepare the annual budget on an individual grant basis incorporating all subcontractor budgets and a review of all allocations.
- 2) The Chief Executive Officer and Chief Finance Officer shall review the budget for reasonableness, completeness and accuracy.
- 3) The TAPS Board of Directors shall review and approve the total annual budget.
- 4) At least monthly, the Finance Director shall provide a financial report on a grant-by-grant basis detailing revenue and expenditures for the current month, cumulative totals to date, and remaining grant funds by line item (amount).
- 5) At least quarterly, the Chief Financial Officer shall review the Finance Director's financial reports on each grant and make comparisons or budget versus actual amounts.
- 6) If the variance between the budgeted and actual amounts exceeds 20% in any month, further analysis will be conducted by the Chief Financial Officer to determine accuracy and reasonableness of expenditures.
- 7) At least quarterly, the Chief Executive Officer and Chief Finance

Officer will review the budget on a grant by grant basis using an annualized approach to ensure that expenditure levels will be met and

The Chief Executive Officer, Chief Finance Officer (or subsequent personnel on the chain of command) will ensure that expenditure and budget amounts are in compliance with applicable cost categories and limitations as set forth in the program grant awards.

The same personnel will isolate strengths and weaknesses in the budget assumptions

- 10) Detect coding and other errors on a timely basis.
- 11) Modify the operational plan for environmental changes
- 12) Provide clarity and points of analysis for management of grant resources.
- 13) Provide management with a tool to assess the need for changes in the plan and staff performance.

The results of this analysis process shall be presented to the Board. This presentation will include an extension of cumulative actual operating results extending to the end of the program year. The methodology utilized in this process is listed below.

- 1) include the reiteration of basic assumptions that still apply
- 2) state new assumptions where appropriate and the impact of these changes on the operational plan
- 3) analyze and adjust cash projections for changes determined necessary in the budget process
- 4) incorporate projected program income, if any, into the budget process
- 5) restate and refine the remaining budgets based on remaining funds and the modified budget assumptions
- 6) communicate the need for additional funding/transfers/voluntary de-obligations to the Board for approval
- 7) take appropriate steps to inform the Board of changes when

appropriate.

## **1.7 PERFORMANCE BONDS**

TAPS will maintain a performance bond. The amount of the bond shall be equal to \$50,000. TAPS shall be the bond owner but HHSC shall be the certificate holder.

## **1.8 DISTRIBUTION CODES AND COST ALLOCATION PLANS**

### **1.8.1 TAPS DISTRIBUTION CODES AND COST ALLOCATION PLAN**

The Finance Department of the TAPS is responsible for ensuring that joint costs are allocated among titles receiving the benefit. An automated accounting system is utilized for the purpose of tracking the fiscal activities. The system classifies funding sources by grant title, cost category (if applicable), program year and line item expenditures. The system also tracks and compares budgets and expenditures for the above categories.

The system is accrual based, chart of accounts driven and maintained in "networked" based microcomputers. Software utilized is the Abila MIP fund accounting package.

#### **1.8.1.1 TAPS DISTRIBUTION CODES AND COST ALLOCATION PROCEDURES**

For the purposes of cost allocation, direct costs attributable to the programs are divided into two categories:

- 1) Assignable Direct Costs: direct costs that can be specifically identified with a particular cost objective. These costs are charged directly to a specific grant, and cost category.
  
- 1) Unassignable Direct Costs: Costs that can be identified with a specific cost category, but not a grant title. Therefore, the following basis of allocation has been established to reflect the benefits received by grant title and cost category: Rural Cost, Urban Cost, Rural and Urban Cost.

These expenses will be allocated between the benefiting service areas based on service levels. All unassignable costs will be charged to the appropriate administrative or program cost category.

On at least a quarterly basis, the cost allocation method and numerical data will be reviewed to ensure that each cost objective is charged in proportion to the benefits derived. Additionally, the following circumstances may require Cost Allocation Plan Modification:

- 1) A substantial increase and/or decrease in grant funding
- 2) Substantial changes in the organization's structure
- 2) Other items that may distort the results of fiscal activities.

The Board of Directors shall review and approve the cost allocation codes on a quarterly basis, even if the allocation did not change.

### **1.8.2 PERIODIC ANALYSIS**

At least on a quarterly basis the fiscal analyst will:

- 1) Evaluate the impact of the allocations on each grant.
- 2) Determine whether the methods yield charges to the grants, which are in proportion to the benefit received.
- 3) If necessary change to another allowable method of allocation.

### **1.8.3 METHODS USED FOR DISTRIBUTION OF COSTS**

#### **1.8.3.1 SALARIES, BENEFITS, INDIRECT COSTS**

Salaries are charged to the Rural Cost, Urban Cost, Rural/Urban Cost or direct charged to a specific grant or contract based on time spent. Benefits and indirect costs are allocated monthly based on direct time charged to each grant following procedures detailed in the TAPS Cost Allocation Plan.

#### **1.8.3.2 FUEL, PREVENTIVE MAINTENANCE**

Fuel and preventive maintenance are charged to the Rural Cost, Urban Cost, Rural/Urban Cost or direct charged to a specific grant or contract based on level of service provided to each grant following procedures detailed in the TAPS Cost Allocation Plan.

#### **1.8.3.3 ACCESS MEMBER COSTS**

These supportive service costs are charged to the participants' assigned HHSC risk group code title.

#### **1.8.3.4 OTHER CONTRACT SERVICES**

These costs are charged directly to the benefiting Public Transit and HHSC Categorical Program title and cost objective. Joint expenses are allocated based on number of participants served, employee time, or other method,

whichever produces the result that most accurately reflects benefits received by the grant. Where it is not feasible to track costs to a specific grant, the cost will be charged to the Rural Cost, Urban Cost, or Rural/Urban Cost as appropriate.

#### **1.8.3.5 TRAVEL, EMPLOYEE DEVELOPMENT**

These costs are direct charged to the benefiting Public Transit and HHSC Categorical Program title and cost objective if the travel is directly related to a specific grant. If necessary, allocation of travel costs may be made based on the number of participants served, staff time, or any other reasonable method. Where it is not feasible to track travel costs to a specific grant, the cost will be charged to the Rural Cost, Urban Cost, or Rural/Urban Cost as appropriate.

#### **1.8.3.6 EQUIPMENT, FURNITURE**

These costs are direct charged to the benefiting Public Transit and HHSC Categorical Program title and cost objective. If necessary, allocation of costs may be made based on the number of participants served, staff time, or any other reasonable method. Where it is not feasible to track costs to a specific grant, the cost will be charged to the Rural Cost, Urban Cost, or Rural/Urban Cost as appropriate.

#### **1.8.3.7 RENT, UTILITIES, COMMUNICATIONS, POSTAGE, JANITORIAL**

These costs are allocated to the Rural Cost, Urban Cost, Rural/Urban Cost, or HHSC contract cost as appropriate.

#### **1.8.3.8 SUPPLIES, PRINTING**

These costs are direct charged to the benefiting Public Transit and HHSC Categorical Program title and cost objective . Where it is not feasible to track costs to a specific grant, the cost will be charged to the Rural Cost, Urban Cost, Rural/Urban Cost, or HHSC contract cost, as appropriate.

### **1.9 PROGRAM INCOME**

#### **1.9.1 PURPOSE OF PROCEDURES**

The purpose of this section is to establish TAPS procedures for the tracking and treatment of Program Income.

#### **1.9.2 DEFINITION OF PROGRAM INCOME**

As stated in the FTA Circular 5010.1D, Program Income is "gross income received by the grantee or subgrantee directly generated by a grant supported activity, orearned only as a result of the Grant Agreement during the grant period (the time

between the effective date of the grant and the ending date of the grant reflected in the final financial report).”

Program income includes income:

- 1) Fees for services performed.
- 2) From the use or rental of real or personal property acquired with grant funds.
- 3) From the sale of commodities or items fabricated under a Grant Agreement.
- 4) From payments of principal and interest on loans made with grant funds.

### **1.9.3 PROGRAM INCOME PROCEDURE**

TAPS Director of Finance will track program income in the accounting system. FTA allows its grantee to keep program income and use it for capital and operating expenses. Program income may not be used to reduce the local share of the grant from which it was earned, but may be used in future grants. If grantees choose not to use program income for public transportation purposes, then it shall be deducted from total allowable costs to determine the net allowable costs.

## **1.10 CASH MANAGEMENT SYSTEM**

### **1.10.1 CASH MANAGEMENT PROCEDURES**

TAPS Staff will ensure that these steps are followed:

- 1) The Director of Finance will ensure that all blank checks and undeliverable checks are kept in a locked, secure location.
- 2) All TAPS checks are pre-numbered, sequentially, from the printing company.
- 3) The Director of Finance shall record and maintain all voided checks. Additionally, these checks will be stamped void and/or defaced to prevent unauthorized use.
- 4) The Chief Finance Officer shall ensure that all cash balances are deposited in a Federally insured financial institution.
- 5) The Finance Office shall be responsible for receiving, recording and depositing funds promptly and intact.

- 6) The Finance Director shall minimize the time lapse between the receipt of the funds and the disbursement of these funds.
- 7) The Finance Director shall forecast the minimum amount of cash needed to pay future, immediate cash requirements of carrying out program activities.
- 8) An accountant shall provide monthly bank reconciliation by the first Tuesday following the 10th day of the following month to the Director of Finance. The CFO will review the bank reconciliation once it is approved and all correcting entries are made.
- 9) The Finance Committee consisting of members of the Board of Directors, at least annually, shall have an independent auditor procured to review all aspects of the organization's cash management system for compliance. This review will include banking collateral agreements, fidelity bonding, bank reconciliations, excess cash, cash forecasting, and security over cash.
- 10) A staff member will not sign his or her own payroll/travel check.
- 11) The TAPS Chief Finance Officer shall perform a cursory review of check signatures each month when the bank reconciliation is complete.
- 12) The TAPS Director of Finance, Chief Finance Officer, in conjunction with the Chief Executive Officer, may reject payments or withhold payments for any sound business purpose including:
  - a. Lack of authorized signatures on file
  - b. Omission or unauthorized signatures
  - c. Lack of adequate bonding
  - d. Insufficient collateral agreement amount
  - e. Failure to submit monthly expenditure reports
  - f. Delinquent audit reports
  - g. Delinquent close-out reports

- h. Excessive cash on-hand
- i. A written request from the Chief Executive Officer to withhold payment.

### **1.10.2 GENERAL LEDGER PROCEDURES**

TAPS Director of Finance will ensure that these steps are followed:

- 1) Each grant program shall be assigned an individual fund number in the general ledger system. Appropriate accounts shall be established for each program, including asset, liability, fund balance, revenue, and expense accounts. Account names shall be adequate to identify sources of revenue and classes of expenditure.
- 2) Budget amounts shall be entered at the inception of the program, and shall be updated as necessary throughout the duration of the program.
- 3) The computer accounting system shall be able to process the following reports:
  - a. current-month and year-to-date revenue and expenditure reports, including budget to actual comparisons, by program
  - b. general ledgers and trial balances as of the current date, or any previous month end, by program
  - c. detail transaction history for all accounts (or any range of accounts)
  - d. current cash balance reports
  - e. vendor histories
  - f. charts of account.
- 4) Financial reports shall be processed on an as-needed basis for purposes of preparing reports, providing information, or assisting monitors and/or auditors.
- 5) Journal entries shall be used to post necessary adjustments as are needed. All journal entries will be supported with appropriate detail to justify the reason for the entry. Journal entries proposed by the

Finance staff shall be posted and maintained by the TAPS Director of Finance. Entries proposed by the Director of Finance will be reviewed and posted by the CFO.

- 6) The Chief Finance Officer and Director of Finance will review expenditures charged to federal and state grants to ensure their allowability under federal and state laws by reviewing journal entries, check registers, the trial balance and expenditure reports.

### **1.10.3 BANK RECONCILIATION PROCEDURES**

TAPS Chief Finance Officer will ensure that these steps are followed:

- 1) TAPS bank statements are received monthly from the financial institution and reconciled on a monthly basis.
- 2) . Bank Statements are pulled down from the on line banking system by the Director of Finance and delegated to the appropriate level of staff for reconciliation.
- 3) An Accountant, using the bank reconciliation module of the computer financial system, performs bank reconciliation procedures which includes:
  - a. Accounting for check numbers used
  - b. Comparing all checks, including voided one, with the check register to verify date, number, amount and payee
  - c. Inspecting signatures and endorsements
  - d. Investigating and reviewing bank transfers
  - e. Tracing and reviewing bank transfers
  - f. Itemizing outstanding checks
- 4) Periodically, checks that have been outstanding for long periods will be voided through MIP and the bank will be notified of a stop payment.
- 5) The Accountant performing the reconciliation informs the TAPS Finance Director of any reconciliation errors or problems. Problems are resolved and reconciliation is completed. The reconciliation and

related adjustments are then approved by the Director of Finance and sent to the CFO for approval.

- 5) Bank reconciliation work papers are maintained in the Finance file room and are available for inspection. The Accountant documents the reconciliation as the preparer and The Director of Finance as the reviewer and designee to correct any errors, and the Chief Executive Officer as the final reviewer.

#### **1.10.4**

#### **FARE REVENUE PROCEDURES**

##### **1.10.4.1**

#### **FARE COLLECTION**

- 1) Bus passengers place their respective fares in the vehicle's fare box. The driver is to ensure that the appropriate fare is collected according to manifest if applicable.

- 2) At the conclusion of the day's route the driver will obtain a key from operation base to drop the vault from the fare collection mechanism.
- 3) The driver returns the locked vault to the office of operation in which they are located. A member of dispatch or supervisory will allow the driver access to a vault key in order to begin the counting process. In the event there is no one available to witness the fare count, the driver is to leave the vault in the locked condition at the base of operations. The locked vault will be opened by an operations supervisor or dispatcher along with a witness.
- 4) The fares will be counted by the driver or supervisor with a member of dispatch staff, supervisory staff, or another driver (witness).
- 5) The breakdown of fares collected will be notated on the appropriate fare slip.
- 6) The driver or supervisor will sign and date the slip in the area provided.
- 7)\_ The witness will verify the accuracy of the count from the originating vault.
- 8) Once the amount is verified, the driver or supervisor places the fares along with appropriate slip into a clear plastic bag. The witness will observe the driver or supervisor placing the bag into the collection vault at the site.
- 9) The dispatcher on duty must compare the amount the accounted for on the driver's slip versus what the amount in RouteMatch reflects. The dispatcher will sign off that the slip has been verified against RouteMatch and is accurate.
- 10) If there is a discrepancy it will be reported to a Supervisor as to what the discrepancy is.
- 11) The supervisor will prepare a daily report and deliver it to the GM of Operations and the Director of Safety & Security/Risk Management, as well as the Director of Finance.

- 12) These three individuals will determine the nature of the discrepancy and communicate to the CFO not only the nature but also the resolution. For example, if the RouteMatch software needed to be updated to reflect the appropriate fare amount to collect from a client. Dispatcher updated client file.

#### **1.10.4.2 FARE DELIVERY, PROCESSING, STORAGE**

- 1) The Office of Safety and Security will conduct at a minimum a weekly collection from each collection site. The collections will be conducted on random week days.
- 2) The designated Safety and Security personnel will conduct the overall count for deposit.
- 3) There shall be at a minimum one member of operations supervisory staff present and taking part in the fare pull for deposit. The cash will be separated into denominations, the coins will be placed into bag(s) and any checks will be separated as well.
- 4) The fare collection will be broken down and notated on the fare deposit slip.
- 5) Daily fare slips will be separated and turned over to the Finance Department. The fare cards, passes etc. will be separated as well to be turned over to the Finance Department.
- 6) Once counted and verified by two parties, both will sign and date the fare deposit slip.
- 7) The fare pull will be transported by two persons to the Finance Department.
- 8) The bank deposit slip will be prepared by a member of the Finance Department.
- 9) Once the bank deposit slip is prepared by the Accountant, two members of Safety & Security will transport the fares for deposit at the designated bank.
- 10) Once deposit has taken place all record given by the bank from the deposit will be turned over by a member of Safety and Security to the Finance Department.

#### **1.10.4.3 FARE RECONCILIATION**

- 1) At a minimum, 10% of the fare slips will be pulled at random throughout the month and will be reconciled with the manifest for that date. This reconciliation will be conducted by the Accountant.
- 2) All reconciliations are noted by the Accountant for the Accounts Receivable staff to review.

- 3) The CFO can determine at any time to have a higher percentage of fare slips reconciled during a given month.

## 1.11 FINANCIAL RECORDS

### 1.11.1 FINANCIAL RECORDS RETENTION

TAPS requires that recipients shall keep records that are sufficient to permit the preparation of reports required by this Act and to permit the tracing of funds to a level of expenditure adequate to insure that the funds have not been spent unlawfully. The time frame for keeping such records is defined as a period ending two years from the date on which the annual expenditure report (closeout) containing the final expenditures charged to given program years allotment is submitted.

#### 1.11.1.1 FINANCIAL RECORDS RETENTION PROCEDURES

In general, records must be retained for 3 (three) years from the starting date shown in the matrix below. Two exceptions exist:

- If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the three-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.
- If TAPS has made special arrangements to transfer to TxDOT any records that are continuously needed for joint use (to avoid duplicate recordkeeping), the three-year requirement is not applicable to TAPS.

<b>Record Type</b>	<b>Start Date</b>
All financial and programmatic records, supporting documents, statistical records, and other records of TAPS, except as otherwise indicated in this matrix.	Date TAPS submits to the awarding agency its single or last audit report for that period.
Real property and equipment.	Date of the disposition or replacement, or transfer at the direction of the awarding agency.
Records for income transactions after grant or subgrant support (in cases where TAPS must report income after the period of grant support).	End of the TAPS's fiscal year in which the income is earned.
Indirect cost rate proposals, cost allocations plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable, and their supporting records.	<i>If submitted for negotiation:</i> date the plan/proposal is submitted for negotiation.  <i>If not submitted for negotiation:</i> end of the fiscal year (or other accounting period) covered by the proposal, plan, or

## **1.12 REPORTING SYSTEMS**

The Organization's computerized system, with strong internal controls, and annually audited by an independent CPA should provide the oversight needed to ensure compliance with all reporting requirements.

### **1.12.1 GENERAL REPORTING PROCEDURES**

- 1) The Chief Executive Officer (or designated fiscal staff) and the Chief Finance Officer shall annually review the accounting and reporting policies of TAPS to ensure that they conform to generally accepted accounting principles applicable to nonprofit accounting standards.
- 2) Financial and statistical reports will be provided to the Board as needed.
- 3) The TAPS Chief Finance Officer shall ensure that financial reporting includes organizations within the Board's reporting entity, include programs upon which the Board is able to impose its will, or that are fiscally dependent upon the Board.

### **1.12.2 REPORT PREPARATION PROCEDURES**

TAPS staff will ensure that the following steps are adhered in preparing timely reports:

- 1) Financial reports are due various funding entities at differing intervals (monthly, quarterly, annually) as noted in the program grant award or interlocal agreement.
- 2) As financial reports often include non-financial performance data, the Finance Director works with other staff to ensure that all data is collected and input for submission and that data is accurate.
- 3) The Finance Director, accountant and CFO will work together to close the month to enable the reports to be produced that are accurate and reflect the financial health of the organization. A monthly closing checklist will be followed outlining closing entries needed including, but not limited to, depreciation expense, accrual of receivables and payables as needed, cash adjustments, and other accruals as needed.
- 4) The Finance Director submits expense reports utilizing the

prescribed reporting system by the receiving entity's stated deadline.

- 5) Expenses are to be reported on an accrual basis. All accruals should be documented.
- 6) Monthly reports will be generated to be reviewed by executive and director level management of TAPS. The reports shall be available to such staff no later than the 20<sup>th</sup> of the following month. The prior month's books and records will be closed for any further activity once those reports are run.

### **1.12.3 AUDIT**

TAPS shall have an annual audit made in accordance with OMB Circular A-133, as applicable and in effect at the time costs were incurred, in accordance with federal laws and regulations governing the program(s).

The independent CPA firm will present the audit directly to the Board of Directors Finance Committee and will be encouraged to include recommendations on improving all aspects of the accounting system (internal controls, budgeting, reporting, etc.)

#### **1.12.3.1 AUDIT PROCEDURES**

TAPS staff will ensure that these steps are followed:

- 1) In conjunction with the Finance Committee of the Board of Directors, the Chief Executive Officer (or designated fiscal staff) and the Chief Finance Officer shall annually solicit an Independent Auditor. Independent auditors will not exceed 5 continuous years of audit unless continued independence is documented. The following date guidelines are provided:
  - a. RFP shall be mailed to potential auditors by June 15<sup>th</sup> of procurement year. The audit period will be for the current TAPS fiscal year ending September 30th.
  - b. All proposals must be received at the TAPS office (not postmarked) by July 15<sup>th</sup>.
  - c. The selection process will be completed and an award made by August 31<sup>st</sup>.
- 2) Each proposal should be evaluated for:

- a. Understanding the audit requirements; Does the firm's response demonstrate the audit objectives, the TAPS needs and the final products to be delivered?
  - b. Soundness of the Technical Approach; Does the proposal contain a sound technical plan with a realistic estimate of time required to complete the audit? Does the proposal show the bidder's intention to start the audit when required and complete the audit in the specified time limits? Does the technical plan show a practical approach to meeting benchmarks and specific deadlines? Does the proposal indicate that the firm will use a systematic approach to examining systems and internal controls and effective procedures, including consideration of risk and materiality, to determine the extent of audit testing that is necessary? Does the proposal indicate the bidder's willingness to use other auditors work, to the extent possible, to avoid duplication of effort?
  - c. Qualifications of the Audit Firm: Does the firm ensure that it has experience in performing the required work for entities of the TAPS type and size?
  - d. Qualifications of the Audit Team: Does the proposal clearly show the collective experience of the team to be assigned to the project? Does the proposal specify, in concrete language, that key personnel have the education and experience to perform the type of work the audit entails? Is it explained in specific audit engagements? Is the continuing professional education of key personnel explained in detail? Does the proposal indicate the extent to which the TAPS staff would be expected to contribute to the work effort? Does the proposal specify that the TAPS must be notified in writing of changes in key personnel?
- 3) The Letter of Agreement will incorporate terms included in the RFP, the terms of the successful bidder's last proposal and should be signed by both the Chief Executive Officer and the Audit firm. The Letter of Agreement will also include the audit scope, objective, purpose, deadlines for the work to be performed, the audit cost, and the format of the report(s). The type and timing of support that will be provided by the

TAPS staff should be included in the contract.

- 4) The professional auditing standards to be followed in performing the audit must be specified. The relationship of the auditing firm to the TAPS should be clarified as an independent contractor.
- 5) Clearly indicate that the work papers prepared by the auditors are the property of the audit firm, yet should be retained by the firm and made available to governmental auditors and other oversight bodies upon request.
- 6) Indicate that all reports rendered the TAPS by the audit firm are the exclusive property of the TAPS and subject to its use and control, according to applicable laws and regulations.
- 7) Interim field work will be completed by the auditors and reported to the Chief Executive Officer and Chief Finance Officer by October 31<sup>st</sup>.
- 8) The actual audit will begin on or before November 30<sup>th</sup>.
- 9) The Chief Finance Officer will monitor the progress of the audit to ensure the TAPS receives both the type and quality of services specified in the agreement.
- 10) The auditors will present the review exposure draft to the TAPS Chief Executive Officer and Chief Finance Officer no later than January 15<sup>th</sup>.
- 11) The Chief Finance Officer will require oral periodic progress reports and will hold regular meetings to discuss issues of concern. The Chief Finance Officer will conduct a desk review and any issues will be discussed with the auditors.
- 12) The Chief Finance Officer and Chief Executive Officer will address any discrepancies, instances of non-compliance, or unallowed costs immediately. A plan will be put in place to rectify the issues as quickly as possible. Technical assistance by TAPS staff will be sought in the event there is a need.
- 13) Auditors will make every effort to file corporate Income Tax Return (Form 990) by February 15<sup>th</sup>, or will file a request for extension in a timely manner if necessary. The Chief Finance

Officer will ensure this done and a copy of the tax return will be held at the TAPS office.

### **1.13 INSURANCE AND LIABILITY**

The Board has obtained and will continue to hold all bonding and insurance requirements required by FTA, TxDOT, HHSC and applicable programs. The policies for these insurances are maintained on file with the Board. The amounts of the bonds and insurances meet or exceed all minimum requirements.

#### **1.13.1 MAINTENANCE OF INSURANCE AND LIABILITY PROCEDURES**

TAPS staff will ensure that the following steps are followed:

- 1) The Chief Executive Officer (or subsequent personnel on the chain of command) will review at least annually all insurance and bonding of the Board and all subcontractors.
- 2) The Chief Executive Officer will have all subcontractors independently monitored at least annually and the Monitors will be required to review all insurance and bonding for compliance with the rules and regulations.
- 3) The Chief Executive Officer will forward copies of all required bonds to HHSC and notify HHSC when any bond is reduced or cancelled.
- 4) Insurance policies will cover general liability, vehicles, and bonding.

### **1.14 DISBURSEMENTS AND PAYABLES**

#### **1.14.1 TAPS PURCHASE ORDERS PROCEDURES**

TAPS staff will ensure that the following steps are followed:

- 1) When notification of funding is received, a new grant contract is set up with the accounting software used by TAPS – Abila MIP. The amount of the grant budget is input into the software in respect to the income to be received, the match to be made for the grant and the expenditures in the categories that were in the grant award. Notification of the input of the grant is given to finance and a copy of the grant budget is sent to all senior and executive level management.
- 2) Grant expenditures for over \$100 are incurred through the initiation of a request for a purchase order number. The request for the purchase order is approved by the originating department's director or designee before it is sent further in the system.

- 3) The purchase request is sent through the work flow system which is an added module to the current Abila MIP software accounting system.
- 4) All requests for purchase orders are approved by the procurement officer. A PO number that is issued in sequential sequence and assigned by the computer, is given at the time of the purchase request. The procurement officer (or designee) is educated about which grants are available for expenditure at any given time through an excel spreadsheet that is prepared and updated as needed by the Grant Administrator (or designee). The Procurement officer can approve any request up to \$2,999.99. Any requests between \$3,000.00 and \$24,999.99 require the additional approval in the workflow system of the Director of Finance. Any request greater than \$25,000.00 requires the approval of all three levels: the procurement officer, the Director of Finance, and the CFO.
- 5) The account coding for the expenditure is assigned when the expense is approved by the procurement officer. Denied requests are voided and are not processed any further through the system.
- 6) An email is sent to the originator of the request letting them know the request is approved. The procurement office or department designee then places the order with the vendor.
- 7) Upon receipt of the goods, the invoice is matched with PO within the work flow portion of the accounting software. The PO is then moved from the work flow system into the MIP Accounting system and the invoice number is attached to the PO.
- 8) The accounts payable staff matches what is in workflow to the invoice to make sure that the expenses are allocated properly as the invoice passes from the work flow system into the accounts payable system.
- 9) The accounts payable staff then indicate on the invoice what the coding of the invoice is for grant purposes. If the invoice involved more than one contract grant, both contract numbers and their amounts are written on the invoice.

- 10) Prior to payment, the invoices are presented back to the Director of Finance for final approval prior to payment.
- 11) Invoices are scanned and placed into the finance drive for later location and labeling for grant reimbursement.
- 12) Once the Director of Finance approves the check to be paid, the accounts payable staff are given the invoices again to write the check and match checks with the invoices being paid.
- 13) The checks, with all the supporting documentation, are presented to the CFO for signature. If the CFO is absent, the COO or the CEO are able to sign checks. The check is verified as to payee and amount and the checks are signed.
- 14) Checks are returned to a finance staff member that did not write the checks, where they are again agreed for payee and dollar amount before being separated from their support information and mailed to the vendor.
- 15) Any checks that do not go through the work flow system, such as checks for utilities, are coded by accounts payable staff based on grant contracts available and all coding is approved by the grant administrator or the finance director prior to being input in the accounts payable system for payment. The remaining part of the process for matching, check signature, and verification are followed just as they are for purchase orders.
- 16) Once a month, reports are run out of the accounting system comparing the budgeted expenditures to the actual expenditures. Appropriate levels of management are provided a copy of the monthly reports to show how much is left on each grant contract to spend. This also alerts executive management of the local match that is required on a monthly basis. If any line item is over budget, that line item is inspected for potential miscoding and corrections are made. If budget amendments are necessary, the CFO follows the amendment process with FTA.

- 17) Any budget amendments are input in the MIP accounting software as soon as the amendment is approved. The Director of Finance or the CFO are the only two with permissions to change grant contract budget amounts.
- 18) Anything processed after the monthly cutoff will be posted to the current month to provide the grant draw down process with a proper cutoff of expenditures.
- 19) RFR's for any grant are prepared based on the information provided from the detailed general ledger in the accounting system. If any errors are noted, they are corrected in the general ledger immediately. The Director of Finance is primarily responsible for the processing of all grant requests for reimbursement and uses only information provided in the detailed general ledger to prepare RFR's and ECHO drawdown requests.

#### **1.14.2 CHECK REQUEST PROCEDURES**

TAPS staff will ensure that the following steps are followed:

- 1) Similar to Purchase Orders, the Check Request is reviewed, coded for payment and approved by the Director of Finance(or subsequent personnel on the chain of command).
- 2) The Check Request, with a copy of the billing, is sent to the Accountant.
- 3) Upon receipt of the approved Check Request, the Accountant prepares the check and gives the check and supporting documentation to the Director of Finance for review and posting. The checks are then presented to an appropriate level of management for signature. Once the check is signed, it is given to the Accountant to review for accuracy.
- 4) The Check Request is stamped with the proper stamp for account number and coding for grant and expense classification.
- 5) In the event that any check is voided, it will be adequately canceled and retained by the Director of Finance to prove all checks are accounted for.
- 6) Check copy and supporting invoice is filed by vendor and maintained in accordance with established records retention policy.
- 7) The Administrative Assistant mails checks.

- 8) The check may be mailed directly to the payee, or returned to TAPS staff for distribution as indicated on the request (as in the case of a travel advance for an employee).

### **1.14.3 BILL PAYMENT PROCEDURES**

TAPS Director of finance will ensure that the following steps are followed:

- 1) Receive A/P Voucher for received goods or services from TAPS personnel.
- 2) Verify approval of invoices by the Department Director, or Chief level Executive Officer or subsequent personnel in the chain of command.
- 3) All invoices will be examined to ensure payment is paid by due date and to consider early payment to take advantage of early payment incentives.
- 4) Review and, if necessary, correct general ledger account number on invoice.
- 5) For receipt of goods or services from a purchase order, post received items to the vouchers payable module in the financial system.
- 6) Returned purchases should be documented and tracked by the entry of a credit memo into the accounting system, the adjustment of the outstanding invoice, or other method to assure that the vendor will be charged or appropriate credit obtained.
- 7) Perform appropriate system backup procedures for checks to be processed in batch (through the vouchers payable module) and that one check is written to vendor in the case of multiple small purchases.
- 8) Process and print checks using appropriate system parameters (bank account, date range to be printed, etc.).
- 9) For checks needed on an immediate basis, process and print checks as needed.
- 10) The invoice is attached to the portion of the check that is kept in Finance and filed accordingly.
- 11) Chief Executive Officer or Chief Financial Officer signs checks
- 12) Check copy and supporting invoice is filed by vendor and maintained in accordance with established records retention policy.

- 13) The Administrative Assistant mails checks

At the end of each program year, all expenditures incurred during the program year that have not been disbursed shall be accrued into the appropriate expense/reporting period.

#### **1.14.4 Sponsorships**

TAPS does not use funds awarded for contributions and donations – including cash, property, and services – to others. Examples include:

- 1) Contributions to campaigns or funds to help or assist specific causes such as lobbyists
  - i. Memberships must state that dues are not used to pay part or all of the salary of a lobbyist
- 2) Gifts to charities and other organizations
- 3) Similar actions

TAPS does not use funds to pay sponsorship fees – fees paid to cover all or part of the cost of an event produced by another organization, usually in exchange for public acknowledgement of funds.

Costs that share in an event produced by another organization are allowable if:

- 1) The event is necessary and reasonable cost for the performance of the award
- 2) The amount of funds paid is commensurate with the extent that the awards and funding streams charged benefit from the event
- 3) The amount paid is supported by an invoice for the Board's equitable share of actual events.

#### **1.14.5 AWARD CEREMONIES**

Award ceremonies include the costs of space, speaker fees, and plaques associated with the ceremony. Costs for award ceremonies must:

- 1) Specifically support the grant award
- 2) Be necessary and reasonable for the performance of the award
- 3) Be allocable to the award in accordance with relative benefits received

Examples include:

- 1) Employee recognition
- 2) Employees after completing 5, 10, 15, and 20 years of service
- 3) A Board member that completes a term

### **1.15 PAYROLL PROCEDURES**

#### **1.15.1 PAYROLL PROCESSING AND PAYMENT**

TAPS Director of Finance will ensure that the following steps are followed:

- 1) TAPS staff completes and signs semi-monthly or bi-weekly time sheets, indicating which programs and/or account numbers are to be charged.

Time sheets are maintained in hourly increments, by program.

- 2) After completion, the time sheets are approved by the appropriate department Director or immediate level supervisor.
- 3) Time sheets are submitted at least two days prior to paydays. Paydays are established as the 15<sup>th</sup> and last day of each month for salaried employees (semi-monthly), and every other Friday for hourly employees
- 4) The payroll staff reviews time sheets for completeness and proper account coding.
- 5) Using appropriate pay rates as established by TAPS, and applying any payroll deductions for each employee, the payroll staff updates payroll records.
- 6) Vacation and Sick Leave hours are accrued at each pay period. Vacation and Sick Leave hours are deducted for any usage. (See Personnel Policies for schedule of leave.)
- 7) Using the payroll module, the payroll staff enters the payroll distribution for each TAPS staff person by program and calculates the payroll.
- 8) Payroll vouchers are generated from the payroll module of the financial system.
- 9) Direct Deposits are initiated through the on-line banking software to be available to employees on the scheduled pay date, or the previous business day scheduled pay date is a weekend or holiday.
- 10) Appropriate payroll reports are prepared as necessary.
- 11) The payroll staff enters all payroll-related vouchers at each pay period, as applicable (payroll taxes, insurance, retirement, etc.) and prints checks in accordance with established bill payment procedures.
- 12) Payroll vouchers are distributed to employees on the scheduled pay date, or the previous business day scheduled pay date is a weekend or holiday.

### **1.15.2 PAYROLL CHECKS**

TAPS Director of Finance will ensure that the following steps are followed:

- 1) Payroll records, including time sheets, are reviewed for accuracy and validity, and signed by the the appropriate level of personnel on the chain

of command and forwarded to the payroll staff.

- 2) All employees will maintain time records in accordance with TAPS Policies and Procedures Manual, and as specified in the TAPS Cost Allocation Plan.
- 3) The Finance Director will ensure payroll registers are reconciled to independent controls (such as totals to the prior month's totals).
- 4) The Finance Director will ensure its automated system will accurately compute fringe benefit charges.
- 5) All leave requests shall be signed by the appropriate level of personnel on the chain of command and be submitted for approval.
- 6) All staff and participants shall be paid only by direct deposit. A check may be written until the employee establishes a bank account for direct deposit.
- 7) Preparation of the payroll shall be separate from and independent of processing the direct deposits. The Director of Finance (or designee) reviews all payroll amounts by reviewing the ACH transaction register.
- 8) Addition of new employees, changes in pay rates, and removal of a terminated employee from the payroll system shall be performed by the Human Resources Department.

### **1.15.3 BENEFITS**

TAPS Human Resources Director will ensure that the following steps are followed to ensure employee's benefits are deducted from payroll in accordance with TAPS Personnel Policy, Chapter 5:

- 1) All TAPS staff are classified under the Fair Labor Standards Act as Exempt or Non-Exempt positions based on the individual's primary responsibilities. All overtime services by Non-Exempt employees must be authorized in advance by the employee's supervisor and approved by the Director and will be compensated as outlined in TAPS Personnel Policies. Unless or until the State classifies the approved job classification system to reflect FLSA categorizations, TAPS will determine exemption status for all positions.
- 2) Annual leave may be taken in increments of one hour and each employee with fiscal responsibilities must take a minimum of 5 consecutive vacation days per year. The approved leave request form must be completed for

all annual leave requests, approved by the Chief Executive Officer (or subsequent personnel on the chain of command) and given to the payroll staff for payroll processing.

- 3) Sick leave is accumulated at a rate of 8 hours per month for all employees as outlined in the TAPS Personnel Policies. The approved leave request form must be completed for all sick leave requests, approved by the Chief Executive Officer (or subsequent personnel on the chain of command) and given to the payroll staff for payroll processing.
- 4) The payroll staff, who keeps the record of each employee's accumulated leave, verifies that the employee has sufficient leave available to fulfill the request.
- 5) Family Medical Leave procedures are in accordance with that Act and are detailed in the TAPS Personnel Policies.
- 6) Comprehensive health coverage, including medical, dental, disability, and life insurance is paid 90% by the Board for the employee. Family coverage for spouse and/or child(ren) is available at the employee's expense. Upon hiring, the new employee must complete the appropriate forms to accept or waive coverage. The employee maintains these forms and a copy is placed in each personnel file.

### **1.16 COMPLIANCE WITH EMPLOYMENT LAWS**

TAPS Human Resources department will ensure that the following steps are followed:

- 1) TAPS provides each employee with a signed copy of TAPS's EEO statement.
- 2) FMLA requires the completion of a statement from the requesting employee's medical practitioner verifying the need for FMLA leave. This form is kept in the employee's separate medical file. Detailed information about TAPS's FMLA policy and procedures is outlined in TAPS Personnel Policies and Procedures.
- 3) FLSA determinations for each position is made by management staff and approved by the Chief Executive Officer.
- 4) All new or rehired employees to the TAPS will be reported to the State on the State of Texas New Hire Reporting Form with a copy being maintained in the employee's personnel file. The required elements to be reported are:  
Federal Employer Identification Number  
Employer Name

Employer Address  
Employee Social Security Number  
Employee Name  
Employee Address

- 5) All other applicable laws and regulations are maintained and adhered to by the Board, as required and necessary.

### **1.17 CREDIT CARD POLICY AND PROCEDURES**

The TAPS has authorized credit card use for management level staff and obtained cards through its fiscal department under the banking arrangement with American Express. The cards are to be used for travel and small purchases, and are not intended to circumvent procurement. Use of company-issued credit cards is a privilege, which TAPS may withdraw in the event of serious or repeated abuse.

The following guidelines should be followed by all TAPS management that has a credit card.

- 1) Credit cards are to be used only for travel and micro-purchases. The credit cards are to be used only when it is not feasible to have a check cut by the TAPS Finance Department or a line of credit established with the Vendor.
- 2) The TAPS Chief Executive Officer or his/her designated signature authority must approve any other use of the credit card in advance and in writing.
- 3) Proper documentation must be completed for each purchase, in accordance with the TAPS check writing policy.
- 4) Original charge receipts and appropriate documentation supporting the charge purchase must be turned in to the Finance department immediately upon return to the office. Copies should be submitted with each monthly expense/travel report.
- 5) Any credit card TAPS issues to an employee must be used for business purposes only, in conjunction with the employee's job duties. Employees with such credit cards shall not use them for any non-business, non-essential purpose, i.e., for any personal purchase or any other transaction that is not authorized or needed to carry out their duties. Employees must pay for personal purchases (i.e., transactions for the benefit of anyone or anything other than TAPS) with their own funds or personal credit cards. TAPS will not regard expenses for one's own business-related use, such as lodging and meals while on company-approved business trips, as personal purchases, as long as such expenses are consistent with TAPS' travel and expense

reimbursement policy.

- 6) If any employee uses a company credit card for personal purchases in violation of this policy, the cost of such purchase(s) will be considered an advance of future wages payable to that employee, and will be recovered in full from the employee's next paycheck; any balance remaining will be deducted in full from subsequent paychecks until the wage advance is fully repaid. Such deductions may take the employee's pay below minimum wage for the pay period(s) in question.
- 7) If an employee uses a company credit card for any other type of unauthorized transaction in violation of this policy, i.e., incurs financial liability on the Company's part that is not within the scope of the employee's duties or the employee's authorization to make business-related purchases, the cost of such purchase(s) or transaction will be the financial responsibility of that employee, and the employee will be expected to reimburse TAPS via deductions from pay until the unauthorized amount is fully repaid. Such deductions will be in the amount of the unauthorized purchase(s), but if a deduction for such amount would take the employee below minimum wage for the workweek in question, the deductions will be in two or more equal increments that will not take the employee's pay below minimum wage for any workweek involved.
- 8) In addition to financial responsibility and liability for wage deductions, any purchases an employee makes with a company credit card in violation of this policy will result in disciplinary action, up to and possibly including termination of employment, depending upon the severity and repeat nature of the offense.
- 9) Any loss of the card must be reported immediately to the Chief Finance Officer both verbally and in writing. If the loss occurs when it is not possible to immediately notify Chief Finance Officer (i.e. the weekend), the TAPS staff person must directly notify the Credit Card company immediately and request that no charges be authorized after the date of the loss.
- 10) If any finance charges are incurred due to late receipt of documentation from the TAPS staff, the staff member will be responsible for payment of the finance charge.
- 11) The credit card must be returned to the Safety and Security Officer or appropriate level of management at the time of separation immediately upon an employee's separation of employment from TAPS. All receipts must also be submitted at that time. If any receipts are missing, the amount will be deducted from final pay.

## **1.18 PETTY CASH**

Petty cash is available is available for minor purchases when it is not feasible to wait for a check to be processed or when reimbursing an employee for occasional out-of-pocket expenses such as bus washes.

Petty Cash is to be monitored monthly by fiscal staff including a review of all back up documentation, logs and reconciliation information. In order to provide accurate records and prevent discrepancies, each location with petty cash must designate a petty cash custodian and a backup custodian. Access to petty cash will be restricted to these individuals. Petty cash is to be maintained in the designated secure locations at each site.

### **1.18.1 PETTY CASH BALANCE AND MAINTENANCE**

TAPS Fiscal staff has established a separate Petty Cash fund in MIP to allow each site to maintain no more than \$500 of Petty Cash at any given time.

Primary (or Backup when necessary) Custodian will review the Petty Cash balances each Friday and submit a Petty Cash Request form in the amount necessary to maintain the Petty Cash level. Individual customer payments are listed separately identifying the expense code each should be expensed. Emergency requests may be submitted when Petty Cash is depleted prior to the scheduled Petty Cash Request. Emergency requests should be processed on the same day received. A Petty Cash Request form is not required if no funds are needed.

After receipt of the Petty Cash Request, finance will then issue a check in the Primary custodian's name to replenish the Petty Cash account. In situations when the Primary custodian is unavailable, the Backup custodian will be the payee.