

TAPS PUBLIC TRANSIT

Financial Policies and Procedures



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1.0 BACKGROUND INFORMATION

1.01 Purpose

Texoma Area Paratransit System, Inc. (TAPS) is a not-for-profit organization incorporated as a 501(c)(3) organization. TAPS is registered with the Secretary of State in Texas with a fiscal year ending September 30. The articles of incorporation state that the purpose of TAPS is to provide coordinated transportation services to elderly, handicapped, economically disadvantaged and other eligible recipients.

In accordance with IRS Code section 501(c)(3) TAPS is organized and operates exclusively for the exempt purpose as described in Form 1023, the application for exemption. In compliance with the restrictions on organizations qualifying under the 501(c)3 code:

- No part of the net earnings of the organization may inure to the benefit of any private shareholder or individual.
- No substantial part of the activities of the organization may consist of the carrying on of propaganda or of attempting to influence legislation (lobbying).
- The organization may not participate in, or intervene in, any political campaign on behalf of any candidate for public office.

The Texas legislature enacted the Rural and Urban Transit Act in 1995 which created transit districts that can receive public transportation funds through Texas Department of Transportation (TXDOT). 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 governmental accounting guidelines.

The Financial Statements of TAPS are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

March 8, 2016, TAPS and Transdev Services, Inc. entered into a five-year Public Private Partnership Agreement. Transdev will manage and operate the transit system.

1.02 Service Area

The primary service area includes the counties of Grayson, Cooke, Fannin, Clay, Wise and Montague and the cities of Sherman and Denison.

The following manual is a description of the financial system and responsibilities for the Transdev Finance Department as representatives of TAPS.

2.00 ACCOUNTING PRINCIPLES & PROCEDURES

2.10 Policies

The accounting principles of TAPS and Transdev will be consistent with all applicable laws. These include: Generally Accepted Accounting Principles, Statements of Financial Accounting Standards Numbers 93, 116 and 117, SOP 87-2 on Joint Costs, SOP 94-2 on the applicability of the accounting rules to nonprofits, and SOP 98-3 on accounting for federal awards.

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 Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Certain procedures resulting from these accounting pronouncements and releases are discussed below.

2.20 Procedures

2.21 Revenue Recognition

Contributions will be recorded as revenue in the period received or the period in which a pledge is received. Any receivable will be closely reviewed each month to determine whether the amount is still collectible and whether the balance of the receivable is adequately reserved with the allowance for doubtful accounts.

Grants will be recognized as revenue when the grant money is earned. This will generally be determined by the costs reportable to the grantor. Each restricted grant will be set up as a separate contract code to allow for accurate and consistent recording of the expenses of each grant.

In-Kind Contributions are those goods and services contributed by subcontractors, local governments and others. They are valued at cost to the contributor or fair market value and recorded as revenue when received. Offsetting charges of equal amounts are recorded as expenses to the appropriate grant department code.

2.22 Matching of Revenues and Expenses

In order to present accurate and consistent financial statements, the revenues and expenses attributable to each period will be reflected in that period to the degree possible. The sections on month and year end procedures will review this in greater detail. Generally, all entries required to accurately reflect the revenues and expenses of each period will be made in that period.

The organization records transactions on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable

and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred.

2.23 Fixed Assets and Depreciation

The general capitalization policy is that all equipment and other fixed assets costing in excess of \$5,000 will be recorded as an asset. To determine if a repair or improvement will need to be capitalized, the following additional factor needs to be considered: does the expenditure extend the useful life of the asset repaired or improved? For example, painting would not be capitalized, but replacing the boiler or repairing the roof would be capitalized, if the dollar value was in excess of \$5,000.

All capital assets will be depreciated over their estimated useful lives. The straight line basis will be used, with depreciation charged beginning in the month that the asset is placed in service.

All capital assets purchased with grant or other restricted funds will be cataloged.

2.24 Donated Materials and Services

Generally donated materials, assets and services will not be recorded in the accounting records.

In order to comply with the rules of SFAS 116, certain services would be recorded as revenues and expenses. Such services would be those professional services which we would otherwise have paid for which were provided by a person whose work would normally include providing those services.

Any donated assets which would meet the definition to be capitalized, outlined in Section 2.23, will be recorded as revenue and as a fixed asset.

2.25 Data Cutoff

In order to meet the deadlines for producing reports discussed in Section 9 & 10, the gathering of information to use in making the month end entries must be cutoff by a certain date.

For the monthly financial statements, a cutoff of two weeks will be used. Any payables or other information not available by two weeks after a month end will be classified in the next period. The Finance Department may need to use estimates if final information is not available on a significant additional transaction.

For the year-end financial statements, a cutoff of four weeks will be used. Since the year end is the most important period cutoff, the general ledger will continue to be held open for additional material transactions through the conclusion of the financial audit fieldwork.

2.26 Indirect Costs

In accordance with OMB Uniform Guidance, 2 CFR 200, all expenses associated with the TAPS/Transdev agreement are allowable costs; therefore, TAPS does not currently have any indirect costs. The Finance Manager will periodically review processes to determine necessity for indirect costs in the future.

3.00 CASH DISBURSEMENTS

3.10 Policies

The purpose of this procedure is to establish the activities to be followed in the process of disbursing cash. All checks must be pre-numbered and accounted for. Unused checks are to be in the custody of the Finance Manager. Checks are prepared only after supporting documents have been received and approved by the General Manager. Checks must be produced utilizing the Abila accounting system.

All checks must have two signatures. The Executive Board and General Manager are authorized check signers. All checks to Transdev must be signed by two Board members. The General Manager is not authorized to sign checks to Transdev.

The Finance Manager will maintain the accounts payable system. Prior to payment, the Accounting Assistant will code each invoice, prepare the checks and organize the documentation. The Finance Manager will review for accuracy and the General Manager will approve for payment.

3.20 Procedures

3.21 Capital Acquisitions

TAPS follows the Board approved Procurement Policy for capital purchases. The most current policy was approved by the Board in February 2016.

3.22 Supplies, Services, and Other Invoices

Purchase requisitions may be generated by anyone in the office. The requisitions are turned in to the General Manager for approval and given to the HR/Safety Coordinator for order placement. The approved purchase requisitions are given to the finance department and filed in the open order file.

When the goods or services are received, the accounting assistant pulls the purchase requisition and compares the order received to the packing slip and the purchase requisition for accuracy. The packing slip is attached to the purchase requisition and returned to the open order file until the invoice is received.

Mail is received and opened by the HR/Safety Coordinator. All invoices are routed to the accounting assistant, who matches the invoice to the approved purchase requisition and the packing slip and determines an account coding for the transaction. The accounting assistant gives the invoice and supporting documentation to the General Manager for approval to pay. The General Manager initials the invoice indicating approval to pay. The Accounting Assistant

enters the approved invoice into the A/P module in Abila and files all documents in the open invoice file until they are paid.

3.23 Invoice Payment Procedures

Invoices are paid when due. Prior to generating checks, a pre-check report is generated which lists all outstanding payables with the due dates and amounts. The Accounting Assistant will indicate which invoices need to be paid. This pre-check report will be reviewed and approved by the Finance Manager. Based on the approved pre-check report, the checks are printed from the A/P module, attached to the approved supporting documentation from the open invoice file, and given to the Executive Board for signature. The checks are sealed in envelopes and mailed by the accounting assistant and the supporting documents are filed in the finance department alphabetically by vendor.

3.24 Petty Cash

The petty cash funds are established to provide a ready source of funds for the payment of miscellaneous expenses such as supplies and postage. The purpose of the fund is to eliminate the need for writing checks for small items and facilitate quick minor disbursements. Petty cash funds are kept in a locked drawer and administered by the Finance Manager.

The Finance Manager disburses cash for authorized purposes and keeps supporting documents for expenditures such as receipts. The Accounting Assistant counts and reconciles the petty cash receipts and general ledger on at least a quarterly basis. The reconciliation is reviewed by the Finance Manager.

When funds are low, the Finance Manager will request in writing replenishment of funds. The General Manager will approve or deny the request. If the request is approved, the Accounting Assistant will cut a check from the accounting system. The check will be signed and approved by two Executive Board members.

Petty cash requests or cash on hand should never exceed \$300.

4.00 CASH RECEIPTS

4.10 Policies

The purpose of this policy is to establish the activities to be followed in the processing of cash receipts to be deposited in the bank.

4.20 Procedures

The HR/Safety Coordinator will receive and open the mail, separate obvious cash receipts from other correspondence and endorse all checks "For Deposit Only".

The HR/Safety Coordinator will photocopy each check and enter them into a daily receipts log for review by the General Manager. The HR/Safety Coordinator will also make the bank deposit at least weekly.

If the HR/Safety Coordinator is unavailable to perform these duties, the General Manager will carry them out.

The Finance Department will use the check copies to determine account coding and to enter the cash receipts into Abila.

5.00 FARE REVENUE PROCEDURES

5.10 Policies

TAPS drivers are responsible for collecting fare revenues. At the end of every shift, amounts collected are counted and stored in an access controlled room. Deposits are made weekly.

5.20 Procedures

1. Drivers start their shift with an empty bank bag.
2. Fares are collected by the drivers each time a passenger boards their bus.
3. At the end of the drivers shift, they are required to reconcile their fares to the daily manifest printed from Ecolane. A dispatcher, supervisor or other designated person will count the fares with the drivers in a secured, camera monitored room.
4. The Daily Manifest is signed by the person verifying the fares collected and kept in a file in the dispatch office. Dispatchers keep record and explanations of any differences in the amount drivers should have collected per manifests and the amounts actually collected. The fares are dropped through a mail slot into an access controlled, camera monitored room until deposited in the bank. The only personnel with access to this room are the General Manager and the HR/Safety Coordinator.
5. Once a week two designated personnel (which cannot be anyone from the Finance Department) will review and count the fares for the week and a deposit is made by the HR/Safety Coordinator.
6. On a weekly basis, the Accounting Assistant will reconcile the deposited amounts to manifests from Ecolane. A copy of this report is given to the General Manager.
7. TAPS has three outlying offices with limited personnel. The drivers will count the fares themselves and put them in a Ziploc bag with the fare slips. These are picked up weekly by a supervisor or other designated personnel and added to the weekly manifest review and deposit.
8. On a monthly basis, the Accounting Assistant will reconcile fare deposits to manifests. All differences are recorded on each transaction as per notes by dispatchers. Monthly reconciliations are reviewed by the Finance Manager and General Manager.

6.00 JOURNAL ENTRY PROCEDURES

6.10 Policies

All journal entries recorded in the general ledger are to be properly prepared, reviewed, approved and recorded in accordance with generally accepted accounting principles, and filed for future reference.

6.20 Procedures

1. Journal entries are required to have an approver which is different than the preparer.
2. All documentation and detailed explanation of the purpose of the journal entry should be kept in a file in chronological order.

7.00 PAYROLL PROCEDURES

7.10 Policies

TAPS does not currently process payroll. If employees are hired under TAPS in the future, the previous policies and procedures will be followed as detailed below:

7.20 Procedures

7.21 Payroll Processing and Payments

- 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 supervisor.
- 3) Time sheets are submitted at least two days prior to paydays. Paydays are established as the 15th 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.

7.22 Payroll Checks

- 1) Payroll records, including time sheets, are reviewed for accuracy and validity, and signed by 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.

8.00 BANK RECONCILIATION

8.10 Policies

The purpose of this policy is to establish the procedures to be followed in performing the month end bank reconciliation. All bank accounts should be reconciled by the end of the month following the close of the preceding month.

The Finance Manager reviews the bank account daily for unusual items or changes.

8.20 Procedures

The Finance Manager prints the bank statements monthly and the Accounting Assistant prepares the bank reconciliation. The bank reconciliations will reconcile the bank

balance to the general ledger balance. A journal entry will need to be posted each month for items on the bank statements which are not already recorded in the general ledger. These reconciling items may include: interest earned, service charges, NSF checks, direct deposits and other debit or credit memos. The final reconciliation and journal entries are approved by the Finance Manager. The Finance Department does not have check signing authority or access to either deposit or withdraw funds from the bank account.

After the general ledger is reconciled to the bank statement, the monthly bank statement and cancelled checks and other forms and the actual reconciliation form are filed in the bank reconciliation file.

The General Manager reviews the bank reconciliations.

9.00 END OF MONTH ACCOUNTING PROCEDURES

9.10 Policies

The Finance Manager prepares the monthly financial statements

The General Manager approves the financial statements before being sent to the Board of Directors. The financial statements should be to the General Manager at least two days prior to the mailing of Board packets in order to facilitate this review.

The Board of Directors approves the monthly financial statements.

9.20 Procedures

The cutoff for information in the monthly statements is two weeks after the month end.

Upon completion of the monthly bank reconciliations, the Finance Department will formulate the monthly journal entries. There are two types of monthly journal entries, those that remain consistent from month to month (recurring) and those that are specific to that month. These include depreciation and expensing of prepaid insurance. The specific journal entries include recording of interest and dividend income, bank transfers, NSF checks, bank charges, and receivables, etc.

The Finance Manager will maintain a file for each month which includes work papers which document the balance of each balance sheet account. The file will also include copies of the grant billings. All balance sheet accounts will be reconciled monthly to help ensure that accurate statements are provided to management and the Board.

Financial statements are presented to the Board of Directors at each Board of Directors meeting.

The Finance Manager prepares a budget to actual expense report for the General Manager and the Board of Directors to be included Board packets.

The year-end financial statements will be delayed for additional procedures (see Section 10.0).

10.00 END OF YEAR ACCOUNTING PROCEDURES

10.10 Policies

The Finance Manager prepares the year-end financial statements.

The Finance Manager is responsible for preparing for the annual financial audit and for working with the outside independent auditors to complete the audit.

The General Manager approves the financial statements before being sent to the Board of Directors. The financial statements should be to the General Manager at least one week prior to the mailing of the Board packet in order to facilitate this review.

The Board of Directors approves the year-end financial statements.

The Finance Manager will arrange to move all records from the year which is closing to storage.

10.20 Procedures

The cutoff for September financial statements is extended to four weeks after year end.

Upon completion of the September financial statements, the preliminary year-end report is run by the Finance Manager and given to the General Manager for review.

The Finance Manager calculates the recurring entries (with the help of the CPA firm if needed) for the new year.

10.21 Financial Audit

The Finance Manager will contact the independent auditors as soon as the General Manager and Board of Directors signs the audit engagement letter to begin planning the scheduling and work needed to complete the audit. The Finance Manager will ensure that adequate space is provided for the independent auditors to work in our offices. This would include one or more large tables, space to keep our records provided to the independent auditors, light and electrical outlets.

The Finance Department will work with the independent auditors to determine what confirmations will be required. This process will be completed as soon after year end as possible. The Finance Department will oversee typing the confirmations. The General Manager will sign the confirmations. The Finance Department will mail the confirmations to the independent auditors.

The Finance Department will be responsible for preparing as many of the schedules which the auditors will use as possible. The completed monthly reconciliations for September will partially fulfill this requirement.

Some of the information which needs to be organized and made available includes: the complete general ledger for the year, a chart of accounts, all bank

statements and cancelled checks, all paid invoices, all cash receipts logs, all payroll records, including timesheets, payroll summaries for each pay period, 941s, and W-2s, Board minutes for the year under audit through the most recent minutes available, grant contract files, lease agreements, insurance policies, documentation for fixed assets capitalized and documentation for donated services or donated assets recorded in the general ledger.

The Finance Department will be available at all times throughout the audit to facilitate the work of the independent auditors. The General Manager will schedule some time to meet with the independent auditors as needed during the audit. The Administrative Assistant will also be available for any work which the Finance Department may delegate to them.

The Finance Department and General Manager will plan a meeting with the independent auditors at the end of the audit to discuss any issues raised, review the audit journal entries, evaluate the audit process and plan improvements for the following year.

The audited financial statements will be due to the Board of Directors no later than January 31 of the year following the fiscal year end. They are due to be uploaded to the Federal Clearing House and e-mailed to singleaudits@txdot.gov no later than June 30 of the year following the fiscal year end.

11.00 DEBT

11.10 Policies

Board approval is required for incurring any debt of TAPS other than operating trade payables. The General Manager will be authorized to negotiate such debt as needed by the Board of Directors.

Any loan covenants and restrictions will be reported to the Board when the debt is authorized. The Finance Department will periodically review these covenants and report to the General Manager if there are any violations or potential violations of the covenants.

11.20 Procedures

The General Manager and Board President or Treasurer will sign any debt agreements after receiving full Board approval.

The Finance Department will reconcile the general ledger debt balances to statements or amortization schedules each month. In addition, accrued interest will be recorded in the general ledger as needed.

12.00 INTERNAL CONTROLS AND FINANCIAL AUDIT

12.10 Policies

The review of internal controls and the annual audit are two of the most important procedures the Board has for fulfilling its fiduciary responsibilities to TAPS.

Internal controls pertaining to the accounting records are established by the Finance Manager in consultation with the General Manager.

The Board of Directors selects the public accounting firm which will perform the year-end financial audit. The financial audit report is presented to the Board of Directors who has the authority to approve the audit.

12.20 Procedures

Whenever there is a change in administrative personnel or a change in the operating structure of the organization, the Finance Manager and General Manager will meet to determine that the internal control system continues to meet the needs of TAPS. If appropriate, the changes will be reflected in this accounting procedures manual.

The key features of the internal control system are that the Finance Department is not involved in handling checks and cash received, signing checks, transferring money or establishing cash accounts or investments and do not receive the unopened bank statement. The other aspect of this is that the Finance Department reviews the transactions of the other employees and is responsible for noting any problems to the General Manager or directly to the Board Treasurer or President.

The Board of Directors will approve, as part of the budget process, the public accounting firm to perform the annual audit.

The Board Treasurer will attend the audit exit conference at the conclusion of the audit. The public accounting firm will present the audit to the Board each year. The Board will review and approve the financial audit.

The Finance Department and General Manager will be responsible for scheduling the audit, preparing the information needed by the auditors and answering questions during the audit.

13.00 COMPLIANCE

13.10 Policies

In order to continue receiving government grants and restricted donations, TAPS must have systems in place to ensure compliance with the restrictions imposed by those grants and restricted donations.

The Finance Manager is designated as TAPS 's compliance officer and will be responsible for overseeing the compliance with all applicable grant restrictions.

The General Manager will be responsible for communicating the nature of all donor restrictions to the Finance Manager. This information will be used to ensure that the General Ledger restricted donations account will reflect the restricted donations and the spending of those restricted amounts, as appropriate.

13.20 Procedures

13.21 Compliance Committee

A compliance committee will be chaired by the Finance Manager and consist of the General Manager and primary program personnel. The Finance Manager will be responsible for discussing new compliance requirements in the grants which fund the programs with the committee. The Finance Manager will be responsible for preparing a report documenting how TAPS is ensuring compliance with grant rules in each grant program. The Finance Manager will also produce a similar report for overall compliance procedures of the agency. These reports, plus any correspondence with granting agencies regarding compliance issues, will be kept in a central compliance file.

The compliance committee will also oversee the maintenance of grant files. The grant files will contain the final signed copy of the grant, any addendum, and correspondence.

13.22 Restricted Donations

The Finance Manager will maintain a record of all restricted donations in the accounting software so that periodic reports of the year's cumulative restricted donations can be produced. When a restriction has been satisfied, that will be noted. If appropriate, the General Manager will be responsible for communicating the satisfaction of the restriction to the donor.

The General Manager will forward copies of each month's new and outstanding restricted donations to the Finance Department. The Finance Department will create a journal entry each month to ensure that the restricted donations are correctly presented in the financial statements.

14.00 Allowable Costs for Federal Programs

14.10 Policies

The purpose of this procedure is to ensure federal funds are spent only on allowable activities in accordance with CFR Part 200 Subpart E – Cost Principles, other special terms or conditions of the grant award, and/or other applicable state and federal guidelines.

The three cost principles are explained in greater detail in the Uniform Guidance:

§200.403 Factors affecting allowability of costs

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.
- (h) Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to §200.308(e)(3).

§200.404 Reasonable costs

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- (c) Market prices for comparable goods or services for the geographic area.
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75885, Dec. 19, 2014]

§200.405 Allocable costs

- (a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:
 - (1) Is incurred specifically for the Federal award;

(2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and

(3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

(b) All activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

(d) Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §§200.310 through 200.316 and 200.439.

(e) If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75885, Dec. 19, 2014]

14.20 Procedures

The hierarchy to determine the allowability of a cost includes

14.21 Federal Award Terms and Conditions.

If the Federal Award Terms and Conditions does not explicitly state whether a particular cost is allowable or unallowable, then go to the next step.

14.22 Uniform Guidance.

An itemized list of common costs is located in the table below. Each specific section in the Uniform Guidance should be referred to to determine if the cost is allowable or unallowable at the following link <https://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1.5&rgn=div6>.

§200.421	Advertising and public relations
§200.422	Advisory councils

§200.423	Alcoholic beverages
§200.424	Alumni/ae activities
§200.425	Audit services
§200.426	Bad debts
§200.427	Bonding costs
§200.428	Collections of improper payments
§200.429	Commencement and convocation costs
§200.430	Compensation – personal services
§200.431	Compensation – fringe benefits
§200.432	Conferences
§200.433	Contingency provisions
§200.434	Contributions and donations
§200.435	Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements
§200.436	Depreciation
§200.437	Employee health and welfare costs
§200.438	Entertainment costs
§200.439	Equipment and other capital expenditures
§200.440	Exchange rates
§200.441	Fines, penalties, damages and other settlements
§200.442	Fund raising and investment management costs
§200.443	Gains and losses on disposition of depreciable assets
§200.444	General costs of government
§200.445	Goods or services for personal use
§200.446	Idle facilities and idle capacity
§200.447	Insurance and indemnification
§200.448	Intellectual property
§200.449	Interest
§200.450	Lobbying
§200.451	Losses on other awards or contracts
§200.452	Maintenance and repair costs
§200.453	Materials and supplies costs, including costs of computing devices
§200.454	Memberships, subscriptions, and professional activity costs
§200.455	Organization costs
§200.456	Participant support costs
§200.457	Plant and security costs
§200.458	Pre-award costs
§200.459	Professional service costs
§200.460	Proposal costs
§200.461	Publication and printing costs
§200.462	Rearrangement and reconversion costs
§200.463	Recruiting costs
§200.464	Relocation costs of employees
§200.465	Rental costs of real property and equipment
§200.466	Scholarships and student aid costs
§200.467	Selling and marketing costs
§200.468	Specialized service facilities
§200.469	Student activity costs
§200.470	Taxes (including Value Added Tax)

§200.471	Termination costs
§200.472	Training and education costs
§200.473	Transportation costs
§200.474	Travel costs
§200.475	Trustees

15.00 BUDGETING

15.10 Policies

The Board of Directors is responsible for guiding the budget process and for approval of the annual budget.

The General Manager and Finance Department will be responsible for preparing the proposed budget.

15.20 Procedures

The budgeting process will begin in June for the following fiscal year. This will allow for eight months of results to be used in planning the budget.

All budget documents will be submitted to the Finance Department by June 30 for consolidation into an overall agency budget. The General Manager and Finance Department will then review this to determine if there are any obvious areas which may need to be reworked. The collated budget will be submitted to the Board by August 15 for review and feedback.

The responsibility for each area of the budget is as follows:

General Manager -- Program revenues and donations revenue, operations expenses, and capital budget.

Finance Department -- Accounting expenses, projected balance sheet.

Board Treasurer -- Board and committee expenses.

After completion and approval of the budget by the Board of Directors, the budget will not be modified for subsequent activities.

16.00 COMPUTER AUTHORIZATION AND BACKUP

16.10 Policies

The accounting computer and software will have access controlled by passwords. The General Manager will control the master password. The Finance Department will be given a complete system password and will control which other personnel will be given passwords.

The accounting computer will be backed up regularly. The Finance Department is responsible for carrying out this backup.

16.20 Procedures

16.21 Passwords

The Finance Department will maintain a record of all authorized users and the level of password access each user has. Passwords will be changed once each year in October.

16.22 Backup

The backup procedures are designed to maintain records of various periods until that period is closed.

An annual backup will be maintained of the accounting data prior to the close. This backup will be maintained until the subsequent year accounting data is backed up and closed.

A monthly backup will be maintained of the accounting data for each month until that month is again backed up the subsequent year.

17.00 ACCESS TO RECORDS AND RECORD RETENTION

17.10 Policies

The records of TAPS are generally open to public inspection due to IRS rules, open records laws and the spirit of public service. However, certain information is not open to public examination and may only be released with the permission of the General Manager. Questions in this area are to be resolved by the General Manager. If the answer to a request is unclear the General Manager may contact TAP 's attorney for a consultation.

Record retention is governed by various rules, statutes of limitations and common sense. Certain documents must be retained indefinitely, while others may have little use after a year.

17.20 Procedures

17.21 IRS Forms

Payroll tax forms are not public information and will not be released.

IRS Forms 990 and 990A, the exempt organization information returns, must be made available to anyone upon request. The specific rules are outlined in the instructions for form 990. All pages, schedules and attachments, except the detailed schedule of contributors must be made available. The prior three years of 990s and 990As must be available upon request for free review in our office. If

the requestor wishes to have a copy, that will be provided immediately or may be mailed to the person

The application for exempt status, Form 1023, and the IRS determination letter are also available to anyone upon request for a free review in our office. Copying charges are the same as for the 990 if the person wishes to take a copy. The specific rules are outlined in the instructions for the form 990.

17.22 Personnel Records

All requests for personnel records, job references and credit inquiries will be referred to the General Manager.

17.23 Financial Information

Financial statements and other financial information is regularly distributed to the Board. This information is not to be made available to persons who are not regularly authorized to receive that particular report. Any such requests for information must be approved by the General Manager.

17.24 Records Retention

A schedule of record retention follows. Any discarding of records should follow this schedule. However, prior to discarding of records, the permission of the General Manager and the Finance Department are required to ensure that they have no reason that an exception should be made to the policy. All discarded documents are to be shredded or sent to a recycling company.

For tax purposes, records should be maintained until the expiration of the statute of limitations. Generally, that period expires three years after the later of the due date of the return or the date filed. While there are a few exceptions to this rule, the three-year period normally should be adequate.

For non-tax purposes, records should be maintained only as long as they serve a business purpose or until all legal requirements are met. Unfortunately, there are not specific standards that will cover all situations. The following are some of the factors that should be considered:

- Federal, state, and local statutes and regulations
- Industry requirements or standards
- Potential claims or litigation
- Contract requirements

RECORD RETENTION SCHEDULE Type of Retention Period Record (Years)

- Accident reports & claims.....7*
- Appraisals P
- Articles of incorporation, by lawsP

Assets records	7*
Bank statements, reconciliations	4
Bills of sale-assets	7*
Budgets & projections	2
Cancelled checks – general	4**
Capital stock & bond records	P
Charts of accounts	P
Check vouchers, stubs.....	4
Contracts & agreements	7*
Correspondence	
Credit and collection.....	7
Routine with customers or vendors	1
Other.....	4***
Credit memos	4
Damage and theft reports	7
Deeds	P
Deposit slips	4
Depreciation schedules.....	7*
Employee records	
Contracts	7*
Disability, unemployment claims ...	7
Employment applications	4
Expense reports.....	4
Personnel files	7*
Time reports, earnings records	4
Withholding & exemption certificates (W-2, W-4, etc.).....	4*
Financial reports	
Annual, audited.....	P
Interim.....	4
Freight bills, bills of lading	4
Insurance policies & records	4
Internal reports, memos, work orders, etc.....	2
Inventory records	4
Invoices	
Fixed assets.....	7
Sales & general expenses.....	4
Leases	7*
Ledgers & journals	
Cash receipts & disbursements... P	
General ledger, journal entries P	
Payroll journal	4
Purchases & sales	7
Subsidiary ledgers (receivables, payables, etc.).....	7
Licenses.....	4*
Minute books	P
Mortgages	7*
Notes	7*
Pension & profit sharing records ... P	

Petty cash records	4
Purchase orders, invoices	4
Receiving reports	4
Repair & maintenance records	4
Sales records & cash register tapes	4
Shipping reports	4
Tax returns and related records	
Income	P
Payroll	4
Sales and use	4
Union contracts	P

P means records should be kept permanently

* Retention period begins with settlement of claims, disposal of asset, termination of contract, etc.

** Some should be kept longer, e.g. checks for tax payments should be kept with the tax returns, checks for asset acquisitions should be kept with bill of sale, etc.

*** Legal and important correspondence should be kept as long as the documents to which they relate.

Additional retention requirements for FTA records:

§200.333 Retention requirement for records.

Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities. The only exceptions are the following:

- (a) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.
- (b) When the non-Federal entity is notified in writing by the Federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period.
- (c) Records for real property and equipment acquired with Federal funds must be retained for 3 years after final disposition.
- (d) When records are transferred to or maintained by the Federal awarding agency or pass-through entity, the 3-year retention requirement is not applicable to the non-Federal entity.
- (e) Records for program income transactions after the period of performance. In some cases recipients must report program income after the period of performance. Where there is such a requirement, the retention period for the

records pertaining to the earning of the program income starts from the end of the non-Federal entity's fiscal year in which the program income is earned.

(f) Indirect cost rate proposals and cost allocations plans. This paragraph applies to the following types of documents and their supporting records: indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).

(1) *If submitted for negotiation.* If the proposal, plan, or other computation is required to be submitted to the Federal Government (or to the pass-through entity) to form the basis for negotiation of the rate, then the 3-year retention period for its supporting records starts from the date of such submission.

(2) *If not submitted for negotiation.* If the proposal, plan, or other computation is not required to be submitted to the Federal Government (or to the pass-through entity) for negotiation purposes, then the 3-year retention period for the proposal, plan, or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

18.00 MAINTENANCE OF ACCOUNTING POLICIES AND PROCEDURES MANUAL

18.10 Policies

The accounting policies and procedures manual is critical to the accounting function of TAPS.

The Finance Department is responsible for maintaining the manual.

All proposed changes must be approved by the Board and by the General Manager.

The policies and procedure manual will be dated with the date of each approved revision.

18.20 Procedures

Each year the Finance Department will review the manual and formulate proposed changes. This update will be completed no later than September of each year. All changes must be approved in writing by the General Manager. If the Finance Department has no proposed changes, a memo to that effect must be approved by the General Manager.

Whenever changes to the accounting procedures are made, a review of the accounting policies and procedures manual will be made by the Finance Department to determine if a revision is required. Any minor revisions to the manual which are not reflected in the manual immediately should be kept on file to incorporate into the formal annual update.

The revised manual will be distributed to the Finance Department, General Manager and Board Treasurer.

19. PROPERTY AND EQUIPMENT INVENTORY

19.10 Policies

An inventory of all property and equipment will be maintained. The inventory document will contain sufficient information for insurance and grant requirements.

19.20 Procedures

The Finance Department will maintain a database of all property and equipment owned by TAPS. The database will include: tag number, description, serial number, acquisition date, cost, vendor, location and any grant fund source and percent.

All equipment will have a tag affixed with a unique identifying number.

The property and equipment database will be consulted prior to sale of any item to determine if there are restrictions. Grant purchased equipment may generally not be sold without the grantor's permission.

A physical inventory will be performed and documented annually by the Finance Manager with the assistance of the General Manager.

20.00 GRANT APPLICATION AND MANAGEMENT PROCESS

20.10 Policies

TAPS, as a recipient of Federal and State funds, is responsible for administration and management of the grants in compliance with State and Federal Master Grant Agreements as well as any applicable FTA Circulars and regulations. TAPS submits a Board approved Certifications and Assurances on an annual basis to show their ability and willingness to comply with the various federal regulations.

A cost allocation between Urban and Rural is submitted to TXDOT monthly with the monthly RFR for approval. The basis of the allocation is currently ridership as calculated using information pulled from Ecolane. If the basis needs to change, it will be approved by FTA and TXDOT before any changes are made.

20.20 Procedures

20.21 Identifying Funding Opportunities

Research of grant opportunities is performed by general management and grants management staff. Grants management staff performs continuous monitoring of the federal and state registers in order to identify grants that may be applicable to TAPS. Staff frequently employs grant notification services, such as grants.gov. This service sends automated notifications regarding new grants and grant updates, and also provides a searchable grants database.

During the research phase of grant management, the grant's specific requirements, such as reporting deadlines and matching fund requirements, are reviewed to ensure TAPS can logistically manage the grant.

20.22 Grant Application

The grant application process may be undertaken by general management or grants management staff, or a combination of the two, depending on the grant, funding agency, and staff workload. The FTA's Transit Award Management System (TRAMS) and TXDOT's Egrants system are used for complete electronic grant application submission, review, approval, and management of most grants. Some grants for other agencies may be submitted using other electronic or hardcopy methods as specified by the grant program requirements.

The grant application generally includes project information, project budget, project milestones, environmental findings, and fleet status sections in order to be deemed complete. Every effort should be made to provide clear, accurate information in the application so as to facilitate the granting agency's review process. Finance staff reviews the financial portions of the grant application to ensure on-going commitment.

Each grant has specific instructions that must be followed in creating the application and implementing the grant program. Once all sections are completed, the grant can be submitted to TXDOT, FTA, or other granting agency for a preliminary review. If comments are provided, TAPS will provide additional information or correct errors. TAPS continues to work with the sponsoring agency until the grant application is considered complete and ready to submit.

Grant and budget information is presented to the TAPS Board of Directors for authorization.

20.23 Grant Award and Execution

TAPS is notified of grant approval by FTA, TXDOT or other agency's staff. Grant approval information is also monitored in TRAMS and Egrants. TAPS staff reviews the approved project budget, award notification, and conditions or approval. Any necessary clarifications, amendments, and budget revision requests are made prior to execution of the grant. Staff executes the grant agreement electronically to activate the grant award.

Upon award of each grant, the grants administrator will review the following: 1) start and end dates; 2) scope of work; 3) specific timelines; 4) documentation requirements; 5) internal and external reports and deadlines; 6) coordinate functions with specific staff; and 7) project outcome.

20.24 Financial Management System

TAPS is committed to maintaining effective control over grants, property, capital and other assets to ensure that these resources are used properly for their authorized purposes. This is done through sound financial management procedures that follow federal and state regulations.

Abila MIP Fund Accounting is TAPS' current financial management system, which is used for accounts payable, accounting, budgeting and other financial

management tasks. TAPS will review options as necessary. TRAMS and the Electronic Clearing House Operation System (ECHO) are federal grant management and payment reimbursement systems, respectively. Egrants is TXDOT's grant management system. Some financial management activities, such as fixed asset inventory and depreciation, are currently strictly paper-based. TXDOT, FTA and other applicable guidelines are used to determine allowable costs.

20.25 Reporting

Required reports are submitted in a timely manner. Grants management staff works with general management to obtain current status reports. The most common reports are Milestone Progress Reports (MPR), Federal Financial Reports (FFR) and National Transit Database (NTD).

Report Due Dates: FFR and MPR reports are due to FTA within 30 days after the end of each calendar quarter, i.e., by January 30, April 30, July 30, and October 30. The NTD report is due annually by January 31.

20.25.10 Milestone Progress Reports (MPR)

MPRs are submitted for each active FTA grant. These reports include developments in reaching goals of the grant, schedule, control, and execution of activities under the grant, and program requirements. At a minimum, each MPR includes the following data:

1. Address each activity line item within the approved grant unless FTA advises otherwise.
2. Include a discussion of all budget or schedule changes.
3. For each milestone, include original estimated completion date, revised estimated completion date, and the actual completion date if applicable.
4. Provide the dates of expected or actual requests for bid, delivery, etc.
5. Provide a narrative description of projects, status, specification preparation, bid solicitation, resolution of protests, and contract awards.
6. Analyze significant project cost variances. Completion and acceptance of equipment and construction or other work should be discussed, together with a breakout of the costs incurred and those costs required to complete the project. Use quantitative measures, such as hours worked, sections completed or units delivered.
7. Include reasons why any scheduled milestones or completion dates were not met, identifying problem areas and discussing how the problems will be solved. Discuss the expected impacts of delays and the steps planned to minimize these impacts.

8. Provide a list of all outstanding claims exceeding \$100,000, and all claims settled during the reporting period. This list should be accompanied by a brief description, estimated costs, and the reasons for the claims.
9. Include a list of all change orders and amounts exceeding \$100,000, pending or settled, during the reporting period. This list should be accompanied by a brief description.

20.25.20 Federal Financial Reports (FFR)

FFRs are submitted with MPRs for each active grant. These reports should include accurate, current, financial information based on documentation maintained in TRAMS, ECHO and Abila. Revenue and Expenditures during the quarter are to be included.

20.25.21 National Transit Database (NTD)

TAPS is required to provide a summary of transit characteristics to include financial and operating statistics on an annual basis. The data is collected as follows:

1. Service data is gathered by the General Manager using Ecolane.
2. Financial data is gathered by the Finance Manager using the Abila (MIP) accounting program.
3. Asset and Resource data is gathered by the General Manager and the Maintenance Manager using Ecolane and RTA.

20.26 Grant Modifications

In the event that a grant modification is necessary, a budget revision, administrative agreement or grant amendment is implemented. The FTA, TXDOT, or other agency should be contacted for instructions on which type of modification is appropriate and directions on how to proceed.

A budget revision must be made in TRAMS. Budget revisions may be made as long as there is no change in the grantee purpose, scope codes, and federal funding of the grant, regardless of the fiscal year the funds were appropriated. Budget revisions must be consistent with the activities contained in an approved Transportation Improvement Plan (TIP) and Statewide Transportation Improvement Program (STIP) and satisfy applicable National Environmental Policy Act (NEPA) requirements. Useful life of new activities must be addressed in the budget revision, as applicable.

20.27 Grant Reconciliation

The grants management staff performs monthly reconciliations of expenditures and obligations from the financial system (Abila). All grants with a negative cash balance will be reviewed for possible advance payments or miscoding. Any grant with a negative cash balance will not be drawn on until the cash balance is

corrected by properly coding expenses or using the advance payment for approved expenses. The reconciliations are used to determine if budget revisions and/or reprogramming of projects are needed and to provide information to management.

20.28 Echo Drawdowns

Grants management staff will prepare documentation for Echo Drawdowns to include the following:

1. Completed Echo Payment Request Form (see form below)
2. Copies of invoices that support the amount of the draw request.
3. Evidence that invoices have been reviewed, approved and paid prior to drawdown request. NOTE: FTA does allow grantees to pay invoices within 3 days of receipt of payment through the ECHO system, but TAPS' current policy is to request drawdowns on a reimbursement basis only.
4. Copies of personnel costs that support the amount of the draw request such as payroll records. Evidence that costs are eligible for the grant and have been incurred prior to drawdown requests.
5. Evidence that costs are for the period of time covered by the project.
6. Supporting calculation for draw amounts to demonstrate that only the appropriate federal share in relation to the total project cost is being requested in the drawdown.
7. Supporting calculation to demonstrate that the amount in the approved grant line item has not been exceeded.
8. Supporting calculation to determine the split between urban and rural until a permanent allocation is determined.
9. Documentation of funds received with date.

Copies of the above will be kept in a file per grant per fiscal year. The completed Request Form and all documentation will be sent to general management and the board for approval. The General Manager will submit the drawdown in ECHO.

The grants/finance management team will watch the TAPS bank account for the funds and will immediately code them to the correct grant and record them in the financial system (Abila).

20.29 TXDOT Requests for Reimbursement (RFR)

After each grant reconciliation, grants management staff will prepare documentation for RFRs to include the following:

1. Completed Request Form.
2. Copies of invoices that support the amount of the draw request.
3. Evidence that invoices have been reviewed, approved and paid prior to drawdown request. NOTE: FTA does allow grantees to pay invoices within 3 days of receipt of payment through the ECHO system, but TAPS' current policy is to request drawdowns on a reimbursement basis only.

4. Copies of personnel costs that support the amount of the draw request such as payroll records. Evidence that costs are eligible for the grant and have been incurred prior to drawdown requests.
5. Evidence that costs are for the period of time covered by the project.
6. Supporting calculation for draw amounts to demonstrate that only the appropriate federal share in relation to the total project cost is being requested in the drawdown.
7. Supporting calculation to demonstrate that the amount in the approved grant line item has not been exceeded.
8. Supporting calculation to determine the split between urban and rural until a permanent allocation is determined.
9. Documentation of funds received with date.

Copies of the above will be kept in a file per grant per fiscal year. The completed Request Form and all documentation will be sent to general management and the board for approval.

The grants/finance management team will watch the TAPS bank account for the funds and will immediately code them to the correct grant and record them in the financial system (Abila).

20.30 Grant Closeout

The grant close-out process should begin at least 120 days prior to completion of all grant activities and funding is expended. In an effort to close out grants as quickly as possible, grants management staff reviews each grant and determines the most efficient way to spend the oldest funds. In addition, a detailed grant summary is provided monthly to general management.

TAPS will submit the following documentation in TRAMS or Egrants within 90 days following the completion of grant activities:

1. A final budget reflecting actual project costs by scope and activity;
2. A final FFR;
3. A final MPR indicating the actual completion date and a list of property purchased under the grant.
4. A request to de-obligate any unexpended balance of federal funds; and
5. Any other reports required as part of the terms and conditions of the grant.

20.31 Additional Information to be reported

TAPS must notify the FTA and/or TXDOT of any event that may have a significant impact upon the grant. Such events would include but are not limited to:

1. Problems, delays or adverse conditions that may materially impair the ability to meet the objective of the grant award, such as, delayed vehicle shipments and natural disasters.

2. Favorable developments that may reduce the time it takes to implement the grant or enable the grant to be implemented at a lower project cost, such as, reduced vehicle pricing or improved maintenance procedures.
3. Property (acquired through federal or state funds) is removed from the service originally intended at grant approval or if the property is put to additional or substitute uses.
4. Equipment (acquired through federal or state funds) is removed from service before the end of its useful life, removal requires FTA or TXDOT approval.
5. If TAPS becomes aware after the award of a contract that an excluded party is participating in a covered transaction.
6. Any change in local law that may significantly affect the ability to carry out a project.
7. Spare Ratio Computation on which the grant application is based is significantly altered before the grant is awarded.

21.0 LOCAL MATCHING FUNDS

21.10 Policies

Local match funding requirements and percentages can vary. Transportation Development Credits (TDCs) when awarded, public donations and other local funds may all be used alone or in combination to meet federal match requirements. In-kind contributions may be eligible as match with FTA's approval.

Farebox revenue cannot be used as local match for FTA-funded projects.

21.20 Procedures

The required matching funds will be transferred in the accounting system to the projects as required on a monthly basis by the Finance Manager. TAPS' intent is to provide local match with each request for reimbursement for federal funds and have a full accounting of local match at the end of the project grant agreement.

22.0 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

22.10 PURPOSE

The Schedule of Expenditures of Federal Awards (SEFA) is supplemental information to the basic financial statements and an essential document for planning and conducting the audit of the organization. It also provides assurance to those agencies that award financial assistance that their programs or grants were included in the audit. This schedule should be prepared on the same basis of accounting as the financial statements.

This SEFA is required by 2 CFR 200 Uniform Guidance if Federal expenditures exceed \$750,000. The auditee's responsibilities are defined in 2 CFR 200.508(b).

22.20 PROCEDURES

Step 1: List of funds. During the year, there is a spreadsheet that is used to track all grants and expenditures for the year. This spreadsheet should have all federal, state or local grants listed along with beginning amounts, expiration dates and expenditures for the year. If in doubt, check e-grants or TRAMS.

Step 2: Prepare the bank statement to grants reconciliation first. This reconciliation will help you check for errors and accruals needed.

- a. Print all bank statements for the fiscal year and make a list of all FTA or TXDOT transactions by month.
- b. Note any transactions that were accrued in the prior year.
- c. On the "State" and "FTA" tabs list all grants and expenditures. This information is found on the grant tracking spreadsheet mentioned above.
- d. Any amounts that have not been received in the bank will be listed at the bottom next to "CY Accrual".
- e. These totals should tie to the previous tab listing the bank transactions as well as to the state and federal revenue on the trial balance.
- f. The amounts in the row labeled "SEFA" on the "State" and "FTA" tabs is what should be used to prepare the SEFA.

Step 3: Preparing the SEFA.

- a. On the SEFA spreadsheet, there are columns for Federal Grantor/Pass-Through Grantor Program Title, CFDA Number, Grant Award Number, State Award Number and Expenditures.
 1. Federal Grantor/Pass-Through Grantor Program Title. Program titles can be found in the Catalog of Federal Domestic Assistance (CFDA) or on the grant agreement.
 2. CFDA number can also be found in the Catalog of Federal Domestic Assistance or on the grant agreement.
 3. Grant Award Number is the federal award number for FTA grants and pass-through grants that can be found on the grant agreement.
 4. State Award Number is for all pass-through and State grants and can be found on the grant agreement.
 5. Expenditures comes from the SEFA spreadsheet.
 6. The ending total of federal and state awards expended should tie to the federal and state revenue on the trial balance.