



Financial Policies and Procedures Manual



NCTTRAC
Financial Policies and Procedures Manual

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Introduction

This manual has been prepared to document the internal accounting procedures for the North Central Texas Trauma Regional Advisory Council (NCTTRAC). Its purpose is to ensure that assets are safeguarded, financial statements are presented in conformity with generally accepted accounting principles (GAAP), and finances are managed with responsible stewardship.

All personnel with a role in the management of NCTTRAC's fiscal operations are expected to uphold the policies in this manual. It is NCTTRAC's intention that this manual serve as our commitment to proper, accurate financial management and reporting.

Division of Duties

The following is a list of NCTTRAC staff and other personnel who have financial responsibilities:

Executive Director

1. Reviews financial reports.
2. Reviews annual budget prior to submission for approval by the Board of Directors.
3. Acts as second signatory on purchase orders and checks according to the current NCTTRAC SOP – *Transactions of the Organization*. (See Appendix A: SOP – Transactions of the Organization.)

Comptroller

1. Prepares all financial reports.
2. Develops the annual budget for review and approval by the Board of Directors.
3. Reviews the payroll summary for the payee, hours worked and check amount.
4. Acts as signatory on purchase orders and checks according to the current NCTTRAC SOP – *Transactions of the Organization*.
5. Reviews all vouchers and invoices.
6. Reviews and approves pending check disbursements.
7. Maintains and reconciles the general ledger at least monthly.
8. Reviews all contracts for goods and services.
9. Prepares monthly bank reconciliation.
10. Prepares journal entries as required.
11. Reconciles the statement of credit card expenditures at least monthly.

Staff Accountant

1. Processes all receipts and disbursements.
2. Processes payroll.
3. Processes electronic receipts for credit card payments made to NCTTRAC.
4. Mails all checks for payments.
5. Enters journal entries into the general ledger.

Office Manager

1. Receives, opens, and distributes all incoming mail.
2. Prepares cash receipts log.

All Managers

1. Develop first draft of division budgets and work with the Comptroller to finalize.

2. Accountability to approved budgets in purchasing decisions and in preparing purchase orders with the proper account designation.
3. Review and approve expenditures for purchases related to their program budget.

Designated Board Members (Currently the Chair, Vice Chair, Secretary, and Treasurer)

1. Check signing authority on all NCTTRAC accounts according to the current NCTTRAC SOP – *Transactions of the Organization*.
2. Review and authorize expenditures in excess of \$25,000.
3. Conduct periodic review of Executive Director performance with regard to fiscal obligation activity in accordance with documented authorities granted (i.e., contracts, agreements, salaries, travel and cost allocations).

Cash Receipts

The Office Manager receives, opens and delivers all incoming mail.

Funds Received by Check

1. All checks received should be recorded on the Cash Receipts Log.
2. The checks should be attached to the Cash Receipts Log and delivered to the Staff Accountant for deposit.
3. A copy of the cash receipts log with copies of the checks attached is maintained by the Staff Accountant.
4. The Staff Accountant electronically deposits the funds into the appropriate bank account.
5. The hard copy of each check should be attached to the cash receipts log and filed according to the month received.
6. Any deposit not electronically deposited to the bank should be locked in the Staff Accountant's Office. No deposit should be locked in the file cabinet for more than 24 hours.

Funds Received from Credit Card Charges

1. The Staff Accountant is responsible for processing funds received through the credit card authorizer directly into the bank account.
2. Transactions should be processed at least weekly, with a list of the credits and date processed delivered to the Comptroller at the end of each month to verify against the bank statement.

Cash Disbursements

1. Incoming invoices should be delivered to the Staff Accountant.
2. A payment authorization form should be completed by the Staff Accountant and attached to the original vendor invoice and other supporting documentation. The payment authorization should include the following:
 - a. Vendor name
 - b. Description of the goods or services provided
 - c. Account to which the expenditure should be charged
 - d. Amount to be paid.
3. The Comptroller should sign the payment authorization for all expenditures to indicate that the expenditure complies with contract requirements, is within the established budget, and has been reviewed for accuracy.
4. The Staff Accountant will circulate the payment authorization for review and approval to staff responsible for ordering the product or service and Managers responsible for budget oversight.
5. At least weekly, cash disbursements should be prepared by the Staff Accountant for signature by authorized NCTTRAC officials for expenditures, debts, and liabilities of NCTTRAC.
6. The Staff Accountant, at the direction of the Comptroller, is responsible for the preparation of disbursements. All disbursements are to be made by check except for payroll disbursements that are made through electronic fund transfers.
7. As each approver signs each payment authorization form, he/she should verify the information on the form to ensure the expenditure is charged to the correct contract and account.
8. Authority to sign checks shall be established according to the following schedule.

<u>Check Amount</u>	<u>Number of Signatures Required</u>	<u>Authorized Signatures</u>
\$750 or less	1	Executive Director, Comptroller, Officer
\$751 to \$25,000	2	Executive Director, Comptroller, Officer
Over \$25,000	2	Executive Director, Officer

All checks over \$750 require 2 signatures.

9. After checks have been signed, the Staff Accountant will make electronic file copies of each check and supporting documentation.
10. All checks will be mailed as soon as this process is completed.

Reconciliations

Bank Reconciliations

1. Bank statements are received electronically by the Comptroller. The bank statement will, at a minimum, be reviewed for inconsistent check numbers, signatures, cash balances, payees, and endorsements.
2. The Comptroller will reconcile each account promptly upon receipt of the bank statement. All accounts will be reconciled no later than 7 days after receipt of the monthly bank statement.
3. The following items should be included in the bank reconciliation procedure:
 - a. A comparison of dates and amounts of daily deposits shown on the bank statement with the cash receipts log.
 - b. An investigation of items rejected by the bank, i.e., returned checks or deposits.
 - c. A comparison of wire transfer dates received with dates sent.
 - d. A comparison of canceled checks with the disbursement journal to check number, payee and amount.
 - e. An accounting for the sequence of checks both from month to month and within a month.
 - f. An examination of canceled checks for authorized signatures, irregular endorsements, and alterations.
 - g. A review and proper mutilation of voided checks.
 - h. Investigate and write off checks which have been outstanding for more than six months.
4. Completed bank reconciliations will be returned to the Staff Accountant and held for review by the NCTTRAC Treasurer or Chair.
5. Once it has been reviewed and signed the bank reconciliation will be filed by the Staff Accountant.

Reconciliations of Other General Ledger Accounts

1. Each month the Comptroller should review the ending balance shown on balance sheet accounts such as cash, accounts receivable, accounts payable and deferred revenue. The Comptroller should review bank reconciliations, schedules of accounts receivable and deferred revenue and the aging of accounts payable to support the balances shown on the balance sheet.
2. Assets - These accounts include cash, prepaid expenses, and security deposits.
 - a. Cash - The balances in cash accounts should agree with the balances shown on the bank reconciliation for each month.
 - b. Prepaid Expenses - The amounts in these accounts should equal advance payments paid to vendors at the end of the accounting period.
 - c. Accounts Receivables - If there are any amounts due from others at the end of the period they should be recorded and the correct balance maintained in the general ledger accounts.
 - d. Security Deposits - The balance in this account should equal amounts paid in escrow to landlords and lessors and should not change frequently, but should be updated as applicable.

3. Liabilities - These accounts are described as accounts payable, payroll tax liabilities, loans and mortgages payable and amounts due to others.
 - a. Accounts Payable - The balance in this account should equal amounts owed to vendors at the end of the accounting period.
 - b. Payroll Liabilities - The amount in these accounts should equal amounts withheld from employee payroll checks as well as the employer's portion of the expense for the period that has not been remitted to benefit providers. The amount in this account should also include Paid Time Off accrued for each employee.

Procurement

Purpose

The purpose of these standards is to establish procedures for NCTTRAC for the procurement of supplies and other expendable property, equipment, and services.

Code of Conduct

No employee, officer or agent shall participate in the selection, award, or administration of a contract if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. NCTTRAC Officers, employees, and agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to sub agreements except for where the financial interest is not substantial or the gift is an unsolicited item of nominal value. NCTTRAC Officers, employees, directors, and agents shall be subject to disciplinary actions for violations of these standards.

Competition

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. NCTTRAC shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, invitation for bids and/or requests for proposals shall be excluded from competing for such procurements. Awards shall be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to NCTTRAC, price, quality and other factors considered. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated. Any and all bids or offers may be rejected when it is in NCTTRAC's interest to do so. In all procurement NCTTRAC shall avoid practices that are restrictive of competition. These include but are not limited to:

1. Placing unreasonable requirements on vendors in order for them to qualify to do business,
2. Requiring unnecessary experience and excessive bonding,
3. Noncompetitive pricing practices between vendors or between affiliated companies,
4. Noncompetitive awards to consultants that are on retainer contracts,
5. Organizational conflicts of interest,
6. Specifying only a brand name product instead of allowing an equal product to be offered and describing the performance of other relevant requirements of the procurement, and
7. Any arbitrary action in the procurement process.

NCTTRAC will address Historically Underutilized Business (HUB) requirements in accordance with all individual contract specifications.

Hospital Preparedness Program HUB Procurement Thresholds

DOLLAR THRESHOLD	BID REQUIREMENT
Up to \$2,500.00	No bids required from eligible HUB vendors
\$2,500.01 - \$100,000.00	At least one bid from eligible vendors on the Centralized Masters Bidders List (CMBL) with 1 being a CPA/TPASS-certified HUB
\$100,000.01 and up	At least two bids from eligible vendors on the Centralized Masters Bidders List (CMBL) with 2 being CPA/TPASS-certified HUBS

Procurement Methods

1. Procurement by regular purchase procedures.

Regular purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property with a total cost of less than \$100,000 and where procurement by sealed bid is not required. If regular purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources to insure that the selection process is competitive in accordance with these policies.

2. Procurement by sealed bids.

Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforms with all the material terms and conditions of the invitation for bids and is the lowest in price. If sealed bids are used, the following requirements apply:

- a. The invitation for bids will be advertised and bids solicited from an adequate number of known suppliers, providing them sufficient time prior to the date set for opening the bids;
- b. The invitation for bids, which will include any specifications and pertinent attachments, shall define the items or services in order for the bidder to properly respond;
- c. All bids will be publicly opened at the time and place prescribed in the invitation for bids;
- d. A firm fixed-price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs will be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
- e. Any or all bids may be rejected if there is a sound documented reason.

3. Procurement by competitive request for proposals.

The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids or regular purchase procedures. If this method is used, the following requirements apply:

- a. Requests for proposals will be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals shall be honored to the maximum extent practical;
- b. Proposals will be solicited from an adequate number of qualified sources;
- c. NCTTRAC will evaluate responses and select awardees in accordance the procedures outlined in section 5 below ("Procurement Procedures")
- d. Awards will be made to the responsible firm whose proposal is most advantageous to NCTTRAC with price and other factors considered; and

- e. NCTTRAC may use the competitive proposal procedures for qualifications-based procurement of professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. A procurement process where price is not to be used as a stated selection factor can only be used in procurement of professional services
4. Procurement by noncompetitive proposals (Sole Source)
- a. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.
 - b. Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under regular purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies:
 - 1) The item is available only from a single source;
 - 2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
 - 3) The funding source specifically authorizes the use of noncompetitive proposals; or
 - 4) After solicitation of a number of sources, competition is determined inadequate.
 - c. Cost analysis, i.e., verifying the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profits, is required.

Procurement Guidelines

- 1. All procurement by NCTTRAC shall comply, at a minimum, with the requirements of subsections a, b, and c below:
 - a. NCTTRAC shall avoid purchasing unnecessary items.
 - b. Solicitations for goods and services shall provide for all of the following:
 - 1) A clear and accurate description of the technical requirements for the material, product or service to be purchased. In competitive procurements, such a description shall not contain features which unduly restrict competition.
 - 2) Requirements which must be fulfilled and all other factors to be used in evaluating proposal submitted in response to solicitations.
 - 3) A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
 - 4) When relevant, the specific features of "brand name or equal" descriptions that are to be included in responses submitted to solicitation.
 - 5) Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.
 - c. Positive efforts shall be made by NCTTRAC to utilize small businesses, minority-owned firms and women's business enterprises, whenever possible.
- 2. The type of procuring instruments used (e.g., purchase orders, fixed price contracts

and cost reimbursable contracts, purchase orders) shall be determined by NCTTRAC but shall be appropriate for the particular purchase and for promoting the best interest of the program or project involved. The "cost-plus-a-percentage-of-cost" or "percentage of construction cost" methods of contracting shall not be used.

3. Contracts shall be made only with responsible vendors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources.
4. No contract shall be made to parties listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs.

Cost and Price Analysis

Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action above \$2,500 in value. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

Procurement Records

1. All procurement records and files for purchases in excess of \$2,500 shall, at a minimum, include the following:
 - a. Contract Administration Worksheet
 - b. Contracting Steps Checklist
 - c. Insurance and Ongoing Costs Determination
 - d. Excluded Party Listing Report
 - e. Record of HUB Status
 - f. HUB Bid requests
 - g. Justification, if necessary, for not selecting HUB source
 - h. HUB Report
 - i. Purchase Order
 - j. Vendor Invoice
 - k. Payment Authorization
 - l. Copy of check
2. Procurement records and files for purchases in excess of the regular purchase threshold of \$100,000 shall include the items described above as well as the following:
 - a. Basis for contractor selection,
 - b. Justification for lack of competition when competitive bids or offers are not obtained, and
 - c. Basis for award cost or price.

Contract Administration

A system for contract administration shall be maintained to ensure contractor conformance with the terms, conditions and specifications of the contract and to ensure adequate and timely follow up of all purchases. NCTTRAC shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.

Contract Provisions

NCTTRAC shall include, in addition to provisions to define a sound and complete agreement, the following provisions in all contracts. The following provisions shall also be applied to subcontracts.

1. Contracts in excess of the regular purchase threshold of \$100,000 shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms, and provide for such remedial actions as may be appropriate.
2. All contracts in excess of the regular purchase threshold shall contain suitable provisions for termination by NCTTRAC, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.
3. For contracts dealing with construction or facility improvements NCTTRAC shall comply with all requirements imposed by its funding sources (and the government regulations applicable to those funding sources) with regard to construction bid guarantees, performance bonds, and payment bonds.
4. All negotiated contracts awarded by NCTTRAC shall include a provision to the effect that NCTTRAC shall have access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts and transcriptions.

Purchase Orders

1. A Purchase Order is required for any purchase in the amount of \$2,500 or more.
2. The purchase order should be completed by the employee responsible for coordinating the purchase.
3. The following items must be included in the purchase order file before it is circulated to Managers and others for approval:
 - a. Contract Administration Worksheet
 - b. Contracting Steps Checklist
 - c. Insurance and Ongoing Costs Determination
 - d. Excluded Party Listing Report
 - e. Record of HUB Status
 - f. Purchase Order

Credit Card Purchases

1. The Executive Director, Directors, Comptroller, Managers and other designated personnel carry corporate credit cards in their name. In every case of credit card usage, the individual charging a NCTTRAC account will be held personally responsible in the event that the charge is deemed unauthorized or personal.
2. Authorized uses of the credit card include:
 - a. Airline or rail tickets (at coach class or lower rates) for properly authorized business trips.
 - b. Car rental charges (for mid-size or smaller vehicles) for properly authorized business trips
 - c. Properly authorized expenditures for which a credit card is the only allowed method of payment.
 - d. Properly authorized entertainment at a rate which is consistent with the employee's level of responsibility within, or on behalf of, NCTTRAC and within the limits of the approved budget.
3. Receipts for travel or entertainment expenses should be compiled and submitted with an expense report at least on a weekly basis. Receipts for purchases of supplies or services should be turned in by the end of the next business day after the transaction is completed.
4. Unauthorized use of the credit card includes:
 - a. Personal or non-business expenditures of any kind.
 - b. Expenditures which have not been properly authorized.
 - c. Meals, entertainment, gifts or other expenditures which are prohibited by:
 1. NCTTRAC budget and/or policies
 2. Federal, state, or local laws or regulations
 3. Contract conditions or policies of the entities from which NCTTRAC receives funds.

Cellular Phones and Wireless Air Cards

General Policy

NCTTRAC has established a cellular phone and wireless air card policy as guidance to employees, and others as appropriate, which by the nature of their work, in support of NCTTRAC are required to be accessible by telephone regardless of the time of day, day of the week, or geographical location.

Service Establishment and Costs

The Data and Information Systems Manager will determine service equipment and the type of services necessary to fulfill specific NCTTRAC responsibilities. Costs related to these services will be the responsibility of NCTTRAC with exceptions as noted in the Employee Policy Manual, Section 6.00. (See Appendix C: 6.00 Cellular Phones and Wireless Air Cards.)

Fixed Asset Management

Purpose

The NCTTRAC will maintain an inventory of all fixed assets in accordance with Generally Accepted Accounting Principles (GAAP), Uniform Grant Management Standards (UGMS), Texas Department of State Health Services General Contract Provisions (Texas DSHS Provisions) and other grant guidance, and this policy.

Assets held and/or owned by NCTTRAC will be classified in the following specific categories:

1. Hospital Preparedness Program (HPP) Assets – All HPP Equipment as defined by Texas DSHS, General Provisions and/or grant guidance.
2. Operating Assets – Assets valued at less than \$1,000, with a useful life greater than one year for which no asset record will be maintained;
3. Controlled Assets – Assets valued between \$1,000 and \$4,999, with a useful life greater than one year for which a unique asset number will be assigned and records maintained;
4. Information Systems Assets – Information Systems related assets valued from \$500 to \$4,999, with a useful life greater than one year for which a unique asset number will be assigned and records maintained;
5. Capital Assets – Assets valued at \$5,000 or more, with a useful life greater than one year for which a unique asset number will be assigned and records maintained.

The purpose of this policy is to ensure that consistent and proper procedures are followed in the recognition of assets held and/or owned by NCTTRAC. Fixed asset records will be maintained in such a manner as to sufficiently serve to safeguard these items as public investments and to assure stewardship of all such assets held in public trust.

Valuation

All fixed assets will be valued at cost, or if cost is not practically determinable, at estimated cost. Donated or dedicated fixed assets will be valued at their fair market value at the time the asset is received by NCTTRAC.

The cost recorded for fixed assets will include all ancillary costs. These costs include, but are not limited to freight, site preparation, professional fees, legal claims directly related to asset acquisition, installation and testing, construction related insurance and any other costs directly associated with the purchase, installation or delivery of the asset to NCTTRAC in an operable and productive state.

For purposes of this policy, a *Capital Asset* is any tangible asset acquired by the NCTTRAC with a useful life greater than one year and a total cost of \$5,000 or more.

The following criteria must be met in order for an asset to be classified as a Capital Asset:

1. An asset acquired by purchase, donation, or dedication, with a total unit cost of \$5,000 or more will be capitalized at the total cost of acquisition.
 - a. An asset assembled from parts whose individual cost is less than \$5,000, but whose total cost exceeds \$5,000, will be capitalized for the total cost of all components.

- b. An asset acquired through donation or dedication will be valued at its fair market value and, if such is \$5,000 or more the asset will be capitalized.
2. An asset acquired by construction that is accounted for as a Capital Project with a construction period extending over more than one fiscal year will be capitalized upon completion of the project at the total cost of construction over the construction period if that cost is \$5,000 or greater.
3. Major construction related repairs will be considered for capitalization if such repairs meet the following criteria:
 - a. The total cost of construction related repairs exceeds ten percent (10%) of the original acquisition cost; and
 - b. The construction related repairs result in additional asset service, more valuable asset service or extension of the life of the asset.
4. Major repairs to machinery or equipment will be considered for capitalization if such repairs meet the following criteria:
 - a. The total cost of repairs exceeds twenty percent (20%) of the original acquisition cost; and
 - b. The total cost of repairs is \$5,000 or more; and
 - c. The repairs result in additional asset service, more valuable asset service or extension of the life of the asset.

Inventory System Requirements

The inventory management system will meet the following requirements:

1. Property Records – Property records will include the following information:
 - a. Description of the property;
 - b. Serial number or other identification number;
 - c. Source of the property;
 - d. Who holds title to the property;
 - e. Acquisition date;
 - f. Cost;
 - g. Percentage of Federal or State participation in the cost of the property;
 - h. Location;
 - i. Use and condition;
 - j. Estimate useful life; and
 - k. Any ultimate disposition data, including the date of disposal and sale price of the property.
2. Physical Inventory – A physical inventory of the property must be taken and the results reconciled with the property records at least annually. (*UGMS – at least once every two years*)
3. Control System – A control system shall be developed to ensure adequate safeguards to prevent loss, damage or theft of the property.
4. Property Maintenance – Maintenance procedures and schedules shall be developed to keep the property in good condition.

Inventory Management

1. Hospital Preparedness Program (HPP) Assets – All HPP defined equipment and supplies purchased by hospitals and/or by NCTTRAC for delivery to hospitals will be included in the inventory management program.
 - a. Purchased by Participating Agency – NCTTRAC shall request and maintain a copy of the inventory list, as required by the grant guidance, and incorporate into the inventory management system.
 - b. Transfer to Participating Agency from NCTTRAC – NCTTRAC shall inventory and enter into the inventory management system, all HPP defined equipment and supplies, as required by the grant guidance, and document transfer of ownership and/or permanent loan status.
 - c. Transfer between Participating Agencies – NCTTRAC shall receive a copy of the transferring agencies' inventory listing and documentation of acceptance by the receiving agency.
 - d. Compliance – The Executive Director shall ensure compliance with this policy. NCTTRAC will provide on-site and/or a record review of reported assets for each participating agency at least annually.
2. NCTTRAC Assets – All NCTTRAC acquired depreciable assets shall be included in the inventory management program and reported annually as part of the A-133 documentation.
 - a. Transfer to Member Agency from NCTTRAC – NCTTRAC shall inventory and enter into the inventory management system, all equipment and supplies, as required by the grant guidance or other Generally Accepted Accounting Practices, and document transfer of ownership and/or permanent loan.
 - b. Transfer between member agencies – NCTTRAC shall receive a copy of the transferring agencies' inventory listing and documentation of acceptance by the receiving agency.
 - c. Compliance – The Executive Director shall ensure compliance with this policy. NCTTRAC will provide on-site and/or a record review of reported assets for each participating agency, at least annually.
3. Determination of Useful Life – NCTTRAC shall use the estimated useful life of equipment as published in the American Hospital Association's (AHA's) *Estimated Useful Lives of Depreciable Hospital Assets* in disposing of equipment or controlled assets purchased with DSHS funds, except when:
 - a. Federal or state statutory requirements supersede;
 - b. The equipment requires licensure or registration by the state;
 - c. The acquisition price of the equipment or controlled asset is equal to or greater than \$10,000.
 - d. All other equipment and controlled assets not listed in the AHA reference shall be controlled by the requirements of UGMS and the State Property Agency *Process User's Guide*.
 - e. Equipment that retains value to the originating program will not be disposed of simply due to expired life cycle.

4. Depreciation of Assets – Depreciable assets are those assets defined by the “Estimated Useful Life of Depreciable Hospital Assets” latest edition except when Federal or state statutory requirements supersedes.
 - a. All depreciable assets, subject to this policy, shall be entered into the General Ledger of NCTTRAC and tracked through the inventory management system, to include purchase cost, current value, and estimated useful life.
 - b. All assets being retired or removed from service shall be documented in the inventory management system and in the General Ledger of NCTTRAC.
5. Retrieval of assets by NCTTRAC – As applicable under grant guidance and at termination of contract or participation in a program or membership of NCTTRAC, NCTTRAC may implement a process to secure the inventory subject to a grant. Processes, to be handled on a unique and individual basis, may be implemented to ensure compliance with this policy.
 - a. HPP Assets – Determination of appropriate action shall be collaborative with the Regional Hospital Preparedness Council.
 - b. NCTTRAC – Determination of appropriate action shall be at the discretion of the Executive Committee.

Disposition of Assets

1. Hospital Preparedness Assets – In order to ensure that consistent and proper procedures are followed in the recognition of assets purchased with HPP funds that are held and/or owned by subrecipients, fixed asset records will be maintained in such a manner as to sufficiently serve to safeguard these items as public investments and to assure stewardship of all such assets held in public trust. Disposition of HPP assets will be handled according to the NCTTRAC HPP Asset Disposition Policy. (See Appendix B – SOP – HPP Asset Disposition Policy.)
2. NCTTRAC Assets – If, prior to the end of the useful life, any item of equipment is no longer needed to perform service, or becomes inoperable, NCTTRAC shall classify the asset according to the following guidelines.
 - a. Surplus – Property that exceeds NCTTRAC’s needs, is not required for the foreseeable future, and has additional useful life. Surplus property may be disposed as follows:
 - 1) Transfer to a NCTTRAC Participating Agency;
 - 2) Transfer to a similar non-profit organization; or
 - 3) Sold by a method to ensure the highest possible return.
 - b. Salvage – Property that through use, time, or accident is so damaged, used, or consumed that it has no value and cannot be designated as surplus. Salvage property shall be discarded or destroyed.
 - c. Trade-in – Surplus property used as a trade-in towards the purchase of new property.

Payroll

Personnel

1. The Staff Accountant is charged with the responsibility of maintaining personnel files on all NCTTRAC staff.
2. Each personnel file should contain the following information, at a minimum:
 - a. Employment application or resume
 - b. A record of background investigation
 - c. Date of employment
 - d. Position, pay rates and changes therein
 - e. Authorization of payroll deductions
 - f. Earnings records for non-active employees
 - g. W-4 Form, withholding authorization
 - h. I-9 Immigration Form
 - i. Termination data, when applicable
3. All personnel records are to be kept locked in a locking file cabinet in the Office Manager's office. Access to these files other than by the Executive Director, Comptroller, or the auditor should be requested in writing to the Comptroller .

Payroll Preparation and Timekeeping

1. Timesheets should be prepared by all staff and submitted semi-monthly on the 15th and last business day of each month. Timesheets are to include specific time spent on each contract/project.
2. Timesheets should be signed by the staff person and his/her supervisor.
3. All approved timesheets should be submitted to the Staff Accountant.
4. The Staff Accountant will process the time and use the information to generate payroll. The information reported should include:
 - a. Hours worked
 - b. Changes in pay rates or employment status
 - c. Changes in employee payroll deductions
 - d. Vacation, sick or personal hours used and earned
5. The Comptroller will review the payroll register for accuracy, including but not limited to rate of pay and recurring deductions, inappropriate payees, or unusual hours.
6. Paychecks are distributed electronically by direct deposit. Paper checks and individual employee payroll reports should be distributed by the Staff Accountant. In the event that a paycheck is picked up by a designated person other than the employee, a memo should be received in writing from the employee and proper identification should be presented by the party picking up the pay check.
7. As an employee benefit, NCTTRAC offers direct deposit through the employee's own financial institution. Through direct deposit, payroll is deposited as cash into the employee's account on payday.

Entertainment and Travel

Staff Travel

It is NCTTRAC's practice to reimburse out-of-pocket costs associated with travel when conducting NCTTRAC business. Employees who travel are expected to exercise good judgment when incurring travel costs. An employee may be reimbursed for reasonable and necessary travel expenses actually incurred in the performance of official duties in accordance with the provisions herein. (See Appendix C: NCTTRAC Employee Travel Policy.)

Travel by Officers and Committee Chairs

It is NCTTRAC's practice to reimburse out-of-pocket costs associated with attendance at RAC related functions in accordance with the *SOP – Officer/Committee Travel Reimbursement*. Members who avail themselves of this policy are requested to be mindful of the need to conserve costs related to RAC related functions and are, therefore, requested to hold the costs for which reimbursement is sought to a minimum. (See Appendix D: *SOP – Officer/Committee Travel Reimbursement*.)

Executive Director Entertainment and Business Expense

Internal Revenue Service regulations require that entertainment expenses (including business lunches, dinners, etc.) must serve definite business purposes with a reasonable expectation of deriving increased business benefits. Implicit in these requirements is the disallowance of "goodwill." Entertainment must be associated with the active conduct of business and must be incurred during, before, or after a substantial business discussion. Events such as birthday parties, going away parties, showers, etc. are considered personal expenses and will not be reimbursed under this policy. Entertainment (luncheon, dinner, etc.) of fellow employees of the organization is not generally allowed except when a customer or outside contact is in attendance.

1. The Executive Director will be reimbursed for reasonable expenses incurred for business meetings or other types of business-related entertainment.
2. Detailed documentation for any such expense must be provided, including:
 - a. Date and place of entertainment.
 - b. Nature of expense.
 - c. Names, titles and corporate affiliation of those entertained.
 - d. A complete description of the business purpose for the activity including the specific business matter discussed.
 - e. Vendor receipts (not credit card receipts or statements) showing the vendor's name, a description of the services provided, the date, and the total expenses, including tips (if applicable).

Financial Reporting

Monthly Reports

The Comptroller should prepare monthly financial reports for distribution to the Finance Committee and the Board of Directors. The reports should include: a balance sheet and a statement of income and expenses for each contract or funding source as well as a consolidated statement of activities; a budget-to-actual report for all contracts and funding sources included in the annual operating budget; a list of deferred and receivable funds, and a cash flow projection. In addition, the consolidated statement of activities for the quarterly periods (December, March, June and September) will be submitted to the general membership for their review at the quarterly general membership meeting.

Monthly financial reports will be finalized no later than the conclusion of the month following the statement period.

Year-End Report/Audit

At fiscal year-end an audit will be performed by an independent Certified Public Accountant. The audit report should be prepared and presented to the Finance Committee and the Board of Directors no later than six months after the close of the fiscal year. The Comptroller, with the assistance of the Staff Accountant, will be responsible for gathering documents and information required by the independent auditor during the course of the audit field work.

Contract Compliance

Contract Management

1. When a contract or grant is received or renewed, a copy of the executed contract must be forwarded to the Comptroller.
2. The Comptroller should set up a permanent file for the contract and maintain the contract along with any related correspondence.

Contract References

It is the responsibility of the Comptroller to review the contract and extract any fiscal items which must be completed by NCTTRAC. Typically, for government grants, reference will be made to various publications published by the Office of Management and Budget (OMB) and the Texas Comptroller of Public Accounts to which NCTTRAC must follow.

Currently, the publications include:

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|--------------------|--|
| OMB Circular A-110 | “Grants and Agreements with Institutions of Higher Learning, Hospitals and Other Non-Profit Organizations” |
| OMB Circular A-122 | “Cost Principles for Non-Profit Organizations” |
| OMB Circular A-133 | “Audits of Institutions of Higher Learning & Other Non-Profit Organizations” |
| UGMS | “Uniform Grant Management Standards” promulgated by the Texas Governor’s Office of Budget and Planning |
| TX-DSHS CFPM | “Contractor’s Financial Procedures Manual” promulgated by the Texas Department of State Health Services Contract Oversight and Support Section |
| 45 CFR 74 | Public Welfare and Human Services, Part 74--Uniform Administrative Requirements for awards and sub-awards to institutions of higher education, hospitals, other organizations, and commercial organizations; and certain grants and agreements with states, local governments and Indian tribal governments. |

Generally Accepted Accounting Principles

1. It is NCTTRAC’s policy to adhere to any restrictions imposed by its funders, both governmental and private. Therefore, NCTTRAC employees are expected to bring to management’s attention any instances of non-compliance.
2. NCTTRAC will never request federal funds to pay for the following costs:
 - a. Bad debt expense
 - b. Contingencies
 - c. Contributions or donations to others
 - d. Entertainment expenses
 - e. Fines and penalties
 - f. Interest, fundraising and other financial costs
3. Federal funds received in advance will be deposited into a separate federally insured

bank account. Any interest earned from those monies will be submitted back to the funding agency.

Fiscal Policy Statements

These procedures set forth requirements and guidelines to help ensure that financial transactions are conducted in a manner that ensures compliance with NCTTRAC Bylaws, organizational policies, budgets, and granting agency guidelines.

Authority to Enter Into Contracts or Agreements

The Executive Director has the authority to enter into contracts or execute and deliver any instrument in the name of and on NCTTRAC's behalf in accordance with the Bylaws, organizational policies, budgets, and granting agency guidelines.

All contracts and agreements that have been executed by the Executive Director will be presented to the Finance Committee and Board of Directors for review as an agenda item at their regular monthly meeting.

Depository Accounts

Depository accounts shall be maintained to meet NCTTRAC's business needs in a depository institution that has its main office or a branch office in this state. Said deposits shall be guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successors. Accounts that may exceed the guarantee or insurance provided by the FDIC will be collateralized by the depository institution to protect said deposits.

Idle funds may be invested in Certificates of Deposit (CDs) issued by a depository institution as described above. CDs shall be guaranteed or insured by the FDIC or its successors.

Each account shall include the Executive Director, Comptroller and all Officers of the Board of Directors as defined by the NCTTRAC Bylaws as authorized signatories for the transaction of NCTTRAC business.

Gifts or Contributions

Gifts or contributions on behalf of NCTTRAC may be made after consideration and approval of the Board of Directors. Upon approval by the Board of Directors, the obligation of the gift or contribution shall be handled according to the Expenditure Authority guidelines established in the NCTTRAC SOP – *Transactions of the Organization*. (See Appendix A: *SOP – Transactions of the Organization*.)

Budget

1. NCTTRAC has adopted a budget policy to clarify and standardize the procedures to be followed in developing the annual operating budget for each fiscal year. (See Appendix E: *SOP – Budget Policy*.)
2. The basic elements of the NCTTRAC budget policy include:
 - a. All contractual programs contained in the NCTTRAC Annual Operating Budget are required to balance.
 - b. Revenues from sources other than contractual programs (i.e., membership dues, fees and interest) will be included in the unrestricted organizational budget.
 - c. Program income will be reported according to guidance specific to the contract under which it was earned.

- d. Expenditures will be approved on the basis of specific, measurable activities developed by each Committee.
- e. Financial priority will be given to programs which meet the organizational priorities set by the Board of Directors in the most cost effective manner, with consideration given to all costs, including economic, fiscal, and social.
- f. The NCTTRAC Annual Operating Budget shall be adopted at the regularly scheduled Board of Directors Meeting in August of each year.

General Policy

1. No salary advances will be made under any circumstances.
2. All funds received by NCTTRAC for each contract will be segregated into separate project accounts in the general ledger to avoid commingling contract transactions with general operating funds.
 - a. A full computerized general ledger accounting system will be maintained.
 - b. Monthly financial statements including Balance Sheet and Statement of Revenues and Expenses will be produced for each project as a separate Department.
3. Bank statements will be reconciled monthly in order to account for any outstanding or lost checks.
4. Separate files will be maintained for each bank account and each vendor. Files will be kept separately for each fiscal year.
5. The services of a Certified Public Accountant will be engaged to prepare a formal financial audit of each NCTTRAC fiscal year.

Cost Allocation

Purpose

The purpose of the cost allocation plan is to summarize, in writing, the methods and procedures that NCTTRAC will use to allocate costs to various programs, grants, contracts, and agreements.

The total cost of a program is comprised of the allowable direct costs incident to its performance, plus the allocated portion of allowable shared costs, less applicable credits. In order to correctly and fairly allocate shared costs, it is necessary to first identify and segregate costs as either direct or shared.

1. Direct costs are those that can be identified specifically with a particular program or contract and can be directly assigned to that program with a high degree of accuracy.
2. Shared costs are those that have been incurred for a common or joint purpose and are not readily chargeable to a specific program

Only costs that are allowable, in accordance with the cost principles, will be allocated to benefiting programs by NCTTRAC.

General Approach

NCTTRAC's general approach in allocating costs to particular programs or contracts is as follows:

1. All allowable direct costs are charged directly to the program or contract which directly benefits a specific program or contract.
2. Facility related costs, including rent and electricity, are allocated using the square footage occupied by each cost objective. Common space will be allocated using direct program hours as the allocation basis.
3. Allowable direct costs, other than facility costs, that can be identified to more than one program or contract are prorated individually as direct costs to each program or contract using direct program labor hours as the basis.
4. Accounting and audit costs are allocated in proportion to the amount of funding specified in the contract of each funding source being audited.
5. All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated to each program or contract based on direct program labor hours for the period in which the costs have been incurred.
6. The NCTTRAC cost allocation plan should be evaluated at least annually and when changes within NCTTRAC would result in an inequitable distribution of shared costs.

Direct Cost Allocation

A direct cost can be allocated and charged directly to the general ledger through the accounts payable process at the time of payment. Cost pools may be used for some categories of allocable direct costs for periodic allocation to specific programs or contracts. Costs that are accumulated in cost pools include office lease costs, telephone expenses, and other shared direct costs and are prorated individually as direct costs to each program or contract based on direct program labor hours for the period in which the

costs have been incurred.

Indirect Cost Allocation

Indirect costs are general and administrative costs that have been incurred for common or joint objectives and cannot be readily identified with a particular program. Cost pools should be used to facilitate periodic allocation to specific programs or contracts based on direct program labor hours for the period in which the costs have been incurred. The allocation base should be drawn from the same period during which the costs to be allocated have been incurred. The objective of the method used should be to ensure a reasonable and equitable allocation of each type of cost.

Cost Pools and Intermediate Cost Centers

A cost pool is an accounting structure used to accumulate similar costs pending distribution by allocation to each program or contract. A primary consideration in establishing a cost pool is its allocation base. The base should have a common relationship to the types of costs captured in the cost pool so that it results in an accurate measure of benefits.

NCTTRAC Cost Allocation Plan

To review a copy of the current NCTTRAC Cost Allocation Plan, see Appendix G – *Cost Allocation Plan*.