**Standards for Financial Management Systems**

RECIPIENT NAME maintains a financial management system that provides for the following procedures to carry out these standards as detailed in the appropriate sections of this manual.

1. Identification, in all its accounts, of all Federal awards received and expended and the

Federal programs under which they were received.

2. Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to federal awards,

authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be fully supported by source documentation.

3. Information that relates financial data to performance accomplishments and demonstrates cost effective practices as required by funding sources.

**Chart of Accounts**

A chart of accounts is established by the Director of Operations and the Bookkeeper as needed to accurately segregate and track income and expenses for each funding entity.

**Invoicing**

Invoices will be created timely and accurately to ensure prompt receipt of Accounts Receivable. Numbers for Invoices will be automatically generated by the accounting software. All company invoices will be processed through the Executive Director, Director of Operations, or Bookkeeper.

**Purchas e Orde r**

Numbers for Purchase Orders will be automatically generated by accounting software. All company Purchase Orders will be processed through the Executive Director, Director of Operations, or Bookkeeper.

**Documentation Administration**

1. Five years of financial data are stored in [recipient’s accounting system]. Reports can be generated by grant and natural expense for any year with corresponding data in the accounting system.

2. Source documentation of all receipts and expenditures, bank statements, and financial statements are either kept in electronic documentation or in paper form at RECIPIENT NAME indefinite ly.

3. All invoices, receipts, disbursements, federal awards, authorizations, financial reports

with income and expenses, assets, and interest are maintained at RECIPIENT NAME in electronic records or paper form, including source documentation.

All costs must meet the following criteria, in order to be treated as allowable direct or indirect costs under a federal award:

1. The cost must be “reasonable” for the performance of the award, considering the following factors:

a. Whether the cost is of a type that is generally considered as being necessary for the operation of RECIPIENT NAME or the performance of the award.

b. Limitations imposed by such factors as generally accepted sound business practices, arm’s length bargaining, federal and state laws and regulations, and the terms and

conditions of the award.

c. If it does not exceed what a prudent person would incur under similar circumstances. d. Consistency with established policies and procedures of RECIPIENT NAME,

deviations from which could unjustifiably increase the costs of the award.

2. The cost must be “allocable” to an award and the standard is met if the cost:

a. Is incurred specifically for a federal award.

b. Benefits both the federal award and other work and can be distributed in reasonable proportion to the benefits received, or

c. Is necessary to the overall operation of RECIPIENT NAME, except where a direct relationship to any program or group of programs cannot be demonstrated.

3. The cost must conform to any limitations or exclusions, Cost Principles, or the federal award itself.

4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of RECIPIENT NAME.

5. Costs must be consistently treated over time.

6. The cost must be determined in accordance with generally accepted accounting principles

(GAAP).

7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.

8. The cost must be adequately documented if it is supported by accounting records and

source documentation such as purchase orders, vouchers, invoices, payroll allocation reports, payroll summaries, personnel activity reports or timesheets, etc.

9. Financial reporting timelines shall be tracked, and reports will be submitted in accordance with the deadlines of the funding entity. RECIPIENT NAME shall maintain supporting

documentation to include copies of RECIPIENT NAME invoices/reports, expense

receipts, sub-awardee invoices including supporting receipts and contractor invoices including supporting receipts to support amounts reported.

**Time ke eping**

**Time She et Preparation Review & Approval**

1. Time sheets are submitted on a regular basis, reflecting employees' work and which programs directly benefited from their effort. Time sheets shall serve as the basis for charging salaries directly to federal awards and nonfederal functions.

2. Employees complete time sheets in [recipient specific method] for approval by their supervisors by the [day] of the month.

a. Supervisors will review time sheets, correct if necessary, and approve for processing by the Bookkeeper.

b. Employee will code their time appropriately by [factors recipient uses].

c. Hourly employees must enter and ensure timesheets are accurate by the last day of the pay period.

d. The Executive Director’s timesheet has automatic approval by the Board of Directors.

e. The distribution of salaries and wages must be supported by personnel activity reports

(timesheets).

f. Time sheets must be maintained by all personnel whose compensation in whole, or in part, is charged to government awards.

g. Time sheets must reflect an after-the-fact determination of actual activity (not budgeted) of each employee.

h. Each time sheet must account for employees’ total time.

i. Time sheets must indicate a total number of hours worked each day.

j. Time sheets must be electronically entered by an employee and approved by a supervisor.

k. Time sheets must be prepared at least monthly.

3. For restricted grant fund reporting, all time which applies to that grant will be assigned in

[recipient specific method] for accurate accounting of time spent for grant reporting. In compliance with 45 CFR 75.430 Compensation – Personal Services, (i) Standards for Documentation of Personnel Expenses, RECIPIENT NAME time records will accurately reflect the work performed will:

a. Be supported by a system of internal control which provides reasonable assurance that time charges are accurate, allowable, and properly allocated.

b. Be incorporated into the official records of RECIPIENT NAME. c. Reflect the total activity for which the employee is compensated.

d. Encompass federally assisted and all other activities compensated by RECIPIENT NAME.

e. Comply with the established accounting policies and practices of RECIPIENT NAME, and

f. Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

**Employee Responsibilitiess**

1. Employees are personally responsible for recording his/her time daily.

2. Employee must input the correct distribution of time by [factors recipient uses]. To ensure accuracy, this information is provided to the employee during their training.

3. Employees must record all hours worked whether they are paid or not. This is necessary because labor costs and associated overheads are affected by total hours worked, not just

paid hours worked. Therefore, labor rate computations and labor overhead costs should reflect all hours worked. Unpaid hours worked are termed “uncompensated overtime.”

4. Employees must certify that the hours on the time sheet reflect the hours worked and the appropriate cost objective by the 5th of each month.

5. Each employee is responsible for recording their daily hours worked in [recipient specific method]. Days taken off for sick, holiday, or vacation leave must be recorded on the monthly timesheet to their supervisor by the 5th day of the month for the previous month. Employees are required to record out of office work hours on their timesheets for

Workers Compensation reporting requirements. The supervisor reviews the timesheet for correct recording of hours worked and hours taken as sick, holiday, and vacation leave

and initials the completed timesheet to indicate approval.

6. As part of employee onboarding, new hires are trained on the use of [recipient specific

method], RECIPIENT NAME timekeeping software. They also have access to an application training video. They are also instructed on how to code their time for each project/grant.

**Supervisor Responsibilities**

1. Supervisors must approve all timesheets.

2. Supervisor are prohibited from completing an employee’s timesheet unless the employee

is absent for a prolonged period on some form of authorized leave.

**Allocation of Staff Time**

Monthly, the Executive Director and the [other staff member, COO, or other] run a payroll report in [recipient specific method] to view staff hours for accurate coding and allocation of hours.

The distribution of salary and wages charged to federal awards will be based on records that accurately reflect the work performed and include the total activity for which employees are

compensated.

**Dis burs e me nt/Procure ment**

**Documentation Administration**

For each grant/award received by RECIPIENT NAME from a federal, state, or local government agency, a master file of documents applicable to the award shall be prepared and maintained.

The Director of Operations will assemble master files for each government award shall include

all of the following documents (including originals of all documents received from the awarding agency):

1. Copy of the initial application for the award and corresponding budget.

2. All correspondence to and from the awarding agency post-application, leading up to the award.

3. The final, approved budget and program plan, after making any modifications.

4. The grant agreement and any other documents associated with the initial making of the

award.

5. Copies of pertinent laws and regulations, including awarding agency guidelines, associated with the award.

6. Subsequent grant modifications (financial and programmatic).

7. Copies of program and financial reports.

8. Subsequent correspondence to/from the awarding agency.

9. Results of any monitoring visits conducted by the awarding agency, including resolution by RECIPIENT NAME of any findings arising from such visits.

10. Correspondence and other documents resulting from the closeout process of the award.

The original grant document file shall remain in the office of the Executive Director in a locked filing cabinet. The Director of Operations shall maintain a separate file of frequently requested documents that shall consist of photocopies of the documents included in the secure grant document file. The purpose of this file of copied documents is to limit the potential for loss of valuable documents. Any other RECIPIENT NAME employee making a valid request for access to grant documents shall be provided with the file of copied documents and shall be asked to sign this file out of the Director of Operations’ office.

**Finance Department**

A lock will be maintained on the office door of the Executive Director. This door shall be closed and locked in the evenings and whenever the Executive Director's office is vacant. The key to this lock will be provided to key accounting personnel and the Department Heads, and other personnel as approved by the Executive Director. RECIPIENT NAME’s blank check stock shall be stored in locking file cabinet located in the Executive Director's office. Access to this cabinet shall only be provided to the Executive Director, Director of Operations, and Operations Associate.

**Signature Authority of Program Directors/Director of Operations**

Program Directors and the Director of Operations are authorized to approve expenditures up to

$5,000 as supported by Board approved budgets. Any amount over $5,000 must be submitted to the Executive Director for Approval.

**Authorize d Signers**

The following persons are authorized to sign on all accounts of RECIPIENT NAME: Executive Director, Board Chair and Treasurer. The Executive Director is the preferred check signer for all checks. Any check or savings withdrawal in excess of $10,000 shall have two signatures

including the Executive Director and the Board Chair or Treasurer. A reimbursement or check to an authorized check signer cannot be signed by that person.

**Electronic Payments**

Electronic payments through the bank or ACH, are processed by the Director of Operations upon receipt of an approved purchase request. All expenditures require prior approval except for reoccurring bills such as rent, utilities, subscriptions, etc. Upon receipt of a bill/invoice for payment, confirmation of approval is made either on the purchase request itself or through email to document the approval. Upon receipt of approval the bill/invoice is paid, entered QuickBooks and the supporting documentation is attached and filed. The Director of Operations creates new vendor codes as needed. The Executive Director must approve all new vendor

payees.

**Procurement Procedures**

RECIPIENT NAME’s purchasing systems, policies and procedures are established to protect against improper use of RECIPIENT NAME assets, waste, unreasonable purchases, and conflict of interest in purchasing contracts or arrangements as defined herein.

1. **Purchas e s up to $10,000.** RECIPIENT NAME may make purchases of goods or services up to $10,000 without competitive bids, as long as financial implications are included in the RECIPIENT NAME approved annual budget and price is considered reasonable. Justification or board approval must be documented for any case in which purchase is not reflected in the approved annual budget.

2. **Purchas e s over $10,000.** RECIPIENT NAME shall seek competitive bids from three sources. Bids shall include submission of Statement of Work and Budget for proposed project. Justification must be documented for any case in which the lowest bid is not

selected.

3. **Noncompetitive Procurement** RECIPIENT NAME may conduct noncompetitive (“sole source”) procurement in any case in which the good or service is available from limited sources due to program fit, geography, or specialized experience / expertise.

Noncompetitive procurement is also allowed in situations where partners are identified and finalized through a funding application process, so long as price is considered reasonable. Justification must be documented for any case in which sole source procurement is utilized.

**Cas h M anag e me nt**

**Draw Down Calculations & Re que s t**

RECIPIENT NAME will request drawdowns of Federal Funds for any allowable expenses on a reimbursement basis. The Director of Operations will calculate the amount of the drawdown using actual expenses that are within the approved budget. Using this information, a drawdown will be submitted on average by the end of the following month, but not to exceed 90 days.

RECIPIENT NAME will request funds based upon immediate disbursement/reimbursement requirements. Drawdowns will be limited to the minimum amount needed to cover allowable project costs. Drawdown requests will be timed to ensure that Federal cash on hand is either a reimbursement of costs already incurred, or the minimum needed for disbursements to be made

at least 2 weeks before the cash is needed for a cash advance. If not spent or disbursed within 10 days, funds will be returned to the awarding agency. Drawdowns will be timed in accordance

with actual immediate cash requirements of carrying out the approved project. RECIPIENT NAME will not be made to cover future expenditures.

If a Federal award authorizes the payment of cash advances to RECIPIENT NAME, the Director of Operations may require that a request for such an advance be made and will follow regulation

45 CFR 75.305 (b) pertaining to cash advances. Upon receipt of a cash advance from a Federal

agency, RECIPIENT NAME will reflect a liability equal to the advance. As part of the monthly closeout and reimbursement request/invoicing process, the liability will be reduced, and revenue

recognized, in an amount equal to the allowable costs incurred for that period.

Financial reporting timelines will be tracked and reports will be submitted in accordance with the deadlines of the funding entity. RECIPIENT NAME will maintain supporting documentation to include copies of RECIPIENT NAME invoices/reports, expense receipts, sub-awardee invoices including supporting receipts and contractor invoices including supporting receipts to support amounts reported.

The following policies will apply to the preparation and submission of billings to federal agencies under awards made to RECIPIENT NAME:

1. RECIPIENT NAME will request reimbursement after expenditures have been incurred unless an award specifies another method.

2. RECIPIENT NAME will minimize the time between receipt of advances of Federal funds

and disbursement of grant funds by issuing payments within 24-48 business hours of receipt of such funds.

3. Each award normally specifies a particular billing cycle. Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.

4. Requests for reimbursement of award expenditures will use the actual amounts as posted

to the general ledger as the source for all invoice amounts.

5. All financial reports required by each Federal award will be prepared and filed on a timely basis. To the extent RECIPIENT NAME year-end financial statement audit

results in adjustments to amounts previously reported to Federal agencies, revised reports

will be prepared and filed in accordance with the terms of each Federal award.

**Pro ce dure s to Drawdown of Fe de ral Funds**

1. The **Dire ctor of Ope rations** gathers the expense reports for its grant for the monthly reimbursement of allowable expenses. The **Dire ctor of Ope rations** provides this information to the **Accountant**.

2. The **Accountant** prints off a report from the accounting system that shows the actual total, of accounts payable that is due to be paid that correspond with the approved grant budget. The accounts payable expenses are broken down by various program and line item (i.e. administration, project, etc.).

3. The **Accountant** accesses the HHS Payment Management System for the drawdown. The reports provided by the **Dire ctor of Ope rations** and accounts payable systems are used to draw down the funds from the appropriate federal fund.

4. The **Accountant** provides the **B ookkeeper** with the total figure for the draw down. The **B ookkeeper** (with view only privileges) verifies the deposit is made into its assigned bank account on the next business day via online banking

internet access for the account.

5. The **B ookkeeper** reconciles the bank statement once it is received. The

**B ookkeeper** again verifies the deposit of the federal funds. The **accountant** reviews the completed bank reconciliation, initialing and dating the reconciliation.

Accounting System Policies

**POLICY**:

It is the policy of RECIPIENT NAME to establish accounting standards and practices to accurately record all Federal awards in accordance with the Code of Federal Regulations – 45 CFR 75.302.

**PROCEDURE:**

RHC utilizes a financial management and internal control system that reflects Generally Accepted Accounting Principles (GAAP). RHC uses Quickbooks accounting software for accounting functions, including Federal award management.

A schedule of Federal awards will be maintained. The schedule will include the Federal award name, CFDA title and number, Federal award identification number and year, name of the HHS awarding agency, and name of the pass-through entity, if needed.

Revenues and expenditures of each federal award will be reported separately by award number.

The accounting system will maintain records for each federal award. At month-end, RHC will generate a report, specifically by each Federal award.

The staff accountant/contract CPA firm is responsible for the record keeping of all grant activities. The accountant will maintain all source documentation to support receipts, disbursements, authorizations, obligations, unobligated balances, assets, expenditures, and income and interest.

The RHC Manager will review all grant activities to ensure that funding has been used for the sole purpose of the award. Financial records will be presented to the Professional Advisory Committee for review.

Timekeeping Policies

**POLICY**:

It is the policy of RECIPIENT NAME to establish timekeeping procedures to ensure compliance with Federal award funds in accordance with the Code of Federal Regulations – 45 CFR 75.303 and 75.430.

**PROCEDURE:**

To maintain accurate time and effort records, RHC has implemented the following procedure for any employee that has time allocated to a federal award.

Employee will track actual hours within the electronic time keeping software. All hours will be actual hours worked and not based on budget estimates.

Non-Exempt and Exempt employees will record start and end times in the time tracking software. The records total hours worked. For example, an employee works 8 total hours – 2 hours on Federal award activities and 6 hours on non-Federal award activities. The employee will document the total time worked, and then separate the hours for Federal and non-Federal time. The time and effort will be documented after-the-fact. At no time should an employee estimate hour prior to completing those hours.

At the end of each bi-weekly pay period, the employee will certify the time accurate, and the hours attributed to the Federal award funds accurate.

The CEO will compare the allocated hours to the Federal award budget. If the health center is receiving simultaneous Federal awards, the CEO will ensure that no employee hours are being attributed to more than one grant – no “double dipping”.

If an employee leaves during a grant period and a new employee is assigned to fulfill the grant, the CEO will ensure that the new employee is fulfilling the terms and conditions of the award.

**Legislative Mandates**

**POLICY**:

It is the policy of RECIPIENT NAME to comply with any Legislative Mandates required to obtain and use grant funds.

**PROCEDURE:**

RHC will incorporate all Legislative Mandates that limit the use of funds on HRSA grants and any cooperative agreements.

Funds will not be used for a salary in excess of Executive Level II.

Funds will not be used to advocate or promote gun control.

Funds will not be used for anti-lobbying activities.

RHC will acknowledge Federal funding when issuing statement, press releases, bids, or other documents. Acknowledgement will include the percentage of total costs that are financed with Federal funds, the dollar amount of Federal funds for the project, and the percent and dollar amount that is financed by non-governmental sources.

Funds will not be used for abortions or human embryo research. RHC does not offer perform these services.

Funds will not be used to promote the legalization of Schedule I controlled substances.

RHC has a secure computer network that does not allow any pornography access.

Funds will not be used to support the ACORN association.

Funds will not be used to purchase sterile needles and syringes for illegal drug use.

RHC will not engage with any entity that prohibits or restricts employees from lawfully reporting waste, fraud, or abuse.

RHC will annually review the HRSA Legislative Mandates and update its policies and procedures as appropriate.