

WORKFORCE SOLUTIONS TEXOMA POLICIES & PROCEDURES

CHAPTER 1 FISCAL ACCOUNTING SYSTEM

TABLE OF CONTENTS

- 1.1 INTRODUCTION**
- 1.2 BASIC CONCEPTS**
 - 1.2.1 Assets**
 - 1.2.2 Liabilities**
 - 1.2.3 Net Assets**
- 1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
 - 1.3.1 General Statement**
 - 1.3.2 Reporting Entity: WST Fiscal Department**
 - 1.3.3 Basis of Presentation: Fund Accounting**
 - 1.3.3.1 Governmental Fund Types
 - 1.3.3.2 Fiduciary Fund Type
 - 1.3.4 Account Groups**
 - 1.3.5 Measurement Focus/Basis of Accounting**
 - 1.3.5.1 Federal and State Grant Revenue
 - 1.3.5.2 Other Government Grants
 - 1.3.5.3 State Planning Assistance
 - 1.3.5.4 Other Income
 - 1.3.5.5 Local In-Kind Contributions
 - 1.3.5.6 Grant Matching Funds
 - 1.3.5.7 Fiduciary Funds
- 1.4 MONTHLY TRIAL BALANCE**
 - 1.4.1 Monthly Trial Balance Procedure**

- 1.5 INTERNAL CONTROLS POLICY (FMGC 3.05)**
 - 1.5.1 General Guidelines for Internal Controls Regarding Payments of Liabilities and Recording Disbursements (FMGC 3.06)**
 - 1.5.2 Internal Control Procedures**
 - 1.5.2.1 Internal Controls - Accounting System Procedures**
 - 1.5.2.2 Internal Controls - Board Requests for Drawdown of Funds for Operations**
 - 1.5.2.3 Internal Controls - Award Closeout Procedures**
 - 1.5.2.3.1 Financial Report
 - 1.5.2.3.2 General Ledger
 - 1.5.2.4 Internal Controls - Banking Procedures**
 - 1.5.2.5 Internal Controls – Cash Receipts**
 - 1.5.2.6 Internal Controls - Background Checks**
 - 1.5.2.7 Internal Controls - Budget Process**
 - 1.5.2.7.1 Overview of Budget Process
 - 1.5.2.7.2 Budget Procedures
 - 1.5.2.7.3 Procedures for Budget Use
- 1.6 BUDGETS AND BUDGETARY ACCOUNTING (FMGC 5.15)**
 - 1.6.1 Budget Procedures**
 - 1.6.1.1 Budgetary Accounting Procedures
 - 1.6.1.2 Contractor Budgets and Budgetary Accounting
- 1.7 COLLATERAL AGREEMENTS**
- 1.8 FIDELITY BONDS**
- 1.9 COST POOLS AND COST ALLOCATION PLANS**
 - 1.9.1 WST Cost Pools and Cost Allocation Plan**
 - 1.9.1.1 WST Cost Pools and Cost Allocation Procedures
 - 1.9.2 Allocation and Distribution of Pools**
 - 1.9.3 Periodic Analysis**
 - 1.9.4 Methods Used for Distribution of Costs**
 - 1.9.4.1 Salaries, Benefits, Indirect Costs
 - 1.9.4.2 Participant Salaries, FICA, Workers Compensation
 - 1.9.4.3 WIA and Workforce Development Categorical Program Youth and Adult Training Costs
 - 1.9.4.4 Other Contract Services
 - 1.9.4.5 Travel, Employee Development
 - 1.9.4.6 Equipment, Furniture
 - 1.9.4.7 Rent, Utilities, Communications, Postage, Janitorial
 - 1.9.4.8 Supplies, Printing
 - 1.9.4.9 Cash Management: WIA and Categorical Programs
 - 1.9.4.10 Cost Category Descriptions

1.10 PROGRAM INCOME

- 1.10.1 Purpose of Procedures**
- 1.10.2 Definition of Program Income**
- 1.10.3 Program Income Procedure**

1.11 CASH MANAGEMENT SYSTEM

- 1.11.1 Cash Management Procedures**
- 1.11.2 Cash Forecasting Procedures**
- 1.11.3 General Ledger Procedures**
- 1.11.4 Bank Reconciliation Procedures**

1.12 FINANCIAL RECORDS

- 1.12.1 Financial Records Retention**
 - 1.12.1.1 Financial Records Retention Procedures
- 1.12.2 Financial Records Disposition**
 - 1.12.2.1 Financial Records Disposition Procedures

1.13 REPORTING SYSTEMS

- 1.13.1 General Reporting Procedures**
- 1.13.2 Monthly Report Preparation Procedures**
- 1.13.3 Audit**
 - 1.13.3.1 Audit Procedures
- 1.13.4 TWC Reporting Requirements**

1.14 INSURANCE AND LIABILITY

- 1.14.1 Maintenance of Insurance and Liability Procedures**
- 1.14.2 Insurance and Liability Procedures**

1.15 DISBURSEMENTS AND PAYABLES

- 1.15.1 WST Purchase Orders Procedures**
- 1.15.2 Check Request Procedures**
- 1.15.3 Bill Payment Procedures**
- 1.15.4 Sponsorships**
- 1.15.5 Award Ceremonies**

1.16 PAYROLL PROCEDURES

- 1.16.1 Payroll Processing and Payment**
- 1.16.2 Payroll Checks**
- 1.16.3 Benefits**

1.17 COMPLIANCE WITH EMPLOYMENT LAWS

1.18 CREDIT CARD POLICY AND PROCEDURES

1.19 ITA ISSUANCE AND TRACKING

**1.20 PETTY CASH, START-UP CARDS, TAPS TICKETS & EARNED
REWARD/INCENTIVE CARDS**

- 1.20.1 Petty Cash Balance & Maintenance**
- 1.20.2 Start-Up Card Requests & Disbursement**
- 1.20.3 TAPS Tickets Balance & Maintenance**
- 1.20.4 Earned Reward Cards/Incentive Cards**

1.21 CHILDCARE CASH DRAWS & PROVIDER PAYMENTS

CHAPTER 1 - FISCAL ACCOUNTING SYSTEM

1.1 INTRODUCTION

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

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

WST's Fiscal Department will perform all accounting functions internally for the operation of Board activities. Additionally, WST Fiscal Department will control and process all payments related to participants within the Workforce Texoma arena.

1.2 BASIC CONCEPTS

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

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

1.2.1 ASSETS

Assets are economic resources over which an organization has control and ownership/custodianship. Examples of these include cash, accounts receivable, and equipment. Generally assets are divided into current and non-current portions of the statements of position. The current portion shows those assets, which are

equivalent to cash or are expected to be realized in the form of cash within the current period (generally one year). The non-current portion contains assets such as property, equipment, and investments, which will be held by the organization for an extended period of time. In governmental accounting, the property and equipment are generally reflected in a separate set of accounts known as the General Fixed Assets Group of Accounts.

1.2.2 LIABILITIES

Liabilities are economic obligations of the organization such as payroll obligations, taxes unpaid and expended bills, encumbrances and other kinds of debts. Liabilities are also presented in current and non-current classifications. Current liabilities consist of obligations, which will require the use of current assets in their settlement, while the non-current liabilities will require settlement more than one year in the future. In governmental accounting, the long-term debts are generally reflected in the Long Term Debt Group of Accounts.

1.2.3 NET ASSETS

Net Assets represent the excess of assets of an organization over its liabilities. In for-profit organizations, the term Net Assets is usually referred to as Owners' Equity, which consist of the direct financial investment of the owners plus the increase or decrease in the assets of the organization which have come about through its operations. Prior to FASB #117, Net Assets were referred to as Fund Balance.

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.3.1 GENERAL STATEMENT

WST utilizes internal Board staff in the fiscal department to manage and control all accounting and fiscal issues. Board staff is experienced in government accounting. WST accounting records will be kept in accordance with Generally Accepted Accounting Principles.

The accounting and reporting policies of the WST relating to the funds and account groups conform to generally accepted accounting principles applicable to state and local government.

1.3.2 REPORTING ENTITY: WST FISCAL DEPARTMENT

Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity," criteria for including organizations within the Board's reporting entity, include programs upon which the Workforce Board is able to impose its will, or that are fiscally dependent upon the Board's Fiscal Department. In the WST financial management policies, the Financial Reporting Entity will be referred to as the WST Fiscal Department.

1.3.3 BASIS OF PRESENTATION: FUND ACCOUNTING

The accounting of WST is organized on the basis of funds and account groups. Each fund is a separate entity with its own self-balancing accounts that comprise its assets, liabilities, net assets, revenue, and expenditures. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities. WST, uses the following generic fund types in its activities:

1.3.3.1 GOVERNMENTAL FUND TYPES

General Fund - the general operating fund of the Board accounts for all financial resources of WST that are not required to be accounted for in another fund.

1.3.3.2 FIDUCIARY FUND TYPE

Agency Fund - Employee Deferred Compensation - Accounts for assets held by WST, which are reserved for employees who elect to defer compensation under the provisions of Internal Revenue Code Section 457. Agency funds are custodial funds (assets equal liabilities); therefore, they do not involve measurement of operations. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of WST (without being restricted to the provisions of benefits under the plan), subject to the claims of WST's general creditors.

Participants' rights under the plan are equal to those of the general creditors of WST in an amount equal to the fair market value of the deferred amount of each participant. Under this plan, each WST employee between the ages of 18 and 70 may defer a portion of his or her compensation through pretax salary deductions. Contributions to the plan are in accordance with the Internal Revenue Code.

1.3.4 ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the WST's general fixed assets and general long-term debt. The following are the WST's account groups:

- 1) General Fixed Assets Account Group - Fixed assets used in governmental fund type operations (general Fixed Assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. All fixed assets are valued at historical costs; there are no donated assets. WST has no public domain assets.
- 2) General Long-Term Debt Account Group - This account group is

established to account for long-term obligations, which currently consist only of WST's liability for accrued vacation, that are not specific liabilities of the proprietary fund.

1.3.5 MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

The governmental fund type (General Fund) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual, for example, when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period or when resources are received by the WST before it has a legal claim to them, such as when grants or other monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the WST has a legal claim to the resources, the liability for deferred revenue is removed from the combined statement of position and revenue is recognized.

1.3.5.1 FEDERAL AND STATE GRANT REVENUE

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

1.3.5.2 OTHER GOVERNMENT GRANTS

Other government grants are contracted by the Workforce Solutions Texoma to local educational entities and workforce development programs in the local area.

1.3.5.3 STATE PLANNING ASSISTANCE

State planning assistance is appropriated biennially by the Texas Legislature, and is recognized at the beginning of each fiscal year upon notification of the amount of the award from the Office of the Governor. State planning assistance revenues are recognized upon notification of the amount of the award, as the resources are collectible within the current period.

1.3.5.4 OTHER INCOME

Other income is composed of interest and miscellaneous charges for services. Interest income is recorded as earned since it is measurable and available. Interest income is considered program income if earned on deposits of program grant funds. Miscellaneous charges for services are recorded as revenue when received in cash because they are not measurable until actually received.

1.3.5.5 LOCAL IN-KIND CONTRIBUTIONS

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

1.3.5.6 GRANT MATCHING FUNDS

Certain federal and state grants require the grantee to provide a percentage of the total grant funds either in the form of cash or in-kind contributions. Cash contributions to grants are from local government participants or by the application of WST funds from other sources.

1.3.5.7 FIDUCIARY FUNDS

The fiduciary fund type uses the modified accrual basis of accounting for purposes of asset and liability recognition.

1.4 MONTHLY TRIAL BALANCE

WST has established administrative standards designed to ensure that the WST Fiscal Department is accountable for the financial results of actions taken by financial and program managers; control of public resources and assets; and, financial management systems are in place to process and record financial events effectively and efficiently. (FMGC 3.01)

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

1.4.1 MONTHLY TRIAL BALANCE PROCEDURE

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

oversight agencies.

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

1.5 INTERNAL CONTROLS POLICY (FMGC 3.05)

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

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

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

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

1.5.1 GENERAL GUIDELINES FOR INTERNAL CONTROLS REGARDING PAYMENTS OF LIABILITIES AND RECORDING DISBURSEMENTS (FMGC 3.06)

WST's Fiscal Department shall ensure that the following objectives are achieved when paying liabilities and recording disbursements:

- a. Purchases are approved in writing and in advance of purchase.
- b. Documentation substantiating approval is maintained for each order or purchase.
- c. Procurement documentation is maintained that

substantiates that needed goods and services are purchased at the best possible value. Exceptions to this rule shall be justified in writing and maintained in the procurement file.

- d. A complete audit trail exists for each purchase. An audit trail includes, but is not limited to, an approved purchase order or requisition request, receiving report, vendor's invoice and a canceled check for each voucher or payment.
- e. Limited authorized personnel are responsible for check signing.
- f. Each check should be reviewed to ensure the name of the payee and amount of the invoice agree with those on the check.
- g. To prevent duplication of payment, invoices should be stamped "paid" or similar method of cancellation shall occur when checks are signed and payments are released.
- h. Checks should not be made payable to "Cash" or "Bearer," nor should blank checks be issued or signed in advance.
- i. Checks should not be valid 90 days after issuance; this should be denoted on each check.
- j. Access to blank checks and to signature plates, if used, shall be limited to authorized personnel.
- k. Trial balances should be prepared monthly.
- l. Bank accounts should be reconciled monthly.
- m. Payroll must be supported by time and effort records and disbursed in a secure manner.

1.5.2 INTERNAL CONTROL PROCEDURES

1.5.2.1 INTERNAL CONTROLS - ACCOUNTING SYSTEM PROCEDURES

WST has established administrative standards designed to ensure that the

Finance Officer is accountable for the financial results of actions taken by financial and program managers; control of public resources and assets; and, financial management systems are in place to process and record financial events effectively and efficiently. (FMGC 3.01). All Board policies are addressed in the WST Policies Manual. Procedures for each category of fiscal management are detailed in this WST Procedures Manual and include specific “how to” steps to be followed for each procedure. The basic tool in this process shall be the development and review of a monthly trial balance on a grant-by-grant basis. This trial balance will be supported by underlying detail schedules and reconciling totals. The trial balance and the related supporting documentation will be reconciled, completed and available for review by the 20th of the following month. This information shall be used as the basis for preparing timely, accurate, reliable and verifiable reports for use by Management, Staff, and oversight agencies. WST staff will ensure that these steps are followed:

- 1) The Finance Officer shall be responsible to develop internal controls to ensure that the following objectives will be met (TWC FMGC 3.05):
 - a. protect and account for resources
 - b. prevent wasteful/unnecessary expenditures or the creation of liabilities
 - c. restrict liabilities, obligations, and expenditures of funds to those authorized
 - d. properly account for revenues
 - e. monitor the efficiency, accuracy, and effectiveness of operations
 - f. ensure assets are safeguarded against waste, loss, unauthorized use or appropriation.

- 2) WST’s Finance Officer shall ensure that the following objectives are achieved when paying liabilities and recording disbursements (TWC FMGC 3.06):
 - a. Purchases are approved in writing and in advance of purchase.
 - b. Documentation substantiating approval is maintained

for each order or purchase.

- c. Procurement documentation is maintained that substantiates that needed goods and services are purchased at the best possible value. Exceptions to this rule shall be justified in writing and maintained in the procurement file.
- d. A complete audit trail exists for each purchase. An audit trail includes, but is not limited to, an approved purchase order or requisition request, vendor's invoice and a canceled check for each voucher or payment.
- e. Limited authorized personnel are responsible for check signing.
- f. Each check should be reviewed to ensure the name of the payee and amount of the invoice agree with those on the check.
- g. To prevent duplication of payment, invoices should be stamped "Paid" or similar method of cancellation shall occur when checks are signed and payments are released.
- h. Checks should not be made payable to "Cash" or "Bearer", nor should blank checks be issued.
- i. Checks should not be valid 90 days after issuance. This should be denoted on each check.
- j. Access to blank checks and to signature plates, if used, shall be limited to authorized personnel
- k. Trial balances should be prepared monthly.
- l. Bank accounts should be reconciled monthly.
- m. Payroll must be supported by time and effort records and disbursed in a secure manner.

1.5.2.2 INTERNAL CONTROLS - BOARD REQUESTS FOR DRAWDOWN OF FUNDS FOR OPERATIONS

WST staff will ensure that these steps are followed:

- 1) WST Finance Officer, or Accountant at Finance Officer's direction, prepares drawdown request utilizing the On-line Cash Draw and Expenditure Reporting (OCDER) system.
- 2) TWC approves drawdown and deposits electronically to Board account.
- 3) Finance Officer, or Accountant at Finance Officer's direction, prepares pre-numbered receipt. TWC notification of payment and receipt are attached together. Receipt is entered into accounting software.
- 4) Note: Review of actual to budget comparisons, monthly bank reconciliations, and other banking policies are addressed in other operational procedures.

1.5.2.3 INTERNAL CONTROLS - AWARD CLOSEOUT PROCEDURES

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

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

1.5.2.3.1 FINANCIAL REPORT

The final financial report for the award will be submitted utilizing the OCDER system and will include all allowable costs incurred on behalf of the program. If the amount of funds received exceeds the total expenditures, a cash draw adjustment should be completed to reduce the amount of cash drawn from the contract being closed. If the expenditures exceed the amount of funds received, a final cash draw bringing the due to/from amount to zero should be submitted, provided that authorized budget levels have not been exceeded.

1.5.2.3.2 GENERAL LEDGER

The WST Finance Officer assures that the final expenditure report balances with the general ledger for the contract. All asset and liability accounts should be at zero or should represent amounts that are due to WST or owed by WST.

1.5.2.4 INTERNAL CONTROLS - BANKING PROCEDURES

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

- 1) All funds from the Texoma WDB will be deposited in institutions that are covered by Federal Deposit Insurance (FDIC).
- 2) ~~WST will carry collateral insurance to cover the maximum anticipated deposits in this account above the FDIC coverage of \$100,000. The banking institution will provide a statement of collateral monthly.~~
- 3) No loans will be made against any WST accounts.

1.5.2.5 INTERNAL CONTROLS – CASH RECEIPTS

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

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

1.5.2.6 INTERNAL CONTROLS - BACKGROUND CHECKS

WST has established that the following positions will require a initial background check conducted by the Department of Public Safety (DPS). A sensitive position is defined as one in which an employee has access to assets, property, or confidential records. Sensitive positions include the following positions: Executive Director, Finance Officer, Administrative Assistant, and Accountant. A background check will be performed on each person hired into these positions. A copy of the report will be maintained in the appropriate personnel file.

Reference checks, which reflect felony convictions involving embezzlement or fraud, will result in termination of that employee. The Executive Committee will review any other criminal activity before personnel action is taken.

1.5.2.7 INTERNAL CONTROLS - BUDGET PROCESS

1.5.2.7.1 OVERVIEW OF BUDGET PROCESS

The budget process is intended to allow a critical review of WST's operations based on levels of service, regional objectives, and Board policy.

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

In WST's fiscal structure, resource funding depends primarily upon grants from Federal, State, and local governments. These grants normally are for a twelve-month period. However, they may be awarded for period shorter or longer than twelve months. This condition of resource funding creates a situation of "Dynamic Budgeting" requiring a flexible and responsive budget process.

Because of WST's dependency on Federal, State and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. WST's annual budget differs from that of other private or government agencies in two respects:

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

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

- 1) Increase/decrease in actual grant awards from those estimated
- 2) Changes in grant periods
- 3) Unanticipated grant awards not included in the original budget
- 4) Projected grant awards that fail to materialize.

1.5.2.7.2 BUDGET PROCEDURES

- 1) Annual budgets are developed by the WST staff in compliance with H.B. 1 budget requirements.
- 2) The draft budget is prepared and presented to the Executive Committee.
- 3) The Executive Committee reviews the proposed budget and determines the salaries and benefits for Board staff. Salary levels and benefits are consistent with TWC WD Letter 28-07 and TA Bulletin 155.
- 4) The budget is then presented to the full Board for review and approval.

1.5.2.7.3 PROCEDURES FOR BUDGET USE

- 1) Budgets are entered into the Finance Officer's accounting system for use in comparison to actual expenditures.
- 2) WST's Finance Officer uses the annual budget to compare with actual expenditures each month.
- 3) After month end processing is complete, the Board Staff compares the percentage of budget spent to the actual budget figures, and estimates what percent should be spent at that point.
- 4) This analysis should show the budget amount for each line item, current month expenditures, fiscal year to date total, project total (project total will be different from year to date total if the project period crosses two fiscal years), and the percent of budget spent. Any changes to the budget will be documented on Budget Change form and approved by Executive Director.
- 5) At least quarterly the Executive Director will review the budget, grant by grant. If there is a significant variance the Executive Director will recommend and implement budget revisions or cuts in spending.
- 6) At the end of each quarter, a budget analysis is prepared with projections for the end of the fiscal year based on current spending patterns. This report is

given to the Board at quarterly Board meetings.

1.6 BUDGETS AND BUDGETARY ACCOUNTING (FMGC 5.15)

WST's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year. WST's primary funding source is Federal, State, and local grants, which have grant periods that may or may not coincide with the WST's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods other than 12 months. Because of WST's dependency on Federal State and local budgetary decisions, revenue estimates are based upon the best available information as to

potential sources of funding. WST's annual budget differs from that of a local government in two respects:

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

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

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

The Executive Committee formally approves the annual budget, but greater emphasis is placed on complying with the grant budget terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances. Although the annual budget for the General Fund and Special Revenue Funds is reviewed and approved by the Executive Committee, it is not a legally adopted budget.

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

By year of appropriation, written documentation shall specify the process by which this overall budget is developed. This documentation shall clearly state the assumptions and

data used in the generation of the budgets. Analysis and discussion of the methodology used to arrive at specific line items shall be stated. Anticipation of variance tolerance levels shall be indicated. The overall budget objective is to tie anticipated spending patterns to achieving performances objectives in the most efficient utilization of funds available.

WST shall approve all budgets in total. WST staff shall review and approve the line item detail budgets and acknowledge acceptance of the achievability and validity of budget assumptions.

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

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

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

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

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

on the operational plan

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

If the WST utilizes subcontractors in the process of providing program services, the contracts with these subcontracted entities will include the same requirements for budget development, analysis and projections as established by these policies. The analysis and review of the subcontractors' budget-to-performance results shall be the responsibility of the WST Fiscal Department. Impacts of subcontractors' budget changes shall be incorporated into the overall grant management process, as the changes are determined.

1.6.1 BUDGET PROCEDURES

1.6.1.1 BUDGETARY ACCOUNTING PROCEDURES

WST staff will ensure that the following procedures are followed:

- 1) Prepare the annual budget incorporating all subcontractor budgets and a review of all allocations.
- 2) The Executive Director and Finance Officer shall review the budget for reasonableness, completeness and accuracy.
- 3) The WST Board shall review and approve the total annual budget.
- 4) At least monthly, the Finance Officer shall provide a financial report on a grant-by-grant basis detailing revenue and expenditures for the current month, cumulative totals to date, encumbrances, and remaining grant funds by line item (amount).
- 5) At least quarterly, the Executive Director (or subsequent personnel on the chain of command) shall review the Finance Officer financial reports on each grant and make comparisons or budget versus actual amounts.

- 6) If the variance between the budgeted and actual amounts exceeds 20% in any month, further analysis will be conducted by the Executive Director (and/or subsequent personnel on the chain of command) to determine accuracy and reasonableness of expenditures.
- 7) At least quarterly, the Executive Director, Finance Officer (or subsequent personnel on the chain of command) will review the budget on a grant by grant basis using an annualized approach to ensure that expenditure levels will be met.
- 8) The Executive Director, Finance Officer (or subsequent personnel on the chain of command) will ensure that expenditure and budget amounts are in compliance with applicable cost categories and limitations as set forth in the Contracts.
- 9) The same personnel will isolate strengths and weaknesses in the budget assumptions
- 10) Detect coding and other errors on a timely basis.
- 11) Modify the operational plan for environmental changes
- 12) Provide clarity and points of analysis for management of grant resources.
- 13) Provide management with a tool to assess the need for changes in the plan and staff performance.

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

- 1) include the reiteration of basic assumptions that still apply
- 2) state new assumptions where appropriate and the impact of these changes on the operational plan
- 3) analyze and adjust cash projections for changes determined necessary in the budget process
- 4) incorporate projected program income, if any, into the budget process

- 5) restate and refine the remaining budgets based on remaining funds and the modified budget assumptions
- 6) communicate the need for additional funding/transfers/voluntary deobligations to the Board for approval
- 7) take appropriate steps to inform the TWC of changes when appropriate.

As WST utilizes subcontractors in the process of providing program services, the contracts with these subcontracted entities will include the same requirements for budget development, analysis and projections as established by these policies. The analysis and review of the subcontractors' budget-to-performance results shall be the responsibility of the Board staff. Impacts of subcontractors' budget changes shall be incorporated into the overall grant management process, as the changes are determined.

1.6.1.2 CONTRACTOR BUDGETS AND BUDGETARY ACCOUNTING

WST staff will ensure that the following procedures are followed:

- 1) Encumbrance/voucher request forms received from Contractor will be checked by the Accountant or Finance Officer for reasonableness and compared with budgeted figures.
- 2) The Accountant will enter the encumbrances into the MIP accounting system as a client budget amount.
- 3) The Accountant will issue numbered voucher forms for each encumbrance.
- 4) The Accountant will then set up a fiscal file for the client.
- 5) ~~At least twice annually, following Summer I and Winter semesters, a review must be made of encumbrance versus the actual vouchers for all completed semesters. If a review indicates the client is over encumbered, the excess will be un-encumbered and the Career Specialist will be notified.~~
- 6) ~~Weekly, the Accountant will print client encumbrance detail reports and deliver the reports to the Career Specialists for any required budget changes. Budget changes will also be required throughout the semester if the Career Specialist is aware of any necessary changes to be made.~~

- ~~7)6)~~ WST Fiscal department will issue vouchers (Purchase Orders and encumbrances in the MIP system) for each voucher requested provided the dollar amount is reflective of the encumbered budget. In the event it is not, the Fiscal department will ask the Career Specialist for a new budget amendment.
- ~~8)7)~~ Vouchers will be issued by the last name of the client, first initial and the purpose, i.e. Brooks,Sf03tu. This will allow tracking of all vouchers issued for each client.
- ~~9)8)~~ A copy of the voucher will be filed in ~~the client file~~ CNG after the Accountant enters the encumbrance on the Documents Received log, which is provided to the Career Specialist weekly.
- ~~10)9)~~ Child care payments made with non-formula funds will not require vouchers, but must be pre-approved by the Board Fiscal Department and will be processed as a batch, rather than tracked to individual clients.

~~1.7 COLLATERAL AGREEMENTS~~

~~The Fiscal Department shall insure the all cash balances are deposited in a federally insured financial institution. In the event that the balances are to exceed the level of insurance offered by the institution, the Fiscal Department will notify the TWC. In lieu of this process, the Fiscal Department may secure Collateral Agreements with the bank(s). The collateral utilized in these agreements will be sufficiently marketable to provide an immediate cash flow should the institution become insolvent. In addition, the collateral will approximate one and one-half the amount anticipated to be in excess of the federal insurance level. This process will be supported by a monthly analysis of the current fair market value, as determined by a reliable source such as an independent broker or published market rates. When the collateral falls below the guidelines stated above, the Finance Officer shall notify the WST Executive Director and appropriate steps will be taken to obtain additional collateralization or a reduction in deposits.~~

~~The WST requires that any subcontractors shall also comply with the provisions and that the requirement be stated in their contract and monitored by the Board staff.~~

1.8 FIDELITY BONDS

The WST requires that all entities under contract to provide program services for the Board shall have a fidelity bond. The Board will maintain a bond that insures the Board from losses, which result from all acts of employee dishonesty. The amount of the bond shall be equal to the maximum anticipated amount of funds on hand at any point. The bond shall be a blanket bond covering all employees. The Board shall be the bond owner but the TWC shall be the certificate holder.

All recipients of funds from the Board shall also obtain a blanket fidelity bond and name the WST as the certificate holder. Provisions requiring this insurance shall be included in all contracts with program service providers and shall be the responsibility of Board staff to ensure that current copies are maintained in the contract files.

1.9 COST POOLS AND COST ALLOCATION PLANS

1.9.1 WST COST POOLS AND COST ALLOCATION PLAN

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

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

1.9.1.1 WST COST POOLS AND COST ALLOCATION PROCEDURES

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

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

On a monthly basis, unassignable direct costs are accumulated in the automated accounting system account. As allowed by the TWC FMGC, these expenses will be allocated between the benefiting WIA and Workforce Development Categorical Program titles and cost objectives based on direct monthly salary expenditures. All unassignable costs will be charged to the appropriate administrative or program cost category.

At the end of each accounting period (month), general ledger codes in grant #477 - Administrative Cost Pool or grant #479 - Program Cost Pool will be

reduced to zero and the unassignable direct costs allocated based on the above-described methodologies. These adjusting entries are made in the accounting system and the resultant totals accumulated and reported to the State by grant title and cost category.

The FMGC allows the use of administrative cost pools. Pooled administrative costs include the unassignable direct costs that have not been allocated to an administrative cost category. Administrative cost pool is only applicable when the agency operates more than one program. Each program will be charged administrative costs based on the methodology outlined in the currently approved Cost Allocation Plan.

Costs incurred in the performance of TWC grants, but not directly traceable to a specific grant will be distributed to Administrative Cost Pool (ACP) or Program Cost Pool (PCP) Percentages, as appropriate.

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

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

1.9.2 ALLOCATION AND DISTRIBUTION OF POOLS

The WST distributes the expenses in each pool to the appropriate grant on a monthly basis.

The allocation methods are as follows:

- 1) Administrative Cost Pool - this pool is allocated based on salaries, which have been direct charged to the administrative projects of the various grants.
- 2) Program Pool - this pool is allocated based on salaries, which have been direct charged to the program projects of the various grants.

1.9.3 PERIODIC ANALYSIS

At least on a quarterly basis the fiscal analyst will:

- 1) Evaluate the impact of the pool allocations on each grant.

- 2) Project the result to the end of the program year.
- 3) Determine whether the methods yield charges to the grants, which are in proportion to the benefit received.
- 4) If necessary change to another allowable method of allocation.

1.9.4 METHODS USED FOR DISTRIBUTION OF COSTS

1.9.4.1 SALARIES, BENEFITS, INDIRECT COSTS

Salaries are charged to the Administration Cost Pool, Program Cost Pool, or direct charged to a specific grant based on time spent. Benefits and indirect costs are allocated monthly based on direct time charged to each grant following procedures detailed in the WST Cost Allocation Plan.

1.9.4.2 PARTICIPANT SALARIES, FICA, WORKERS COMPENSATION

Participant salaries, FICA, and workers compensation are directly charged to the participants' assigned to WIA and other TWC categorical workforce development programs.

1.9.4.3 WIA AND WORKFORCE DEVELOPMENT CATEGORICAL PROGRAM YOUTH AND ADULT TRAINING COSTS

These training costs are charged to the participants' assigned WIA and Workforce Development Categorical Program title.

1.9.4.4 OTHER CONTRACT SERVICES

These costs are charged directly to the benefiting WIA and Workforce Development Categorical Program title and cost objective. Joint expenses are allocated based on number of participants served, employee time, or other method, whichever produces the result that most accurately reflects benefits received by the grant. Where it is not feasible to track costs to a specific grant, the cost will be charged to the Administrative or Program Cost Pool, as appropriate.

1.9.4.5 TRAVEL, EMPLOYEE DEVELOPMENT

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

1.9.4.6 EQUIPMENT, FURNITURE

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

1.9.4.7 RENT, UTILITIES, COMMUNICATIONS, POSTAGE, JANITORIAL

A portion of these costs are direct charged to the TWC state staff support contracts utilizing distribution codes based on staff ratios, as detailed in the WST Cost Allocation Plan. The balance of these costs are charged to the Administrative or Program Cost Pool, as appropriate.

1.9.4.8 SUPPLIES, PRINTING

These costs are direct charged to the benefiting WIA and Workforce Development Categorical Program title and cost objective. Where it is not feasible to track costs to a specific grant, the cost will be charged to the Administrative or Program Cost Pool, as appropriate. A portion of these costs are direct charged to the TWC state staff support contracts utilizing distribution codes based on staff ratios, as appropriate, as detailed in the WST Cost Allocation Plan.

1.9.4.9 CASH MANAGEMENT: WIA AND CATEGORICAL PROGRAMS

Section 629.35 of the USDOL Regulations "Management systems, reporting and record keeping" states that the Governor shall ensure that financial systems within the State provide fiscal control and accounting procedures sufficient to:

- 1) Permit the preparation of required reports
- 2) Permit the tracing of funds to a level of expenditure adequate to establish that funds have not been used in violation of the restrictions on the use of such funds.

Additionally, the financial management system and the participant data system shall provide federally required records and reports that are uniform in definition, accessible to authorized Federal and State staff, and verifiable for monitoring, reporting, audit and evaluation purposes

In keeping with "sound accounting practices" WST will coordinate the

implementation/maintenance of the following items:

- 1) Blank Checks - All blank checks should be kept in a locked, secure location. This type of control is important to ensure the proper usage of blank checks. By the same token, check writing machines and facsimile stamps used in lieu of actual signatures should be well guarded against unauthorized use.
- 2) Voided Check - All voided checks should be recorded and maintained. These Checks should be stamped void and/or defaced to prevent unauthorized use. Written procedures should be maintained detailing the control of blank checks.
- 3) Checks Reported as Lost or Stolen – Prior to voiding and re-issuing any check reported as lost or stolen, fiscal staff shall first ensure that the check has not already been paid by the bank. If not, the check should be immediately voided and a stop payment order forwarded to the bank. If, after two additional days have lapsed and the check has still not appeared in WST's bank records, a replacement check may be issued.
- 4) Bonding of Employees - Persons responsible for handling WIA and Workforce Development Categorical Program funds and custodianship of WIA and Workforce Development Categorical Program properties should be properly bonded. The bond(s) should be adequate in amount and life to assure the security of WIA and Workforce Development Categorical Program funds.
- 5) FDIC Insurance - WIA and Workforce Development Categorical Program funds should be deposited in a bank(s) with FDIC insurance.
- ~~6) Collaterally Secured – Any WIA and Workforce Development Categorical Program funds in the bank in excess of FDIC coverage should be collaterally secured. This security should be documented in the form of a collateral agreement. The collateral agreement should be reviewed periodically to ensure the adequacy and liquidity of the assets pledged.~~

1.9.4.10 COST CATEGORY DESCRIPTIONS

Cost categories identify the types of costs that are reportable in the CDER

expenditure cost categories. Expense types are entered to identify which of the cost categories expenditure needs to be reported in. The expense types are:

1. 10000 – Administration (Board expenditures)
The Administrative cost category only applies to administrative costs that are reported to the Texas Workforce Commission.
2. 60000 – Information Systems (Board expenditures)
Costs incurred for non-administrative information technology systems that are used for tracking and monitoring participant data required by or under Title IV Part A of the Social Security Act.
3. 15000 – Program Management & Support (Board expenditures)
This cost category applies to expenditures that are reported to the Commission by the Board and includes program expenditures for the management, oversight, and support of Board policies and the delivery of workforce services.
4. 20000 – Subrecipient Operating Costs (subrecipient expenditures)
Administrative costs incurred by subrecipients of Boards.
5. 5000 (subrecipient expenditures) – All other operating costs of the subrecipient expenditures that are not administrative and include the following cost categories:
 - a. Direct Program – Education and Training
 - b. Direct Program - Core/Intensive Services
 - c. Support Services – Transportation
 - d. Support Services – Work-Related Incentives
 - e. Supportive Services – Other
 - f. Work Subsidy
 - g. Non-recurrent Short-Term Services
6. 40000 – Child Care Quality

Expenditures created by child care providers to increase and/or improve the quality of their centers.

1.10 PROGRAM INCOME

1.10.1 PURPOSE OF PROCEDURES

The purpose of this section is to establish WST-WIA and Workforce Development Categorical Program procedures for the tracking and treatment of WIA and

Workforce Development Categorical Program income.

1.10.2 DEFINITION OF PROGRAM INCOME

As stated in the Financial Management Manual, Program Income is "income received by the Board, TWC or Subrecipient directly generated by a grant or subgrant supported activity, or earned only as a result of the grant or subgrant".

Program income includes:

- 1) Income from fees for WIA and Workforce Development Categorical Program activity services and conferences.
- 2) Income from the use or rental of real estate or personal property acquired with grant or subgrant funds.
- 3) Revenues earned by a governmental or private nonprofit service provider under either a fixed-price or reimbursable award that are in excess of the actual costs incurred in providing the services.
- 4) Interest income earned on advances of subgrant funds.
- 5) Training fees received from child care providers for training courses.
- 6) Recoupment of child care expenses paid when recoupment is based on violation of local policy or for care during appeal. Recoupments based on violation of State policy are to be forwarded to the State Comptroller's Office and are not considered program income.
- 7) Recoupment of costs paid on behalf WIA participants who withdraw from training is not considered program income. These recoupments are to be treated as a reduction of expenditures to the grant originally charged.

1.10.3 PROGRAM INCOME PROCEDURE

WST Finance Officer will track program income in the WIA, Workforce Development, and Child Care Categorical Program Income accounting system. Funds will be used for program purposes under the grant in which the funds were earned.

1.11 CASH MANAGEMENT SYSTEM

1.11.1 CASH MANAGEMENT PROCEDURES

WST Staff will ensure that these steps are followed:

- 1) The Finance Officer will ensure that all blank checks and undeliverable

checks are kept in a locked, secure location.

- 2) All WST checks are pre-numbered, sequentially, from the printing company.
- 3) The Finance Officer shall record and maintain all voided checks. Additionally, these checks will be stamped void and/or defaced to prevent unauthorized use.
- 4) ~~The Finance Officer shall provide to Executive Director, at least annually, copies of all bank collateral agreements for 150% of anticipated WST funds in excess of the FDIC insurance limits.~~
- 5) The Finance Officer shall ensure that all cash balances are deposited in a Federally insured financial institution.
- 6) The Finance Office shall be responsible for receiving, recording and depositing funds promptly and intact.
- 7) The Finance Officer shall minimize the time lapse between the receipt of the funds and the disbursement of these funds.
- 8) The Finance Officer shall review all advance requests for reasonableness and to ensure that, under no circumstances, an advance is in excess of 20% of the contract award.
- 9) The Finance Officer shall forecast the minimum amount of cash needed to pay future, immediate cash requirements of carrying out program activities.
- 10) The Administrative Assistant shall provide monthly bank reconciliation by the 20th day of the following month to the Executive Director.
- 11) The Executive Director, at least annually, shall have an independent auditor procured to review all aspects of the Finance Officer's cash management system for compliance. This review will include banking collateral agreements, fidelity bonding, bank reconciliations, excess cash, cash forecasting, and security over cash.
- 12) The Executive Director shall, at least annually, review all fidelity bonds for compliance with the rules and regulations as well as reviewing Board procedures.
- 13) WST has implemented check signing requirements that include

provisions that checks under \$15,000 require only one authorized signature; and checks of \$15,000 or above require two authorized signatures. One of these signatures must be a Board member (i.e. one authorized staff member and a Board Member or the Finance Officer and a Board Member will sign checks over \$15,000). A staff member will not sign his or her own payroll/travel check.

- 14) The WST Finance Officer shall perform a cursory review of check signatures each month when the bank reconciliation is complete.
- 15) The WST Finance Officer, in conjunction with the Executive Director, may reject payments or withhold payments for any sound business purpose including:
 - a. Lack of authorized signatures on file
 - b. Omission or unauthorized signatures
 - c. Lack of adequate bonding
 - d. Insufficient collateral agreement amount
 - e. Failure to submit monthly expenditure reports
 - f. Delinquent audit reports
 - g. Delinquent close-out reports
 - h. Excessive cash on-hand
 - i. A written request from the Executive Director to withhold payment.

1.11.2 CASH FORECASTING PROCEDURES

WST Finance Officer will ensure that these steps are followed:

- 1) The Finance Officer will prepare a cash forecasting system and utilize the process on a weekly basis to estimate future cash needs and limit the advance request to the minimum amount needed.
- 2) The Finance Officer will consider how frequently checks are being written and disbursed, as well as any anticipated large invoices (i.e. book and tuition or incumbent worker training invoices). All WST payments will be paid upon receipt or be included in the next check

run.

- 3) Cash requests will be processed on an as needed basis, as determined by the weekly cash needs analysis. Sub-contractors will be responsible to determine the best method to estimate cash needs for an advance period and to document that method each time it is used. The sub-contractor will provide a contractor monthly summary report for each grant, which will include cumulative expenditures, estimated cash, needs for the period, total projected outlays, cash previously received, and amount requested.
- 4) The Finance Officer will document the anticipated period of time between the request for cash and the receipt of cash when requesting funds.
- 5) When forecasting cash needs, the Finance Officer will consider the allocation, cash on hand balance, cash needs for the board and contractors for the following two weeks, and the 20% cash request limit as specified in the FMGC. The Finance Officer will also ensure the request and cash on hand does not exceed the WST Fidelity Bond.
- 6) The Finance Officer will ensure the collateral agreement provides adequate coverage to secure TWC and WST funds. In the event there is an inadequate amount, the Finance Officer will contact the banking institution immediately to have the required securities pledged.
- 7) In the event the collateral agreement expires before the bank can negotiate a new one, the Finance Officer will notify TWC and advances will be limited to a maximum amount of \$100,000 or less until such a time as the bank executes a new collateral agreement.

1.11.3 GENERAL LEDGER PROCEDURES

WST Finance Officer will ensure that these steps are followed:

- 1) Each program shall be assigned an individual fund number in the general ledger system. Appropriate accounts shall be established for each program, including asset, liability, fund balance, revenue, and expenditure accounts. Account names shall be adequate to identify sources of revenue and classes of expenditure.
- 2) Budget amounts shall be entered at the inception of the program, and shall be updated as necessary throughout the duration of the

program.

- 3) The computer accounting system shall be able to process the following reports:
 - a. current-month and year-to-date revenue and expenditure reports, including encumbrances and budget to actual comparisons, by program
 - b. general ledgers and trial balances as of the current date, or any previous month end, by program
 - c. detail transaction history for all accounts (or any range of accounts)
 - d. current cash balance reports
 - e. vendor histories
 - f. charts of account.
- 4) Financial reports shall be processed on an as-needed basis for purposes of preparing reports, providing information, or assisting monitors and/or auditors.
- 5) Journal entries shall be used to post payroll transactions, record postings of wire-transfers of funds to subcontractors, and posting of monthly subcontractor expenditures. Journal entries shall be posted and maintained by the WST Finance Officer.
- 6) The Executive Director and Finance Officer will review expenditures charged to federal and state grants to ensure their allowability under federal and state laws by reviewing journal entries, check registers, the trial balance and expenditure reports.

1.11.4 BANK RECONCILIATION PROCEDURES

WST Finance Officer will ensure that these steps are followed:

- 1) WST bank statements are received monthly from the financial institution.
- 2) Unopened bank statements are forwarded to the Admin Assistant for reconciliation procedures.

- 3) The Admin Assistant, using the bank reconciliation module of the computer financial system, performs bank reconciliation procedures which includes:
 - a. Accounting for check numbers used
 - b. Comparing all checks, including voided one, with the check register to verify date, number, amount and payee
 - c. Inspecting signatures and endorsements
 - d. Investigating and reviewing bank transfers
 - e. Tracing and reviewing bank transfers
 - f. Itemizing outstanding checks
- 4) Periodically, checks that have been outstanding for long periods will be voided through MIP and the bank will be notified of a stop payment.
- 5) The WST Admin Assistant performing reconciliation notifies WST's Finance Officer of any reconciliation errors or problems. Problems are resolved and reconciliation is completed.
- 8) Bank reconciliation work papers are maintained in the Finance Officer's office and are available for inspection. The Admin Assistant documents the reconciliation as the preparer and Executive Director as reviewer.
- 9) The WST Finance Officer maintains copies of completed bank reconciliations.

1.12 FINANCIAL RECORDS

1.12.1 FINANCIAL RECORDS RETENTION

WST requires that "recipients shall keep records that are sufficient to permit the preparation of reports required by this Act and to permit the tracing of funds to a level of expenditure adequate to insure that the funds have not been spent unlawfully". The time frame for keeping such records is defined as a period ending "two years from the date on which the annual expenditure report (closeout) containing the final expenditures charged to given program years allotment is submitted to DOL. For Sub-state (SDA's) entities this converts to five (5) years.

1.12.1.1 FINANCIAL RECORDS RETENTION PROCEDURES

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

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

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

1.12.2 FINANCIAL RECORDS DISPOSITION

This section details the information needed for WST to provide for the disposition of financial records subsequent to the expiration of the retention period.

1.12.2.1 FINANCIAL RECORDS DISPOSITION PROCEDURES

The following steps must be taken by the WST Fiscal Department prior to the disposition of any financial records.

- 1) The WST Fiscal Department shall coordinate the solicitation and receipt of written disposition instructions from TWC to ensure that no outstanding litigation, monitoring findings, or audit exceptions exist related to the records scheduled for disposal.

- 2) Subsequent to receipt of written authorization from TWC, the Fiscal Department shall coordinate the actual records disposition/ destruction through shredding.

1.13 REPORTING SYSTEMS

In September 1993, the GASB issued Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." The Finance Officer is required to adopt GASB 20 in fiscal year 1995. GASB 20 allows the Finance Officer to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements, or to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989. The PY97 Finance Officer elected to apply all GASB pronouncements and elected only FASB pronouncements issued before November 30, 1989.

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

1.13.1 GENERAL REPORTING PROCEDURES

- 1) The Executive Director (or designated fiscal staff) and the Finance Officer shall annually review the accounting and reporting policies of the WST relating to the funds and account groups to ensure that they conform to generally accepted accounting principles applicable to State and local government.
- 2) Financial and statistical reports will be provided to the Board as needed.
- 3) The WST Finance Officer shall ensure that financial reporting includes organizations within the Board's reporting entity, include programs upon which the Workforce Board is able to impose its will, or that are fiscally dependent upon the Board.
- 4) The Workforce Texoma's oversight of the Finance Officer for workforce development programs, including those consolidated under Texas H.B. 1863, shall be conducted independently of that of its own governing body's annual evaluation and semi-annual monitoring of all financial management of funds administered by the Texas Workforce Commission (TWC) and related agencies, including a review of the following:

- b. Tracking of specific program expenditures by cost category including comparing actual and budget costs for federal programs by cost category such as administration, training, employment, placement services and participant support.
- c. Matching stand-in costs by title, grant, and by contract.
- d. Ensure information is readily available to WST staff, management, and board.
- d. Review independent audit and management letters to identify system weaknesses and actions taken to correct.

1.13.2 MONTHLY REPORT PREPARATION PROCEDURES

WST staff will ensure that the following steps are adhered in preparing monthly reports:

- 1) Financial reports are due to the TWC by the 20th of each month for the previous month's activity, unless otherwise noted in the grant award.
- 2) Service Providers are to provide monthly or quarterly, as agreed to each contract, reports to the WST on forms approved by the WST or TWC. The forms are to be in sufficient detail to prepare the monthly report to TWC.
- 3) ~~Executive Director approves monthly expense report of the service provider and forwards the reports to the Finance Officer.~~
- 4) The Finance Officer submits monthly expenditures utilizing TWC's On-Line Cash Draw and Expenditure Reporting system by the 20th of the month.
- 5) Expenditures are to be reported on an accrual basis, as outlined in the WST Cost Accrual Plan. All accruals should be documented.

1.13.3 AUDIT

WST shall have an annual audit made in accordance with the Single Audit Act of 1984, the Single Audit Amendments of 1996, P.L. 98-502, the OMB Circulars A-128 and A -133, as applicable and in effect at the time costs were incurred, in

accordance with federal laws and regulations governing the program(s).

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

1.13.3.1 AUDIT PROCEDURES

WST staff will ensure that these steps are followed:

- 1) The Executive Director (or designated fiscal staff) and the Finance Officer shall annually solicit an Independent Auditor. Independent auditors will not exceed 5 continuous years of audit unless continued independence is documented. The following date guidelines are provided:
 - a. RFP shall be mailed to potential auditors by July 15th of procurement year. The audit period will be for the current WST fiscal year ending September 30th.
 - b. All proposals must be received at the WST office (not postmarked) by August 15th.
 - c. The selection process will be completed and an award made by October 31st.
- 2) Each proposal should be evaluated for:
 - a. Understanding the audit requirements; Does the firm's response demonstrate the audit objectives, the WST needs and the final products to be delivered?
 - b. Soundness of the Technical Approach; Does the proposal contain a sound technical plan with a realistic estimate of time required to complete the audit? Does the proposal show the bidder's intention to start the audit when required and complete the audit in the specified time limits? Does the technical plan show a practical approach to meeting benchmarks and specific deadlines? Does the proposal indicate that the firm will use a systematic approach to examining systems and internal controls and effective procedures, including consideration of risk and materiality, to determine the extent of audit testing that is necessary? Does the

proposal indicate the bidder's willingness to use other auditors work, to the extent possible, to avoid duplication of effort?

- c. Qualifications of the Audit Firm: Does the firm ensure that it has experience in performing the required work for entities of the WST type and size?
 - d. Qualifications of the Audit Team: Does the proposal clearly show the collective experience of the team to be assigned to the project? Does the proposal specify, in concrete language, that key personnel have the education and experience to perform the type of work the audit entails? Is it explained in specific audit engagements? Is the continuing professional education of key personnel explained in detail? Does the proposal indicate the extent to which the WST staff would be expected to contribute to the work effort? Does the proposal specify that the WST must be notified in writing of changes in key personnel?
- 3) The Letter of Agreement will incorporate terms included in the RFP, the terms of the successful bidder's last proposal and should be signed by both the Executive Director and the Audit firm. The Letter of Agreement will also include the audit scope, objective, purpose, deadlines for the work to be performed, the audit cost, and the format of the report(s). The type and timing of support that will be provided by the WST staff should be included in the contract.
 - 4) The professional auditing standards to be followed in performing the audit must be specified. The relationship of the auditing firm to the WST should be clarified as an independent contractor.
 - 5) Clearly indicate that the work papers prepared by the auditors are the property of the audit firm, yet should be retained by the firm and made available to governmental auditors and other oversight bodies upon request.
 - 6) Indicate that all reports rendered the WST by the audit firm are the exclusive property of the WST and subject to its use and control, according to applicable laws and regulations.

- 7) Preliminary work will be completed by the auditors and reported to the Executive Director and Finance Officer by November 15th.
- 8) The actual audit will begin on or before January 15th.
- 9) The Finance Officer will monitor the progress of the audit to ensure the WST receives both the type and quality of services specified in the agreement.
- 10) The auditors will present the review exposure draft to the WST Executive Director and Finance Officer by February 28th.
- 11) The Finance Officer will require oral periodic progress reports and will hold regular meetings to discuss issues of concern. The Finance Officer will conduct a desk review and any issues will be discussed with the auditors.
- 12) The Finance Officer and Executive Director will address any discrepancies, instances of non-compliance, or unallowed costs immediately. A plan will be put in place to rectify the issues as quickly as possible. Technical assistance by TWC staff will be sought in the event there is a need.
- 13) Auditors will make every effort to file corporate Income Tax Return (Form 990) by November 15th, or will file a request for extension in a timely manner if necessary. The Finance Officer will ensure this done and a copy of the tax return will be held at the WST office.
- 14) The TWC Financial Manual for Grants and Contracts requires the completion and submission of a report package within nine months after the end of the period audited. The end of the period is September 30th and the report will be due not later than June of the following year. Required auditor's reports include, but are not limited to:
 - a. Schedule of findings and questioned costs
 1. Program Title and Contract Number
 2. Detailed description of the finding
 3. Questioned costs
 4. Recommendations of Independent Auditors
 5. WST Executive Director Response
 6. Summary of Auditor's Results

- b. Financial Statements
 - 1. Combined Balance Sheet – all fund types, account groups and component units
 - 2. Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – all governmental fund types and component units
 - 3. Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and actual – general and special revenue fund types
 - 4. Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – all propriety fund types
 - 5. Notes to the Financial Statements

- c. Schedule of expenditures of state and federal awards
 - 1. Program year and title
 - 2. Contract period
 - 3. Catalog of Federal Domestic Assistance (CFDA) number
 - 4. Contract (grantor number)
 - 5. Contract award amount
 - 6. Cash/Accrued (or deferred at the beginning of Audit period)
 - 7. State and Federal grants funds received
 - 8. Contract expenditures
 - 9. Cash/accrued (or deferred at the end of audit report)
 - 10. Total Federal Expenditures
 - 11. Matching Contributions
 - 12. Program Income
 - 13. Stand-In Costs
 - 14. Clusters of Program
 - 15. Notes which describe significant accounting policies
 - 16. Total State Expenditures

- d. Data collection form
 - 1. Summary schedule of status of prior audit findings
 - 2. Corrective action plan
 - 3. Management letter
 - 4. Supplemental Statement of Revenues and Expenditures for fund for each contract under

- which funds are received
5. Federal Flow through Revenues
 6. Non-Federal Matching Funds
 7. Expenditures by Category
 8. Fund Balances

The data collection form will be signed by the Executive Director and certified for accuracy by the auditors. The Finance Officer will prepare a summary schedule of all prior year findings relative to federal awards that report the status of corrective action. A-133 provides detailed guidance on the information to be included in the summary schedule. The auditors must report, as a current year audit finding, when follow-up procedures do not substantiate the information presented in the summary schedule.

- 15) The final report will be completed and presented to the WST by April 15th.
 - a. A copy will be kept at the WST office, copies will be provided to the Monitoring and Oversight Committee.
 - b. An original report will be filed with TWC. An acceptance letter will be sent to the WST if the audit meets the compliance requirements of the Single Audit Act Amendments of 1996 and OMB Circular A-133 and there are no findings or questioned costs that impact TWC pass through funded programs.
 - c. If there are items requiring resolution, an initial resolution letter will be sent within 30 to 60 days after the receipt of the audit. The WST will have 180 days to resolve the issues represented in the audit. The Executive Director and Finance Director shall be responsible to ensure this time line is met. The initial findings will be reported to the Monitoring and Oversight Committee and the Executive Director will continue to report the progress until the items are satisfied with TWC. Procedure changes will be established to rectify any items needing resolution.

1.13.4 TWC REPORTING REQUIREMENTS

House Bill 1 of the 75th Texas Legislature has instituted some particular reporting requirements for Workforce Development Boards. These requirements relate to

budgeting, financial reporting, and other fiscal reporting. To comply with the legislation the Executive Director (or designated staff) will do the following:

- 1) An itemized budget covering the operation of that fiscal year shall be filed with the Operational Plan to TWC.
- 2) All subsequent amendments to the original budget shall be filed with TWC utilizing the required budget forms in the planning guidelines.
- 3) An annual report shall be prepared to present financial position, results of operations, and changes in financial position for the fiscal year, in conformity with reporting guidance provided by TWC no later than 90 days following the close of a fiscal year.
- 4) The annual report shall be prepared in accordance with GAAP. The report shall include a summary of revenues received by source, and a summary of appropriations, expenditures, bona fide encumbrances, and all other disbursements for the year.
- 5) The report shall include a list of all bonded employees, showing name, title, and the amount of bond, and the name of the surety company.
- 6) The report shall include an analysis of space occupied by the organization showing the number of square feet rented and the number of square feet occupied in state-owned buildings; giving the location of such space by building name or address and the number of square feet devoted to office, warehouse or other designated uses, indicating the cost per square foot, cost per month, annual cost and lesser of all rented space, and such other information as may be of assistance in describing the space utilized.
- 7) The report shall include an itemized statement of all professional and/or consulting fees paid out of appropriations made by this Act. The statement shall include the name of each person, partnership, corporation or other business entity receiving such fees and for what purposes the fees were paid. Except as otherwise provided by this Act, the statement shall include the services of licensed professionals and the personal services of individuals or entities under an independent contract to study or advise the agency.

- 8) The report shall include a section confirming that the inventory report is an accurate and complete record of the agency's real property as of the date specified, or if the report is not accurate and complete, that the appropriate updated forms will be submitted within 15 days of the date of the annual report.
- 9) Indirect Costs: The annual report shall include a supporting schedule detailing total expenditures made by the Board and on the Board's behalf by others. Expenditures made on the Board's behalf by subcontractors should include, but are not limited to: employee benefits such as social security matching costs, health insurance, and retirement contributions; benefit replacement pay; worker's compensation payments; unemployment compensation payments; bond debt service; and an allocation of indirect cost from such general government agencies as the Comptroller of Public Accounts.

1.14 INSURANCE AND LIABILITY

The Board has obtained and will continue to hold all bonding and insurance requirements required by TWC and applicable programs. The policies for these insurances are maintained on file with the Board. The amounts of the bonds and insurances meet or exceed all minimum requirements described in the TWC Financial Management for Grants and Contracts manual.

1.14.1 MAINTENANCE OF INSURANCE AND LIABILITY PROCEDURES

WST staff will ensure that the following steps are followed:

- 1) The Executive Director (or subsequent personnel on the chain of command) will review at least annually all insurance and bonding of the Board and all subcontractors.
- 2) The Executive Director will have all subcontractors independently monitored at least annually and the Monitors will be required to review all insurance and bonding for compliance with the rules and regulations.
- 3) The Executive Director will forward copies of all required bonds to TWC and notify TWC when any bond is reduced or cancelled.
- 4) Insurance policies will cover general liability, vehicles, fidelity bonding, and participant coverage as required in the TWC FMGC 4.02.

1.14.2 INSURANCE AND LIABILITY PROCEDURES

WST staff will ensure that the following steps are followed:

- 1) WST requires that all entities under contract to provide program services for the Board shall have a fidelity bond. Exceptions will be noted in the subcontractor contract.
- 2) The Board will maintain a fidelity bond that insures the Board from losses that result from all acts of employee dishonesty.
- 3) The amount of the bond shall be equal to the maximum anticipated amount of funds on hand at any point.
- 4) The bond shall be a blanket bond covering all employees.
- 5) The Board shall be the bond owner but the TWC shall be the certificate holder.
- 6) All recipients of funds from the Board shall also obtain a blanket fidelity bond and name the WST as the certificate holder. Provisions requiring this insurance shall be included in all contracts with program service providers and shall be the responsibility of Board staff to ensure that current copies are maintained in the contract files.

1.15 DISBURSEMENTS AND PAYABLES

1.15.1 WST PURCHASE ORDERS PROCEDURES

WST staff will ensure that the following steps are followed:

- 1) Using sequentially-numbered purchase orders is the recommended method of obtaining authorization for issuance of a check for payment of goods or services. Such P.O.'s require the approval of the Executive Director or subsequent personnel in the chain of command.
- 2) Each purchase order shall have the account to be charged indicated in the appropriate box.
- 3) Each purchase order shall be dated on day of issue for proper allocation to the appropriate budget period.
- 4) The Administrative Assistant controls the Board P.O.'s.
- 5) The Executive Director (or personnel indicated in Step #1) reviews for accuracy, codes for proper fund allocation (charges) and approves the P.O. In the event that adjustments are performed, Fiscal staff will ensure that corrections are properly recorded in MIP.

- 6) The Administrative Assistant or Accountant also checks for accuracy of mathematical calculations and enters the correct amount as an encumbrance.
- 7) For receipt of goods from a purchase order, the Administrative Assistant checks in goods received with written packing slip, and, as appropriate, enters equipment purchases into the inventory log.
- 8) Purchase Orders for which goods or services have been received are pulled, and compared to the invoice received from the vendor
- 9) Upon verification of goods or services received, the Administrative Assistant prepares an Accounts Payable Voucher for approval by the Executive Director or the Planner (or subsequent personnel on the chain of command).
- 10) Upon receipt of the approved A/P Voucher, the Accountant prepares the check and gives the check and supporting documentation to the Finance Officer for review and signature. Once the check is signed, it is given to the Administrative Assistant to review for accuracy.
- 11) The Invoice is stamped "Paid."
- 12) Check copy and supporting invoice is filed by vendor and maintained in accordance with established records retention policy.
- 13) The Administrative Assistant prepares checks for mailing and verifies check register.
- 14) The Executive Director reviews check register.
- 15) Monthly expenditure and obligation reports are generated by the Finance Officer for review by board staff for accuracy and completeness

1.15.2 CHECK REQUEST PROCEDURES

WST staff will ensure that the following steps are followed:

- 1) Similar to Purchase Orders, the Check Request is reviewed, coded for payment and approved by the Executive Director or the Planner (or subsequent personnel on the chain of command).
- 2) The Check Request, with a copy of the billing, is sent to the Accountant.

- 3) Upon receipt of the approved Check Request, the Accountant prepares the check and gives the check and supporting documentation to the Finance Officer for review and signature. Once the check is signed, it is given to the Administrative Assistant to review for accuracy.
- 4) The Check Request is stamped "Paid."
- 5) In the event that any check is voided, it will be controlled through a general ledger payable account.
- 6) Check copy and supporting invoice is filed by vendor and maintained in accordance with established records retention policy.
- 7) The Administrative Assistant mails checks and verifies check register.
- 8) The Executive Director reviews check register.
- 9) The check may be mailed directly to the payee, or returned to Board staff for distribution as indicated on the request (as in the case of a travel advance for an employee).
- 10) Travel advance checks are to be tracked in the automated accounting system as an account receivable.

1.15.3 BILL PAYMENT PROCEDURES

WST Finance Officer will ensure that the following steps are followed:

- 1) Receive A/P Voucher for received goods or services from Board personnel.
- 2) Verify approval of invoices by the Executive Director or subsequent personnel in the chain of command.
- 3) All invoices will be examined to ensure payment is paid by due date and to consider early payment to take advantage of early payment incentives.
- 4) Review and, if necessary, correct general ledger account number on invoice.
- 5) For receipt of goods or services from a purchase order, post received items to the vouchers payable module in the financial system.
- 6) Returned purchases should be documented and tracked by the entry of a credit memo into the accounting system, the adjustment of the outstanding invoice, or other method to assure that the vendor will be charged or appropriate credit obtained.

- 7) Perform appropriate system backup procedures for checks to be processed in batch (through the vouchers payable module) and that one check is written to vendor in the case of multiple small purchases.
- 8) Process and print checks using appropriate system parameters (bank account, date range to be printed, etc.).
- 9) For checks needed on an immediate basis, process and print checks through the live check module.
- 10) The invoice is stamped "Paid."
- 11) Finance Officer or Executive Director signs checks. Checks over \$105,000 require a second signature, which must be that of a Board member.
- 12) Check copy and supporting invoice is filed by vendor and maintained in accordance with established records retention policy.
- 13) The Administrative Assistant mails checks and verifies check register.
- 14) The Executive Director reviews check register.
- 15) At the end of each program year, all expenditures incurred during the program year that have not been disbursed shall be accrued into the appropriate expenditure/reporting period. All accrued expenditures shall be liquidated within ninety (90) days of program year-end, unless stated otherwise in the contract.

1.15.4 Sponsorships

The Board does not use funds awarded by the Commission for contributions and donations – including cash, property, and services – to others. Examples include:

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

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

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

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

1.15.5 AWARD CEREMONIES

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

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

Examples include:

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

1.16 PAYROLL PROCEDURES

1.16.1 PAYROLL PROCESSING AND PAYMENT

WST Finance Officer will ensure that the following steps are followed:

- 1) WST staff completes and signs semi-monthly 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 Executive Director (or subsequent personnel on the chain of command).
- 3) The Administrative Assistant obtains semi-monthly time sheets for WST staff at least two days prior to paydays. Paydays are established as the 15th and last day of each month.
- 4) The Administrative Assistant reviews time sheets for completeness and proper account coding.
- 5) Using appropriate pay rates as established by the WST, and applying any payroll deductions for each employee, the Finance Officer 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 Finance Officer enters the payroll

distribution for each WST 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 15th and last day of each month, or the previous business day if the 15th or last day of the month is a weekend or holiday.
- 10) Appropriate payroll reports are prepared as necessary.
- 11) The Finance Officer 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 15th and last day of each month, or the previous business day, if the 15th or last day of the month is a weekend or holiday.

1.16.2 PAYROLL CHECKS

WST Finance Officer will ensure that the following steps are followed:

- 1) Payroll records, including time sheets, are reviewed for accuracy and validity, and signed by the Executive Director and forwarded to the Finance Officer.
- 2) All employees will maintain time records in accordance with WST Policies and Procedures Manual, and as specified in the WST Cost Allocation Plan.
- 3) The Finance Officer will ensure payroll registers are reconciled to independent controls (such as totals to the prior month's totals).
- 4) The Finance Officer will ensure its' automated system will accurately compute fringe benefit charges.
- 5) All leave requests shall be signed by the Executive Director and be submitted for approval.
- 6) All staff and participants shall be paid only by check or direct deposit by the Finance Officer.
Participants in subsidized employment activities shall be paid only by direct deposit or by debit card (by Chase Bank) on a bi-weekly

schedule. Contractor staff must provide the Fiscal Department with a form that identifies what payment type the participant chose with the information needed to set up the account. Participants will receive debit cards within 7 to 10 days of account creation and the participant is responsible for the account. A check will be issued in an emergency situation if the participant has not received their debit card.

- 7) Preparation of the payroll by the Finance Officer shall be separate from and independent of processing the direct deposits. The Executive Director reviews all payroll amounts by reviewing the check transaction register.
- 8) Distribution of paychecks shall be performed by the Executive Director (or his/her designee) or the Executive Director can have checks direct deposited into employee's checking accounts, after reviewing the payroll for accuracy. Employee's signature must be obtained upon receipt of paycheck.
- 9) Addition of new employees, changes in pay rates, and removal of a terminated employee from the payroll system shall be performed by the Finance Officer upon the written request of the Executive Director.

1.16.3 BENEFITS

WST Finance Officer will ensure that the following steps are followed to ensure employee's benefits are deducted from payroll in accordance with WST Personnel Policy, Chapter 5:

- 1) All WST staff are classified under the Fair Labor Standards Act as Exempt or Non-Exempt positions based on the individual's primary responsibilities. All overtime services by Non-Exempt employees must be authorized in advance by the employee's supervisor and approved by the Director and will be compensated as outlined in WST Personnel Policies. Unless or until the State classifies the approved job classification system to reflect FLSA categorizations, the WST will determine exemption status for all positions.
- 2) Annual leave may be taken in increments of one hour and each employee with fiscal responsibilities must take a minimum of 5 consecutive vacation days per year. The approved leave request form must be completed for all annual leave requests, approved by the Executive Director and given to the Finance Officer for payroll processing.
- 3) Sick leave is accumulated at a rate of 8 hours per month for all employees as outlined in the WST Personnel Policies. The approved leave request form must be completed for all sick leave requests, approved by the

Executive Director and given to the Finance Officer for payroll processing.

- 4) The Administrative Assistant, who keeps the record of each employee's accumulated leave, verifies that the employee has sufficient leave available to fulfill the request. The Administrative Assistant will sign and verify leave balance sheets generated by the Finance Officer.
- 5) Family Medical Leave procedures are in accordance with that Act and are detailed in the WST Personnel Policies.
- 6) Comprehensive health coverage, including ~~medical~~, dental, disability, and life insurance is paid 100% by the Board for the employee. Medical insurance is paid up to \$496.40 and GAP is paid up to \$30.96 for individuals under age 40; \$39.19 for individuals age 40 to 49; and \$80.31 for individuals 50 and above. Premium amounts over this threshold will be paid by the employee. Family coverage for spouse and/or child(ren) is available at the employee's expense. Upon hiring, the new employee must complete the appropriate forms to accept or waive coverage. Coverage will begin 60 days after the hire date. The employee maintains these forms and a copy is placed in each personnel file.
- 7) For the retirement plan, the employee may select the type of investment plan for both the vested and unvested portions of their account. The employee must complete the required forms maintained by the WST Administrative Assistant.

1.17 COMPLIANCE WITH EMPLOYMENT LAWS

WST staff will ensure that the following steps are followed:

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

Employer Address
Employee Social Security Number
Employee Name
Employee Address

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

1.18 CREDIT CARD POLICY AND PROCEDURES

The WST has authorized credit card use for Board staff and obtained cards through its fiscal department under the banking arrangement with JPMorgan Chase. The cards are to be used for travel and small purchases, and are not intended to circumvent procurement. The following guidelines should be followed by all Workforce Solutions Texoma staff. Below is the WST policy and procedures governing the use of the cards.

- 4) Credit cards are to be used only for travel and small purchases. The credit cards are to be used only when it is not feasible to have a check cut by the WST Fiscal Department.
- 5) The Workforce Development Board Director or his/her designated signature authority must approve any other use of the credit card in advance and in writing.
- 6) Proper documentation must be completed for each purchase, in accordance with the WST Travel Policy.
- 7) Original charge receipts and appropriate documentation supporting the charge purchase must be turned in to the fiscal department immediately upon return to the office. Copies should be submitted with each monthly expense/travel report.
- 8) Personal use of the credit card is strictly prohibited.
- 9) Any loss of the card must be reported immediately to the Finance Officer both verbally and in writing. If the loss occurs when it is not possible to immediately notify Finance Officer (i.e. the weekend), the Board staff person must directly notify the Credit Card company immediately and request that no charges be authorized after the date of the loss.
- 10) If any finance charges are incurred due to late receipt of documentation from the Workforce Solutions Texoma staff, the staff member will be responsible for payment of the finance charge.

1.19 ITA ISSUANCE AND TRACKING

- 1) In order to reduce the amount of time required to complete the ITA and Support Service voucher issuance process, all vouchers will be completed electronically ~~via a PDF file utilizing password protected digital signatures and submitted to the WST Accountant via e-mail by the career specialist in CNG and then workflowed to the appropriate staff for approval.~~
- 2) Subcontractor supervisory staff will approve training, supportive services, childcare, and travel reimbursement as requested by the career specialist.
- 3) Once the ITA or Support Service e-Voucher has been signed by the career specialist and supervisor, it will ~~be e-mailed~~ workflowed to the Board Accountant. All backup documentation must be listed on the voucher, maintained in the customer's file in CNG, and available for review ~~upon request.~~ For tuition, this documentation must include a copy of the TPCS print screen or other backup as required in the fiscal guidelines.
- 4) The Accountant will review the ITA and Support Service Vouchers, assign a number, and digitally sign the voucher. ~~The addition of this digital signature will lock the document to prevent further changes from being made.~~ The ~~locked~~ voucher will be returned to the CS ~~and approving supervisor~~ via e-mail workflow.
- 5) The completed voucher may be forwarded to the vendor electronically, or a hard copy may be given to the client to deliver. ~~A copy must be printed and placed in the subcontractor's customer file.~~
- 6) Utilizing the e-voucher as documentation, the Accountant will enter an encumbrance in MIP; ~~print out a purchase order documenting the encumbrance has been entered, and attach it to the e-voucher to be placed in the client's fiscal files.~~
- 5) Upon receipt of request for payment from the training provider, childcare, travel reimbursement, etc., the Accountant will match the invoice to the corresponding encumbrance in MIP.
- 6) WST will issue payment in a timely fashion, pending availability of encumbered budget amounts.

6a) Participants being reimbursed/paid for travel or other reimbursements support services shall be paid only by direct deposit or by debit card (by Chase Bank) Contractor staff must provide the Fiscal Department with a form that identifies what

payment type the participant chose with the information needed to set up the account. Participants will receive debit cards within 7 to 10 days of account creation and the participant is responsible for the account. A check will be issued in an emergency situation if the participant has not received their debit card.

6b) The debit card requirement does not prohibit WST contractor from utilizing petty cash funds as needed for TANF/Choices, SNAP, and Project RIO participants.

- 7) If an invoice is received for which no encumbrance exists, or which exceeds the encumbrance amount, the Accountant will immediately contact the CS, and the invoice will not be paid until the discrepancy is resolved.
- 8) The primary tool to be used for tracking the ITA and support service amounts is the MIP encumbrance module. The Accountant or Finance Officer are the only personnel authorized to enter client-related data into MIP. Data includes the issuance of vouchers.
- 9) ~~The Board Accountant will prepare weekly an encumbrance report and Documents Received log which will be issued to the subcontractor workforce center manager.~~
- 10) The encumbrance system will be reviewed on a regular basis by the Accountant to ensure that dollars that are obligated should continue to be obligated. Any changes to budgeted encumbrances must be submitted from the subcontractor career specialist to the Accountant in a timely fashion to ensure accuracy in the encumbrance system.
- 11) Upon determination that the customer is ready to exit the program, the subcontractor will request a financial list of all payment transactions for that customer and will reconcile that data in the TWIST System prior to termination.
- 12) A final report will be prepared by the Board Accountant and placed in the Board client fiscal file. It will be the responsibility of the subcontractor to update the client file at the subcontractor level.

1.20 PETTY CASH, START-UP CARDS & TAPS TICKETS

Petty cash, Start-Up cards, and TAPS tickets are available to those customers who meet the requirements and need assistance with job related expenses.

Petty Cash, Start-Up Cards, and TAPS Tickets are to be monitored monthly by IWS. All back up documentation, logs and reconciliation information is to be sent to the Board each

month. In order to provide accurate records and prevent discrepancies, each Workforce Center must designate a petty cash custodian and a backup custodian as well as the individual responsible for reconciliation. Access to petty cash, start-up cards, and TAPS tickets will be restricted to these individuals. Petty cash, TAPS Tickets, and Start-Up Cards are to be maintained in the designated secure locations at each Workforce Center.

1.20.1 PETTY CASH BALANCE AND MAINTENANCE

WST Fiscal staff has established a separate Petty Cash fund in MIP to allow each Workforce Center to maintain no more than \$500 of Petty Cash at any given time. Petty Cash consists of funds from Choices, FSE&T and RIO with specified amounts available for each program. Petty cash distributions must be made out of the funding in which the recipient is enrolled. However, in the event a customer is enrolled in both the FSE&T and RIO programs, petty cash from the FSE&T program will be disbursed.

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

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

1.20.2 START-UP CARD REQUESTS AND DISBURSEMENT

Each Workforce Center will maintain an adequate supply of Start-Up Cards. Cards are only utilized for active Choices customers who are in STAR (Self-sufficiency Training to Achieve Results) classes and require assistance with transportation for job search activities. The card has a cash value of \$20.00. Customers may not receive more than one card.

Petty Cash Request forms are submitted when additional Start-Up Cards are needed. Checks to purchase Start-Up Cards are issued to the card vendor and returned to the Petty Cash custodian to purchase the cards.

Petty cash reimbursement and Start-Up Card requests must be submitted on separate forms, as the payees are different.

1.20.3 TAPS TICKETS BALANCE AND MAINTENANCE

Each Workforce Center will maintain no more than \$1,500 value of TAPS Tickets at any given time. Primary and Backup Custodians are to ensure that the balance does not exceed this level. TAPS Tickets are purchased with funds from Choices, FSE&T and RIO with specified amounts available for each program. TAPS tickets must be distributed out of the funding in which the recipient is enrolled. However, in the event a FSE&T/RIO customer is co-enrolled, the petty cash from the FSE&T program will be disbursed.

Primary (or Backup when necessary) Custodian will review the TAPS Ticket balances the first Friday of every month and submit a Board TAPS Ticket Request form in the amount necessary to maintain the TAPS Tickets levels. In order to respond to customers' needs in a timely manner, staff shall ensure that the TAPS Ticket balances do not deplete below 75% of the maintenance level. Emergency request may be submitted when TAPS Tickets are depleted prior to the scheduled TAPS Ticket Request. Otherwise, a TAPS Ticket Request form in the amount necessary to maintain the TAPS Tickets levels is submitted monthly specifying the amount to charge to each grant. A TAPS Ticket Request form is not required if no TAPS tickets are needed.

WST will issue a check to TAPS and return the check to the custodian to purchase tickets to replenish the TAPS Ticket account. In situations when the Primary custodian is unavailable, the backup will be responsible for the check issued.

1.20.4 EARNED REWARD CARDS/INCENTIVE CARDS

Customers may earn rewards or incentives for meeting specific program participation and employment goals. A supply of these cards is maintained at WST and kept in a locked cabinet. The value of the cards on hand is tracked in MIP. A log of all purchases and distributions along with card numbers is kept by card denomination and is reconciled monthly (steps outlined below) by the WST Chief Financial Officer to the amount in MIP. When additional cards are needed, the ER Card Custodian submits a check request to the Chief Financial Officer or Executive Director, and a check is issued to the card vendor. The Custodian purchases the cards and adds them to the inventory in the cabinet and logs the purchase in the ER Card log. Cards are counted twice daily (begin and end of each day) by the Custodian or designee and a log is initialed verifying this count. The ER card distribution and daily count is transferred to a new staff person quarterly.

When a customer earns a reward card, a Voucher Request Form is completed and the Earned Reward Card box is checked. Upon receipt of the form, the WST Custodian attaches the correct denomination(s) of cards earned to a copy of the form and returns the cards to the Workforce Center, which is signed for by the Workforce Center Staff in the ER Card Log, for distribution to the customer. The Custodian records the transaction in MIP via a journal entry removing the value of the cards from the inventory amount and expensing the cost to the appropriate

grant, and logs the disbursement in the ER Card Log.

Prior to dispensing Earned Reward/Incentive Cards to the Contractor, WST Custodian will document the Card Number and PIN. In addition, verbiage that the card may not be used for alcohol, tobacco, or firearms purchases must be added to the card.

Reconciliation of the Earned Reward/Incentive Cards is to be performed monthly by the Chief Finance Officer and should follow the procedure outlined below:

- Collect the ER Card Log and Daily Count Logs.
- Run General Ledger Report for Cards from MIP for the month being reconciled.
- Open ER Card spreadsheet and go to Client Log tab.
- Check to see if clients match Payee on ER Card Log and have been signed for by contractor staff.
- Compare dollar amounts from spreadsheet with dollar amounts on General Ledger. If a discrepancy is found, investigate the discrepancy and make corrections where needed.
- Count the physical number of cards on hand and compare with the number of cards on hand in the Card Inventory Tab. If there is a discrepancy, investigate and make corrections where needed.
- Check to see if the total value of the Earned Reward/Incentive cards matches the current balance in the Client Log Tab.
- All supporting documentation should be stapled together and signed and dated by the Chief Finance Officer.

1.21 CHILDCARE CASH DRAWS & PROVIDER PAYMENTS

In order to ensure the availability of sufficient cash on hand prior to making payments to child care providers, the provider payments will be processed on the 15th and 29th of each month using the following schedule:

- On-line cash draw request submitted a week prior to payment.
- Verify on-line cash draw request successfully processed and payment has been released by TWC.
- Check proofs are printed and reviewed.
- Turnaround Summary Report is reviewed each time an upload occurs, twice a month. Errors are corrected.
- Check proofs are printed according to the new Child Care Attendance (CCA) system and payments are made according to information on the proofs.
- Invoices are totaled and coded individually by fund code, non-CCDF voucher issues resolved, and invoices entered in accounting system
- 2016 Budget Report is reviewed twice a month.
- Direct deposit and debit card transactions are entered and released for payment on the 15th and 29th of each month.

All child care provider payments must be made by electronic funds transfer (EFT) either through direct deposit or via debit card, with the following exceptions:

- If it has been less than five business days since a pre-note was released to establish or update a provider's ACH detail, payment to the provider must be made with a paper check. Payment by check for this purpose is not considered an "exception" and does not require documentation as such in the Child Care Local Application.

In exceptional circumstances and only with prior written approval of the Chief Financial Officer or Child Care Manager, a provider may be paid with a paper check. These exceptions will be made on a case-by-case basis when payment by EFT is not a viable payment method and must be documented as "exception" type payments in the Child Care Local Application.