

# **IL-NET Sample FISCAL POLICIES AND PROCEDURES HANDBOOK**

**A Set of Policies and Procedures with  
Annotations for Use in Training for  
Centers for Independent Living**

**Prepared By**

**John F. Heveron Jr., CPA  
Paula L. McElwee  
Richard Petty  
Darrell Lynn Jones**

# **IL-NET**

---

**CIL-NET · SILC-NET**

© April 2013, revised April 2016  
Independent Living Research Utilization  
1333 Moursund  
Houston, TX 77030  
713.520.0232 (Voice and TTY)  
713.520.5785 (Fax)  
<http://www.ilru.org>  
ILRU is a program of TIRR Memorial Hermann

**IL-NET Project Director and Editor:** Darrell Lynn Jones  
**Publications Staff:** Dawn Heinsohn and Sharon Finney  
**Individualized Technical Assistance:** Free, timely, and individualized technical assistance is available to you and your center or SILC as a service of the IL-NET. Email Paula McElwee, IL-NET Technical Assistance Coordinator at paulamcelwee-ilru@yahoo.com.

Support for development of this publication (formerly titled *IL-NET Sample FISCAL POLICIES AND PROCEDURES HANDBOOK: An Annotated Example Set of Policies and Procedures for Use in Training for Centers for Independent Living*) was provided by the U.S. Department of Education, Rehabilitation Services Administration under grant number H132B120001 and the U.S. Department of Health and Human Services, Administration for Community Living under grant number 90TT0001-02-00. No official endorsement of the funders should be inferred. Permission is granted for duplication of any portion of this manual, providing that the following credit is given to the project: ***Developed as part of the CIL-NET, a program of the IL-NET, an ILRU/NCIL/APRIL National Training and Technical Assistance Project.*** To ensure that the reader has the most current version of this Handbook, it will be updated as needed and available electronically at <http://www.ilru.org/topics/cil-financial-management>.

## Table of Contents

Acknowledgements .....	vi
Preface.....	vii
How to Use This Guide .....	viii
Modify These Examples to Fit Your CIL .....	viii
Recommendations for Developing Policies and Maintaining a Policy Manual .....	viii
Additional Resources.....	ix
Example Fiscal Policies and Procedures Handbook for PENN CIL (a Fictional CIL) .....	1
Introduction.....	1
Consistency with Independent Living Program Purpose and Philosophy .....	1
Board, Staff and Consultant Responsibilities .....	2
Board of Directors (and Committees).....	2
Executive Director .....	3
Accountant (Bookkeeper).....	4
Outside CPA .....	5
Financial Procedures and Controls.....	5
Security of Financial Information and Other Records.....	5
Segregation of Responsibilities .....	5
Cash Receipts.....	5
Federal Drawdowns .....	6
Expense Allocations.....	7
Grant Administration and Payment System.....	7
Check Preparation and Signatures .....	7
Bank Reconciliations .....	8
Payroll and Time and Effort Reporting Procedures .....	8
Debit and Credit Card Procedures .....	9
Travel .....	11
Accounting for Donated Services .....	12
Financial Reports.....	12
Balance Sheet.....	12
Statement of Income and Expenses and Budget Comparisons .....	13
Other Financial Reports .....	13
Information Technology Controls.....	13
Purchasing Policy .....	14
Objectives of the Policy .....	14
Overview .....	14
Responsibility for Purchasing.....	14
Ethical Conduct in Purchasing .....	14
Conflicts of Interest Prohibited .....	15
Conflict of Interest .....	15
Procurement under State or Federal Awards .....	15
General Procurement Standards .....	16
Competition .....	17

Purchase Thresholds.....	17
Exceptions to Competitive Bidding.....	18
Minority Businesses and Woman-Owned Businesses .....	18
Uncertainties and Violations.....	19
Program Income.....	19
Property and Equipment.....	19
Personnel Records .....	20
Reports to Funding Agencies and Organizations .....	21
Appendix I Sample Forms and Other Attachments .....	22
Appendix II Compliance with Uniform Guidance and HHS Regulations.....	23
Supporting Documentation .....	23
Allowability of Costs (based on Uniform Guidance 200.403) .....	23
Reasonable Costs (based on Uniform Guidance 200.404) .....	23
Allocable Costs (based on Uniform Guidance 200.405) .....	24
Appendix III Indirect Cost Rate Proposal.....	26
Appendix IV Sample Policy for Records Retention .....	27
Appendix V Federal Compliance Audits.....	29
Compliance Audits Under Uniform Guidance .....	29
Appendix VI Policy Development Resources .....	30
Financial Management and Related Policies.....	30
Risk Management.....	30
Indirect Cost Rates and Indirect Cost Rate Proposals.....	30
Personnel Management.....	31
Whistleblower Policies .....	31
Codes of Conduct and Corporate Compliance .....	31
Federal Regulations and Resources .....	31



## Acknowledgements

The IL-NET training and technical assistance team at ILRU (Independent Living Research Utilization) thanks the many people who helped to make this publication possible. We first want to acknowledge the tireless and skillful leadership of John Heveron, CPA, in guiding the development of the manual and bringing his commitment to excellence to the total project. We also thank the staff at the Rehabilitation Services Administration (formerly responsible for oversight of the Independent Living Program) for their guidance and assistance in ensuring the accuracy and relevance of the original document. We also acknowledge the current leaders of the program, the staff of the Independent Living Administration within the federal Administration for Community Living. In addition, we express appreciation to the centers for independent living in Kansas and Kansas Rehabilitation Services, who helped field-test much of the material included here. Their practical insights greatly helped to strengthen the manual.

## Preface

This document was created at the request of centers for independent living (CILs) that needed policy examples they could use as a guide for developing or strengthening their CILs' fiscal policies and procedures. There is no area of nonprofit management that is more critical than the proper management of financial resources. Policies and procedures are required for compliance and are a necessary internal control for any organization. Having good written policies and procedures may not ensure the success of an organization, but will go a long way toward facilitating that success.

Since most centers are recipients of federal funds, whether through Title VII of the Rehabilitation Act, as amended, or through other federal agencies or programs, this guide incorporates requirements to which nonprofit organizations must adhere in the management and allocation of federal funds. In addition, centers are required to conduct resource development, and many operate—or will operate—with funding from multiple agencies and programs beyond federal funding. This guide incorporates what are good practices for any nonprofit in its financial management. It is essential that the board adopt, and that the staff be trained in policies and practices that follow generally accepted principles so that centers are prepared to address other requirements that may be imposed by other funders. This guide will address these principles. Specifically, the guide references the following federal guidance and regulations:

- 2 C.F.R. Uniform Guidance
- The Workforce Innovation and Opportunity Act of 2014 (WIOA)
- Technical guidance from the U.S. Department of Health and Human Services, Administration for Community Living (ACL)
- Code of Federal Regulations (CFR) 34 Parts 364 and 366 implementing Title VII of the Rehabilitation Act of 1973, as amended, under which centers are funded<sup>1</sup>

Specific references to regulations and guidelines are shown in footnotes and in the appendixes to this guide. Footnotes are also used to highlight other helpful information. There are a couple terms you should be familiar with as you go through this. You will see reference to "non-federal entities." That's your organization and other organizations that receive federal funding but aren't federal agencies. You will also see the term "object of expenditure." This is a service or a group of services for a specific population. A different set of services or a different population signal a different object of expenditure.

We hope you find this example handbook useful and we welcome your feedback for future improvements.

---

<sup>1</sup> These remain in effect until such time as the proposed HHS regulations become final.

## How to Use This Guide

### Modify These Examples to Fit Your CIL

Use this guide to help ensure that your own financial policies and procedures provide a comprehensive context for sound fiscal management in your center. Review the material carefully, consider your center's circumstances, and then adopt those policies that apply to your center.

To illustrate examples of policies for CILs, we have created a fictitious CIL, PENN CIL. Using a nonexistent CIL allowed us to craft generic policies that would have meaning for as many different circumstances as possible. Even so, no set of example policies can be applied in any organization without careful thought and revision to meet the specific requirements of the organization.

In almost all cases, the example policies will need to be modified. Do not just duplicate the examples. Duplicating them without careful thought as to how your own center operates will be counterproductive. Without modifications, the examples will be a poor fit for your center. For example, your staff may have different titles, or the size of your budget may determine whether your CIL contracts with an outside auditor for a compliance audit, or a simple financial statement audit.

### Recommendations for Developing Policies and Maintaining a Policy Manual

Before developing a policies and procedures manual, your board of directors must establish the procedures the board and staff will use to fashion new policies and procedures or revise existing ones.

- Establish a board finance committee if your organization doesn't already have one.
- Ensure board and staff are fully engaged in the development process. The more support and involvement there is from board members and key staff members, the easier it will be to both adopt and implement your new policies and procedures.
- Determine roles and responsibilities for board committees, the board, executive director, and accountant or bookkeeper in developing policies.
- Determine a process for review and approval, including final approval by the full board.
- Ensure that board minutes reflect the date of adoption of the policies and procedures and of any revisions.
- Ensure the financial management policies and procedures document shows the date of adoption or revision by the full board. Show the adoption date on the cover page and in headers or footers of pages. It is useful for the policy document to list dates of revisions as they occur, in addition to the original adoption date, to show your continual efforts at sound financial management.



- Establish a time period in which the policies and procedures document will be reviewed and updated. For example, annual review might be appropriate.
- Schedule initial and periodic training for all staff whose job responsibilities will be affected by the policies and regulations above.

## Additional Resources

You are encouraged to review examples of policies on an ongoing basis to keep up with changes and best practice approaches to financial management. Additional resources for developing policies are shown in Appendix VI

Policy Development Resources. Along with resources for financial policies, you will also find references for personnel and whistleblower policies and other useful materials.

# Example Fiscal Policies and Procedures Handbook for PENN CIL (a Fictional CIL)

## Introduction

PENN CIL<sup>2</sup> is a 501(c)(3) nonprofit organization that provides services to and supports community inclusion for people with disabilities. The Center for Independent Living (CIL) was created by people with disabilities seeking full integration into society. PENN CIL accomplishes its mission by empowering people with disabilities with the practical skills and self-confidence to take control over their lives and become active members of the community in which they live. PENN CIL also works to promote access and change within society and responds with programs and services to meet the needs of people of all ages with a wide range of disabilities.

This manual describes the policies and procedures followed at PENN CIL to ensure that financial statements conform to generally accepted accounting principles; assets are safeguarded; regulations or guidelines of grantors and donors are followed; and that finances are managed with accuracy, efficiency, and transparency.

As a nonprofit recipient of federal grant funds, PENN CIL will comply with the General Principles in Uniform Guidance to ensure costs are reasonable, allowable, and properly allocated.<sup>3</sup>

Following these policies and procedures will help safeguard the CIL's assets and ensure that they are used for appropriate purposes based on organizational objectives, the requirements of funders, other applicable rules and regulations, and best practices for nonprofit organizations.

## Consistency with Independent Living Program Purpose and Philosophy

All activities and operations shall be consistent with the independent living approach. Specifically, expenditures for activities funded through Title VII, Chapter 1, Part C, of the Rehabilitation Act of 1973, as amended by The Workforce Innovation and Opportunity Act of 2014 (WIOA), will be consistent with the IL program purpose and philosophy, particularly in the delivery of IL core services and other IL services.

---

<sup>2</sup> If the CIL administers more than one 501(c)(3) entity, the policy manual should specify the legal names of the organizations that it covers.

<sup>3</sup> Many centers for independent living receive much of their funding from the federal government. As nonprofit organizations, this places them under the requirements of Uniform Guidance. The principles are designed so that the federal government bears only its share of costs except where restricted or prohibited by law. See Appendix II.

## Board, Staff and Consultant Responsibilities

The following is a list of parties who have fiscal, administrative, or accounting responsibilities:

### *Board of Directors (and Committees)*

- Set, oversee and clearly articulate the organization's vision, mission, and values.
- Provide leadership and strategic direction for the mission, budget, and development initiatives that sustain the CIL.
- Set a proper tone for the CIL by articulating a code of ethics, mandating compliance with the code, showing no tolerance for dishonesty, questioning unusual transactions or activities, and supporting appropriate training.
- Review and approve the annual budget prior to the beginning of the fiscal year, and any subsequent budget modifications, and ensure that, in the case of IL Part C funds, Administration for Community Living (ACL) pre-approval of budget modifications are obtained, in accordance with requirements of the contract between the Center and ACL.<sup>4</sup>
- Appoint board members who will have signing authority and establish the limits or circumstances that require dual signatures with the executive director.
- Ensure all expenditures of federal funds by PENN CIL are adequately documented and allowable, that those expenditures are allocable and reasonable according to federal cost principles, and that the organization meets all applicable federal requirements.
- Review periodic financial and programmatic reports. Conduct such reviews no less frequently than once each quarter.
- Develop and approve the job description for the executive director.
- Select a qualified executive director and communicate this selection to funders and the community.
- Hire the executive director and establish the salary and benefits for the position based on responsibilities and on comparative information either from other CILs in the state or other organizations in the community.
- Review the executive director's performance annually and establish salary increases if appropriate.
- Review and approve internal controls and accounting policies and procedures.
- Serve as a resource to the executive director in implementing internal controls.

---

<sup>4</sup> CILs that receive Part B funds may want to insert "...Designated State Entity (DSE) pre-approval of budget modifications are obtained, in accordance with requirements of the contract between the CIL and the DSE."

- Assess risk periodically, determine the adequacy of internal controls and determine the types and amounts of insurance coverage required for the organization.
- Review contracts with third parties if those contracts are for \$25,000 or more.<sup>5</sup>
- Assign a member(s) to co-sign any check in excess of a dollar amount established by the board, or when a check is made out to the executive director.
- Assign a member(s) to review and approve all expenses reimbursable to the executive director or charged directly by the executive director, such as the detail on any credit card issued to the executive director, before payment of the charges.
- Determine whether the CIL should have a federal compliance audit under Uniform Guidance<sup>6</sup> and, if so, select and contract with the auditor.
- Review the CIL's compliance periodically and assure that whistleblower protection policies are in place for anyone reporting suspected illegal acts, waste, fraud or abuse of funds.
- Verify the CIL is not involved in any impermissible political activities or lobbying activities.<sup>7</sup>

### *Executive Director*

- Provide continuous leadership in the implementation of the mission, strategic direction, budget, and objectives set by the board of directors.
- Ensure that a comprehensive, accurate budget and subsequent modifications are developed annually and presented to the board of directors for review and approval.
- Review key monthly financial reports (such as balance sheet, income and expense report, and budget comparison).
- Present key financial and programmatic reports to the board of directors. Present reports no less often than quarterly.<sup>8</sup> Provide complete and accurate explanations of the reports. Describe any changes, discrepancies or variances in any of the reports, including the budget comparison report. Highlight any aspects of the reports or the organization's financial position of which the board should be aware in fulfilling its leadership role.
- Review and approve all program expenditures to verify that they are reasonable, allowable, and properly allocated.

---

<sup>5</sup> This is a good example of a policy that will be implemented differently in different organizations; for some, this amount will be far too high. Uniform Guidance does require specific procurement policies and practices for purchases or contracts of \$25,000 or more, but many boards want to see those practices at much lower levels—some at \$5,000, some at \$500.

<sup>6</sup> This is required when \$750,000 or more of federal funds are expended in a fiscal year. If expenditures are less than \$750,000, an audit cannot be paid for with federal funds.

<sup>7</sup> As outlined in Uniform Guidance, sec, 200.410, and sections 200.410 thru 200.475. See Appendix II.

<sup>8</sup> Many organizations present reports to the board each month. Some present reports at quarterly meetings and provide written reports each month in the interim.

- Review and approve invoices and reimbursement requests and other supporting documentation.
- Review and sign or co-sign checks.
- Review payroll journals (reports of time worked and pay rates by individual) to ensure hours worked and rates are complete and accurate.
- Review bank statements including checks, electronic payments, transfers and other transactions to identify any irregularities.
- Review completed monthly bank reconciliations with accountant.
- Review written support documentation for drawdowns and approve drawdowns prior to initiation.
- Ensure adherence to all internal controls is thorough and complete.
- Initiate donor thank-you letter acknowledgements and maintain donor records.
- Review insurance with the board of directors on an annual basis to be sure that the CIL has proper liability, fire and theft, workers' compensation, disability, and other appropriate coverage. Report to the board on the organization's insurance status and recommend changes as needed.

#### *Accountant (Bookkeeper)*

- Prepare monthly financial reports including a balance sheet, income and expense report, budget comparison, and other key financial reports for review by the executive director and board of directors.
- Reconcile the bank account.
- Enter various transactions into the accounting system, such as deposits, payroll, in-kind donations, and debit or credit card transactions.
- Calculate drawdowns based on allowable, allocable, and reasonable expenses.
- Back up accounting software.
- Prepare 1099s annually.
- Perform an initial review of timesheets for executive director approval.
- Prepare and print paychecks and provide them to the executive director with supporting documentation.
- Review or prepare all federal and state quarterly and annual payroll tax reports, and prepare checks for tax deposits.
- Prepare documentation required for workers' compensation insurance audits.
- Classify receipts, expenditures, and payroll properly by account and object of expenditure.

## *Outside CPA*

- Prepare annual nonprofit organization filings.<sup>9</sup>
- Perform audits or reviews of the CIL's financial statements.<sup>10</sup>
- Perform a compliance audit in accordance with Uniform Guidance.

## Financial Procedures and Controls

### *Security of Financial Information and Other Records*

Financial management records, electronic and printed, will be secured at all times. Access to those records will be restricted to those whose job responsibilities require access.

Access to the accounting system will be limited to those whose job responsibilities require such access. Each individual will have his or her own password for the system. If security requirements of the accounting system provide for different levels of access to separate modules, the access rights of each individual will be based on their job-related level of need for access.

Consumer records, donor records, and personnel records will be kept in a locked area with access limited to those whose job responsibilities require access.

### *Segregation of Responsibilities*

The board and staff of PENN CIL will ensure the appropriate level of segregation of duties at all times. The board and staff will accomplish that by following the policies and procedures included in this manual.

### *Cash Receipts*

Blank checks, checks or cash held for deposit, and checks held for employees or vendors will be kept in a locked area with access limited to those whose job responsibilities require access.

Cash receipts generally come from the following sources:

- Contracts and grants (federal and other)
- Direct donor contributions
- Fundraising activities

Incoming mail will be opened by a staff member designated by the executive director. When checks or cash are received, he or she will perform the following tasks:

---

<sup>9</sup> Most nonprofits engage an outside CPA firm to prepare these filings.

<sup>10</sup> As required by regulations or determined by the board, a separate outside CPA firm may be engaged to perform audits or reviews of the CIL's financial statements.

- 1) Stamp the back of any checks received “For Deposit Only.”
- 2) Count any cash received.<sup>11</sup>
- 3) Complete a deposit slip.
- 4) Make a photocopy, or electronic copy of any checks received and any accompanying documentation.
- 5) Make timely bank deposits at least once each week.<sup>12</sup>
- 6) Obtain an office copy of the receipted bank deposit.
- 7) Provide a copy of the checks and deposit slip and receipt (or check scanning report) to the accountant to record in the accounting system.

Under no circumstance shall the accountant (bookkeeper) perform any of the above seven tasks.

### *Federal Drawdowns*

Drawdowns from the federal government or other funders will be made to cover the amounts that have been expended and not previously vouchered and other amounts that will be paid shortly after draws are received. Reimbursement of federal funds is preferred. However, if advances are required, they will be supported by documented, allowable, and reimbursable costs and will be expended as soon as administratively possible after they are received. The accountant will calculate and document the draw needed to cover these amounts.<sup>13</sup>

PENN CIL will seek cash advances limited to the minimum amounts needed, and advances will be timed to be in accordance with its actual, immediate cash requirements in carrying out the purpose of the approved program or project. It is the policy of this organization, consistent with federal regulation, to not draw down federal funds in advance of costs to manage cash flow.

Any federal advances received must be deposited into an interest-bearing account.

PENN CIL will minimize the time that elapses between the transfer of funds to PENN CIL from the U.S. Treasury and the payment of related expenses as follows:<sup>14</sup>

---

<sup>11</sup> If the CIL routinely receives significant amounts of cash, a procedure should be established in which more than one person counts and verifies the receipt.

<sup>12</sup> Consider the use of check scanning equipment to make electronic deposits.

<sup>13</sup> When expending funds from the Administration for Community Living, the CIL will comply with Uniform Guidance Sec 200.305 cash management requirements of Uniform Guidance.

<sup>14</sup> This addresses requirements of Uniform Guidance section 200.305(b).

- The accountant will prepare a list of payroll and accounts payable supported by documentation, such as approved invoices with allocations to each grant source, and present this information to the executive director.<sup>15</sup>
- The executive director will identify checks to be written, after ensuring that costs are reasonable, allowable, and properly allocated.
- The executive director will draw the direct deposit funds for the actual amount needed to cover only those checks allocated to that grant.

Password access to the federal payment system will be maintained by the executive director or his/her designee.

### *Expense Allocations*

Payroll and other costs that benefit a single program or cost objective shall be assigned solely to that program or cost objective. Most expenses that benefit more than one program or function (typically administration, rent and other occupancy costs, and minor expenditures such as shared supplies) are allocated to each program or department using a shared cost method, based on PENN CIL's Indirect Cost Rate approved by the cognizant federal agency<sup>16, 17</sup>.

All expenditures of federal funds must be adequately documented to be considered allowable.

## Grant Administration and Payment System

### *Check Preparation and Signatures*

The executive director or his/her designee will authorize the payment of expenses related to the operation of PENN CIL. This includes payment of payroll, payment for products/services received, and lease and contract payments.

Outgoing checks require one signature from the approved list. The list of potential signers is approved by the board of directors, and signature cards are updated as required with the center's banking institution. Changes to the list of names must be approved by the board. The approved list must include, at a minimum, the treasurer, president, and executive director.<sup>18</sup>

---

<sup>15</sup> This example fits a smaller organization; in larger centers, another staff member may be designated to perform this function.

<sup>16</sup> In most cases, the U.S. Department of Health and Human Services Indirect Cost Group.

<sup>17</sup> All Part C funded CILs, regardless of their size, are required to obtain an approved Indirect Cost Rate unless they can allocate everything directly to each of their cost objectives (and can prove it, which is highly unlikely) or qualify for and request the 10% de minimis rate. See Appendix III.

<sup>18</sup> To improve controls over disbursements, many CILs require two signatures on all checks over a certain dollar amount (such as \$2500 or \$5000). In such cases, it is good practice to specify that amount in the financial policy manual. If there is not a sufficient number of financial administrative staff, a board member may be required to provide the second signature. Exceptions may be made for certain large recurring checks such as rent and utilities.



All disbursements will be supported by adequate documentation such as time sheets for time worked, invoices and/or check requests for other disbursements and reimbursements. In no case will expenditures be made without the supporting documentation being reviewed and approved.

Invoices that are received electronically are printed, and are subject to the same review, approval, and processing procedures as paper invoices that are received.

Signed checks must be mailed by a staff or board member other than the person who prepared them.

Checks will be pre-numbered in sequential order. Access to unused checks is limited to individuals authorized to prepare checks (i.e., the bookkeeper). All voided checks should be retained and defaced with the signature portion of the check removed. All checks should be accounted for.

### *Bank Reconciliations*

Bank accounts will be reconciled as outlined in the responsibilities section of this manual.

### *Payroll and Time and Effort Reporting Procedures*

All employees are required to complete, sign, and submit time sheets and personnel activity reports meeting the requirements of Uniform Guidance. These requirements can be met with separate documents or a single combined document.

#### Payroll Procedures

Time sheets completed by each employee accurately account for all time worked during each payroll period. After approval of time sheets, the accountant will call/enter time worked into the payroll processing system.<sup>19</sup> The payroll service bureau will prepare checks or electronic deposits and a record of payroll by person. The executive director will review the record of payroll by person for accuracy, including proper rates and hours. Checks for payroll and contracted workers are sealed in envelopes by the executive director, and held by the executive director in a locked area for distribution.

#### Personnel Activity Reports (PARs)

The time and effort of all employees charged to programs, grants or activities will be supported by a personnel activity reports or other documentation that clearly shows the distribution of activity of each employee. PENN CIL uses this documentation to

---

<sup>19</sup> Some centers don't choose to use payroll processing, but others require this outside assurance of proper payroll procedures. One of the most common misuses of funds is the failure to pay workers' compensation insurance, SS withholding, and other items based on payroll. These payments can be set up to happen automatically with a reputable payroll processing bureau or service.

verify the way employees' time is split between cost objectives. This requirement applies to supervisory and nonsupervisory employees, as well as to hourly and salaried employees. Each PAR—

- Must be an after-the-fact record of actual time worked. It cannot be dated before the end of the time period. **Budget estimates determined before the work is performed do not qualify.**
- Must account for the total activity (100%) of the time for which the employee is compensated.
- Must be signed by the employee and<sup>20</sup> supervisor, with printed names, titles, and dates for each signature. Signatures certify that the percentage of time being reported under each objective is correct. The supervisory official will have firsthand knowledge of the activities performed by the employee. There will be a notation that the distribution of activity represents a reasonable approximation of the work actually performed by the employee.
- Will be prepared at least monthly and will coincide with one or more payroll period(s).

#### *Debit and Credit Card Procedures*

PENN CIL has debit, credit, and store charge cards that can be used subject to the following requirements:

##### Use of Cards by the Executive Director

The executive director of PENN CIL is authorized to utilize debit, credit, and store charge cards, subject to a limit of \$1,500, for the purchase or payment of allowable costs/expenses related to the normal operation of the programs and services of the CIL. This includes but is not limited to:

- postage expense
- travel expense
- supplies expense
- equipment purchase

The executive director will retain receipts and other documentation for all card purchases, and will provide these to a member of the board for review. The board member will initial documentation, or provide other evidence of their review related to the executive director's use of the card(s).

---

<sup>20</sup> PARs are not defined in Uniform Guidance. However, the old rule under OMB Circular A-122 is that PARs must be signed by the employee **OR** a responsible supervisory official having firsthand knowledge of the activities performed. Uniform Guidance allows other methods of verifying what work was performed. Having signatures by both the employee and a supervisor is only a recommendation by many organizations and consultants to better protect the CIL and the employee. This may also help comply with wage and hour requirements. However, two signatures are not workable in all organizations. What is important is that whatever method is used, it must be documented in your policies, **followed consistently**, and include an after-the-fact documentation of work performed.

### Use of Cards by Other Management Staff

Other management staff may use cards for the purchase or payment of cost/expense related to the normal operation of the programs and services of the CIL with prior approval from the executive director subject to a \$300 limit. Prior approval may be received in writing, by email, or over the phone. If approval is by phone, the date, time of approval, and type and amount of the expenditure approved will be noted by the executive director and made part of the supporting documentation.

As soon as possible after the expenditure, anyone using the cards will produce the original receipt and other documentation related to the expense for internal processing and submission first to the staff member's supervisor and then, after approval, to the accountant. The documentation and/or accompanying notes will explain the nature of the item(s) purchased in a way that permits verification that the item is reasonable, necessary, and allowable, and specify the program(s) or function(s) to which it should be allocated.

### Debit Card Purchases Are Limited to the Following Areas:

- postage
- travel
- supplies
- equipment purchases

### Lost or Stolen Cards

If a debit or credit card is lost or stolen, the person designated with responsibility for the card must report the loss or theft to the executive director immediately. The executive director will immediately contact the bank to cancel the card and request a different card. The executive director will document the circumstances and when the bank was contacted, and determine if other steps are needed based upon the circumstances related to the lost or stolen card.

### Credit Card Codes and Passwords

No staff member is allowed to change the original code/password for the debit card that they utilize without permission from the executive director.

### Misuse of Credit or Debit Cards

If staff abuse or misuse a card, the executive director will require the staff member to relinquish the card to the executive director. The executive director will determine if other steps are needed based upon the circumstances related to the misuse of the card, up to and including initiation of civil or criminal proceedings. If the executive director abuses or misuses a card, the card must be relinquished to the board chair or treasurer. The board will determine if other steps are needed based upon the circumstances.

## Travel

Travel outside of the local area can be reimbursed to staff, board, volunteers, and consumers (if provided as part of a consumer's IL goals such as education/community participation). This includes travel necessary for participation in state/regional committees or task forces, attending workshops, conferences or other trainings, advocacy, development and/or networking activities.<sup>21</sup>

### Pre-Approval of Travel

All reimbursable travel must be allowable, allocable, reasonable, and necessary to achieve the purposes of the CIL and the involved funding sources, in accordance with federal cost principles and the CIL's approved budget and written travel policies and procedures; and must be pre-approved by the individual's immediate supervisor and/or the executive director. The approving individual has authority about the mode of travel that will be reimbursed, and preference will always be given to the mode that is the most economic and efficient (e.g., coach rather than first class airfare). Any reasonable accommodation needs will be considered in this determination.

### Reimbursement and Documentation

Documentation for the cost of and purpose for travel must be submitted for reimbursement. A travel reimbursement request with supporting documentation must be submitted within 30 days of travel.

Reimbursement for approved business use of personal vehicles will be based on rates established by PENN CIL that do not exceed the federal approved rate.

### Per Diem

Meals for out-of-area travel will be reimbursed at rates that do not exceed the federal per diem rates that are documented on the U.S. General Services Administration Per Diem Rate Lookup Website <http://www.gsa.gov/portal/category/100120>.

To receive Per Diem reimbursement for meals associated with out-of-area travel, travel must begin before or be inclusive of 7:00 am (for breakfast), 10:00 am – 1:00pm (for lunch) and/or end after 7:00 pm (for dinner).

---

<sup>21</sup> For centers that do not maintain their own vehicles, local staff travel for center business (such as travel to the home of a consumer for IL skills training) may be covered and the policy should address this kind of travel.

## Accounting for Donated Services

The objective of accounting for donated services is to comply with generally accepted accounting principles and with requirements for annual filings. PENN CIL will also track and document in-kind items that qualify for Grant Matching.<sup>22</sup>

Fair value will be determined at the date of the gift. Services will only be recorded as donations if:

- Services are performed as part of PENN CIL's programs or services, and would otherwise be performed by paid personnel.
- PENN CIL has control over the activities of the donors of the services.
- PENN CIL has a clearly measurable basis for the amount claimed. The following in-kind items will be recorded in the accounting system:
  - Items intended to be used or controlled by the CIL (for example: a computer or copier that would be used by the CIL; or adaptive equipment, the use of which the CIL oversees).
  - Donated use of items or facilities, such as real estate.
  - Donated services that are key to the CIL's operations, programs or services and have been performed by specialists (such as review of contracts by an attorney).

## Financial Reports

All expenditures are to be incurred and paid in accordance with a budget approved by the board of directors.<sup>23</sup>

The following financial statements are prepared:

### *Balance Sheet*

- Assets (what we have)
- Liabilities (what we owe)
- Net assets (what's left)

The balance sheet is created as of a particular point in time, such as month-end.

Net assets will be classified as restricted by donors, designated by the board for use in certain areas, or as available for use where needed.

---

<sup>22</sup> Often, funding agencies require matching funds or in-kind contributions from the grantee. Some funding agencies allow grantees to include non-cash donations as part of their matching funds or in-kind contribution. Goods that may be counted include land, buildings, and equipment (such as computers or office equipment for direct use, or wheelchairs or other equipment that will be provided to consumers), and rent-free space.

<sup>23</sup> Independent Sector annually provides an estimate of the value of an hour of donated services on their website [https://www.independentsector.org/volunteer\\_time](https://www.independentsector.org/volunteer_time)

## Statement of Income and Expenses and Budget Comparisons

These statements report contributions received and income earned, as well as expenses for payroll and for products and services received. Reports will be generated for a period of time such as a month and/or year-to-date and may be compared to the prior year, and/or to budgeted amounts.

## Other Financial Reports

Quarterly, a Federal Fiscal Report (FFR) must be submitted to the Grant Solutions before the next quarter's Part C funds can be drawn. An accurate form SF-425 will be submitted to ACL by December 31 each year. Other financial reports will be prepared for review as requested by the Board of Directors, or its finance or audit committee including:

- Cash flow report
- Statement comparing budget to actual for the period and Year to Date
- Dashboard report (key asset and operating results)
- Cash flow forecast
- An aging of accounts payable<sup>24</sup>
- An aging of accounts receivable<sup>25</sup>

## Information Technology Controls

Information technology controls are created to protect confidential information, preserve financial data, and operate efficiently.

The CIL will properly protect its electronic information with the following procedures:

- Backups of important data will be made and stored off-site or in the cloud periodically.<sup>26</sup>
- Backups will be verified at least quarterly to make sure they are working.
- Surge protectors will be used on all computers and UPS/battery backups will be used on the server.
- Access to computers with confidential information will be limited to those needing access required for the performance of job duties.
- Access will be immediately removed when someone leaves or is terminated.

---

<sup>24</sup> Usually important if paying bills on time is a concern.

<sup>25</sup> Usually important if billing on time or receiving funds on time is a concern.

<sup>26</sup> Typically, this is daily or weekly.

- Secure passwords will be used and changed at least quarterly.<sup>27</sup>
- Up-to-date anti-virus protection, ad-blocking, and anti-spam software will be used.
- Any remote devices such as laptops, smartphones or notepads that are integrated with the computer system will be secured with passwords and/or encrypted, and set up to allow remote deletion of confidential information.
- Hard drives will be defragmented periodically, error logs will be reviewed for potential problems, and problems will be remedied.
- License and warranty information will be maintained in a secure central location.

## Purchasing Policy<sup>28</sup>

### *Objectives of the Policy*

The CIL's policy has the following objectives:

- Limit purchases to necessary items.
- Minimize the possibility of theft or misuse.
- Control costs while ensuring quality.
- Comply with federal or other regulations where applicable.
- Properly identify the nature and program or supporting service of the purchase.

### *Overview*

It is the policy of the CIL to follow ethical, responsible, and reasonable purchasing procedures. These policies describe the principles and procedures to be followed by all staff in connection with their purchasing responsibilities.

### *Responsibility for Purchasing*

All purchases will be approved by the executive director.

### *Ethical Conduct in Purchasing*

Individuals involved in the purchasing process will discourage the offer of, and decline gifts or gratuities for themselves, their families or friends from potential vendors. They will never discriminate unfairly by dispensing special favors or privileges to anyone whether for remuneration or not.

---

<sup>27</sup> At present, many consider passwords that are updated monthly or quarterly and that consist of at least eight characters, including one or more numbers, to be relatively secure; however, the security landscape is changing rapidly and the CIL should adhere to current best practices.

<sup>28</sup> All organizations should have some written purchasing guidelines. The Uniform Guidance requirement for a written purchasing policy has been deferred until December 31, 2016.

## *Conflicts of Interest Prohibited*

Employees and members of the board of directors have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy establishes only the framework within which the CIL will operate. The purpose of these guidelines is to provide general direction for all employees and members of the board of directors. Employees are expected to seek further clarification from their supervisor on issues related to the subject of acceptable standards of operation if any question arises. Board members, as well as any employees involved in the procurement/purchasing process, are expected to disclose any potential conflict of interest and to remove themselves from discussion and decision making in any item of business in which they have a conflict of interest.

## *Conflict of Interest*

An actual or potential conflict of interest occurs when the employee, officer, or agent, any member of his or her immediate family, his or her life partner, his or her business partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. The basic principles that apply are that any potential conflict must be disclosed and the individual who has a potential conflict cannot be involved in decision-making related to the area in which they have a conflict.

No “presumption of guilt” is created by the mere existence of a relationship with an outside firm. However, when the individual has any influence on transactions involving purchases, contracts, or leases, it is imperative that they disclose to the executive director, or, in the case of a board member or the executive director, to the full board, as soon as possible the existence of any actual or potential conflicts of interest so that safeguards can be implemented to protect all parties. Personal gain is prohibited. Transactions are prohibited where the individual, partner or relative has significant ownership in a firm with which the CIL does business. Any kickback, bribe, substantial gift, or special consideration to an individual or relative is prohibited as a result of any transaction or business dealings involving the CIL in which the individual has influence.

Any employee found guilty of a conflict will be subject to disciplinary action.

Actual or potential conflicts of interest involving federally funded activities must be reported to the federal awarding agency.<sup>29</sup>

## **Procurement under State or Federal Awards**

Procurement of goods and services that will be charged to state or federal awards received by the CIL is subject to all of the policies above and also to the following:

---

<sup>29</sup> Uniform Guidance section 200.113.



- The CIL will purchase only those items necessary for the performance of the duties required by a state or federal award.
- Where appropriate, an analysis will be made of lease versus purchase acquisitions to determine which would be most economical and practical.
- Documentation of the basis for contractor selection shall be retained when competitive bidding is performed; documentation for why competitive bidding was not done shall be retained.

Vendor contracts shall include a written statement that they have not been suspended or disbarred from doing business with any state or federal agency.

Davis-Bacon prevailing wage requirements for construction contracts must be met if required by the state or federal award.

## General Procurement Standards

Purchases must be necessary and reasonable for the performance of the federal or other award and shall be properly identified with an award(s). Economical purchase procedures (such as consolidation of purchases), and lease versus purchase, where appropriate shall be considered.

- Purchases shall be treated consistently as direct or indirect costs.
- Purchases treated as direct or indirect cost cannot also be used to meet cost sharing or matching requirements.
- Costs charged to federal and other awards shall be net of any applicable credits.
- Costs charged to federal and similar awards shall be allowable based on guidance.<sup>30</sup>
- Costs shall be determined in conformity with U.S. generally accepted accounting principles.
- Contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals will be excluded from competing for such procurements.
- All solicitations shall include a clear and accurate description of the technical requirements for the material, product, or service to be procured.
- Documentation for purchases will be sufficient for an independent person to determine what was purchased, and for what purpose.
- Documentation for purchases shall be kept for at least 7 years and shall document the rationale for the method of procurement, the selection of the contract type, contractor selection/rejection and basis for the contract price and verification that the contractor is not suspended or debarred.

---

<sup>30</sup> Uniform Guidance sections 200.420 through 200.475.

## Competition

Purchases shall be conducted in a manner that facilitates competition.

No action shall be taken to limit competition such as:

- Placing unreasonable requirements on firms in order for them to qualify.
- Requiring unnecessary experience or excessive bonding.
- Specifying a brand name instead of allowing an equal product to be offered.
- Any arbitrary action in the procurement process.

Purchase solicitation shall identify requirements that are to be fulfilled, and shall incorporate a clear and accurate description of the item or service to be procured.

## Purchase Thresholds

Requirements vary based on the size of the purchase.

Micro purchases of supplies or services are those that do not exceed \$3,500 (these limits will be updated periodically<sup>31</sup>).

Small purchase requirements apply when purchases are between \$3500 and \$150,000 (the current level of the Simplified Acquisition Threshold). These amounts will be indexed for inflation.

- Micro purchases shall be distributed among qualified suppliers but don't generally require competitive quotations.
- Small purchases will be made only after price or rate quotations are obtained from an adequate number of qualified sources. Prices can be obtained from published or online price lists.

Purchases in excess of the Simplified Acquisition Threshold, including services, equipment or supplies, purchases, leased or contracted for require a cost or price analysis (costs analysis evaluates cost components, price analysis evaluates the total price). These purchases shall be made only after receiving, whenever possible, quotations from at least three vendors. Selections shall be recommended to the (finance director, CFO CEO) for approval with quotations attached. Recommendation and selection shall be based on the following criteria:

- A clear and accurate description of the product or service to be purchased
- Skill and experience of key personnel
- Experience providing products or services to THE ORGANIZATION
- Any specific requirements we have included in our solicitation of bids
- Demonstrated commitment to the nonprofit sector

---

<sup>31</sup> Uniform Guidance section 200.67

- Information received from vendor references
- Commitment to our time deadlines
- Cost
- Woman- or minority-owned business or qualified small business
- Preference for products and services that conserve natural resources and protect the environment, to the extent possible

Construction services shall be procured by sealed bids following formal advertising. Contracts shall be awarded to the responsible bidder whose bid conforms with all the material terms and conditions of the request for bids and is the lowest in price.

Vendor contracts shall include a written statement that they have not been suspended or debarred from doing business with any federal agency. Alternatively the Organization shall check the SAM (System for Award Management <https://www.sam.gov/index.html>) vendor database. Davis-Bacon prevailing wage requirements for construction contracts must be met if required by the federal award.

#### *Exceptions to Competitive Bidding*

Competitive bidding will not be required in certain limited circumstances including:

- The item is available only from a single source.
- An emergency or urgent need will not permit a delay for competitive selection.
- Staff or client health, welfare, or safety does not permit a delay for competitive selection.
- After solicitation of a number of sources, competition is deemed to be inadequate.

A written explanation shall be prepared and maintained whenever a normally required competitive selection is not used.

Documentation of the basis for contractor selection shall be retained when competitive bidding is performed. Documentation for why competitive bidding was not done shall be retained.

#### *Minority Businesses and Woman-Owned Businesses*

The organization will take affirmative steps to encourage minority businesses, woman's business enterprises and labor surplus area firms to be used including:

- Identifying qualified organizations.
- Soliciting from these organizations.
- Dividing total requirements, when economically feasible, into smaller tasks to permit maximum participation by these organizations.

## Uncertainties and Violations

Any questions regarding compliance with this policy should be directed to the CFO or the CEO.

Deliberate violations of any aspect of this policy will be subject to disciplinary action including possible termination.

## Program Income

Program income is generated when the CIL receives payments for training, services provided or other similar income. If the CIL receives any program income for programs that are federally funded, the source and application of program income will be tracked to ensure that it is expended only on allocable and allowable costs. Specifically, program income will be added to the funds committed to the project by the federal awarding agency to further eligible project or program objectives or deducted from the total project or program allowable costs in determining the net allowable costs on which the federal share of cost is based.<sup>32</sup> Program income will be reported on the Federal Financial Reports.

## Property and Equipment

Property and equipment<sup>33</sup> include items such as:

- Office furniture and equipment
- Computer hardware
- Computer software
- Leasehold improvements

It is the CIL's policy to capitalize all items that have a unit cost greater than \$1,000<sup>34</sup> and a useful life of more than one year. Items purchased with a value or cost less than one thousand dollars and a useful life not exceeding one year will be expensed in the period purchased.

The depreciation period for capitalized assets is as follows:

Computer Hardware	36 months
Office Equipment	60 months
Office Furniture	60 months
Computer Software	36 months
Leasehold improvements	Length of lease

<sup>32</sup> Uniform Guidance CFR 200.307.

<sup>33</sup> Equipment purchased with federal funds is subject to specific provisions in Uniform Guidance.

<sup>34</sup> Or another appropriate amount based on your organization size. Uniform Guidance limits this to \$5,000.

A Fixed Asset Log will be maintained by the accountant including date of purchase, asset description, purchase/donation information, cost/fair market value, donor/funding source, identification number, and the depreciable life of the asset.

Annually, a physical inspection and inventory will be taken of all fixed assets, and the accounting system will be updated to reflect any items that are disposed of or are no longer in service.

A control system shall be in effect to ensure adequate safeguards are in place to prevent loss, damage or theft. The executive director shall be informed in writing of items that are missing, have been disposed of, or are no longer in service. Any missing items must be investigated.

Depreciation is recorded at least annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

## Personnel Records

All personnel files will contain the following documents:

- An application and/or resume
- Date of employment
- Position and pay rate
- Job description
- Performance evaluations
- Authorization of payroll deductions
- W-4 withholding authorization
- Termination data where applicable
- A signed confidentiality agreement
- A signed acknowledgement of receipt of Employee Handbook including the organization's whistleblower, drug-free workplace, lobbying, and conflict of interest policies
- An emergency contact form
- Other forms as deemed appropriate by the executive director

All employees will fill out an Employment Eligibility Verification (I-9) and submit the specified allowable forms of identification to the executive director.

The completed I-9 forms will be kept in a secure location separate from the personnel files.

All personnel files are to be kept in a secure, locked file cabinet and accessed only by authorized personnel, as assigned by the executive director.

## Reports to Funding Agencies and Organizations

The CIL is required to submit programmatic and financial reports periodically to funders and oversight agencies. In all cases, the CIL will keep a paper or electronic file of documentation supporting financial, unit of service, programmatic, and other information included in the report along with a copy of the report itself.

## **Appendix I**

### **Sample Forms and Other Attachments**

Your CIL may wish to include a sample of each of the center's internal forms and documents as attachments to the policies and procedures manual. Examples include:

- Time Sheet
- Personnel Activity Report
- Check Request Form
- In-Kind Contribution Tracking Form
- Travel Expense Reimbursement Request
- Financial Reports

## **Appendix II**

### **Compliance with Uniform Guidance and HHS Regulations**

Centers for independent living are required to comply with Uniform Guidance, HHS, and other regulations. Centers should ensure policy manuals address the following requirements.

#### **Supporting Documentation**

It is the responsibility of the board and staff of the organization to ensure the CIL maintains adequate supporting documentation for all expenditures. Expenditures that lack adequate supporting documentation may be disallowed.

#### **Allowability of Costs (based on Uniform Guidance 200.403)**

To be allowable under an award, costs must meet the following general criteria:

- 1) Be reasonable for the performance of the award and be allocable thereto under these principles.
- 2) Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
- 3) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
- 4) Be accorded consistent treatment.
- 5) Be determined in accordance with generally accepted accounting principles (GAAP).
- 6) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- 7) Be adequately documented.

#### **Reasonable Costs (based on Uniform Guidance 200.404)**

A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. In determining the reasonableness of a given cost, consideration shall be given to the following:

- 1) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.



- 2) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; federal, state, local, and other laws and regulations; and terms and conditions of the federal award.
- 3) Market prices for comparable goods or services for the geographic area.
- 4) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- 5) Whether the non-federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost.

#### Allocable Costs (based on Uniform Guidance 200.405)

- (a) A cost is allocable to a particular federal award or other cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:
  - (1) Is incurred specifically for the federal award;
  - (2) Benefits both the federal award and other work of the non-federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
  - (3) Is necessary to the overall operation of the non-federal entity and is assignable in part to the federal award in accordance with the principles in this subpart.
- (b) All activities which benefit from the non-federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-federal entity or third parties, will receive an appropriate allocation of indirect costs.
- (c) Any cost allocable to a particular federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the federal awards, or for other reasons. However, this prohibition would not preclude the non-federal entity from shifting costs that are allowable under two or more federal awards in accordance with existing federal statutes, regulations, or the terms and conditions of the Federal awards.
- (d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any

reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a federal award, the costs are assignable to the federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. Also see Uniform Guidance §200.310 Insurance coverage through §200.316 Property trust relationship and §200.439 Equipment and other capital expenditures.

## Appendix III Indirect Cost Rate Proposal

**Uniform Guidance Appendix IX Indirect Cost Identification and Assignment and Rate Determination for Nonprofit Organizations** establishes the principles for determining costs of grants, contracts and other agreements with the federal government. The guidance addresses direct and indirect allocation methods. The Direct Allocation Method treats all costs as direct costs except general administration and general expense. Direct costs are those that can be identified specifically with a single or multiple final cost objective(s). Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

Indirect Cost Rate Proposals must be approved by the “cognizant agency” prior to implementation. In the case of centers for independent living, this agency is the U.S. Department of Health and Human Services.

While obtaining an approved Indirect Cost Rate is only required if the organization has more than one cost objective, all Part C centers should be doing resource development which becomes a distinct cost objective. For that reason, even small CILs should probably have at least two cost objectives; consequently, ALL Part C centers are required to obtain an indirect cost rate unless they qualify for and elect the 10% de minimis. (There is a remote possibility that some organizations may be able to directly charge everything and avoid an indirect cost rate, but that’s only in the event that they can prove they are allocating everything directly to each of their cost objectives.)

Two on-demand webinar presentations are available at ILRU.org:

<http://www.ilru.org/training/new-indirect-cost-rate-requirements-for-cils> provides guidance in preparing for an Indirect Cost Rate Proposal

<http://www.ilru.org/training/how-prepare-indirect-cost-rate-proposal> provides more specific guidance on drafting your Indirect Cost Rate Proposal.

## Appendix IV Sample Policy for Records Retention

**PENN CIL will follow these guidelines for the retention of records but will also comply with any longer retention requirements of funders.<sup>35</sup>**

If PENN CIL has any active, pending or threatened litigation, audit findings or monitoring findings, records will be retained until all issues are fully resolved as determined by the board of directors.

Financial and programmatic records (including consumer service records) and supporting documents related to federal funding, compliance or performance shall be retained for a minimum of five years from the date in which the corresponding annual reports are submitted to RSA.

Paper and electronic records are subject to the same requirements.

This policy will be modified to accommodate any special requirements of funders or regulators.

At the end of the retention time frame, paper and electronic records will be destroyed.

A log of records that are purged and destroyed will be maintained.

Item	Useful life
Accounts payable ledgers and schedules	5 years
Accounts receivable schedules	5 years
Bank reconciliations	5 years
Bank statements	5 years
Checks (cancelled, but see exception below)	5 years
Checks (cancelled for important payments, i.e., taxes, purchases of property, special, contract, etc.) (Checks should be filed with the papers pertaining to the underlying transaction.)	Permanent
Contracts, mortgages, notes and leases:	
Expired	7 years
Still in effect	Permanent

<sup>35</sup> The General Education Provisions Act (GEPA) has a five years statute of limitations on audits. Accordingly, all educational records subject to GEPA should be retained for a minimum of five years after the date the final expenditure report is submitted for each fiscal year. For programs not subject to GEPA, records should be kept as long as any applicable statute of limitations applies. If none, a “safe” practice would be to maintain electronic copies of records and/or paper records to the extent practicable, but no less than 10 years. **Note** that although GEPA requirements no longer apply to centers for independent living, GEPA standards will be applied in audits of prior program years for which GEPA was in force.

<b>Item</b>	<b>Useful life</b>
Correspondence	5 years
Deeds, mortgages and bills of sale	Permanent
Depreciation schedules	Permanent
Duplicate deposit slips	2 years
Employment applications	3 years
Employee personnel records (after termination)	5 years
Expense analyses/expense distribution schedules	7 years
Financial statements: Year-end Other	Permanent Optional
Garnishments	7 years
General ledgers	5 years
Insurance policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanent
Vouchers for reimbursement	5 years
Invoices from vendors	5 years
Journals (receipts, disbursements)	5 years
Minute books of directors and stockholders, including bylaws and charter	Permanent
Notes receivable ledgers and schedules	7 years
Payroll records and summaries, including payments to pensioners	7 years
Personnel records (terminated)	7 years
Petty cash vouchers	5 years
Property appraisals by outside appraisers	Permanent
Property records—including costs, depreciation reserves, end-of-year trial balances, depreciation schedules, blueprints and plans.	Permanent
Retirement and pension records	Permanent
Sales records	5 years
Subsidiary ledgers	5 years
Annual filings	Permanent
Time sheets/cards/books	7 years
Vouchers for payments to vendors, employees, etc. (including allowances and reimbursement of employees, officers, etc. for travel and entertainment expenses)	5 years
Withholding tax statements	7 years

## **Appendix V Federal Compliance Audits**

### **Compliance Audits Under Uniform Guidance**

The U.S. Office of Management and Budget (OMB) provides guidance on compliance audits for recipients of federal program funds. Nonprofits that spend more than \$750,000 of federal monies in a fiscal year are subject to audit requirements of Uniform Guidance. These audits incorporate the following:

- Regular financial statement audits
- Governmental Auditing Standards (the Yellow Book)
- Additional requirements and controls for the preparation of financial statements
- Compliance with laws, regulations, contracts and grants

Auditors must test whether the organization complied with the terms of federal awards, and also whether they have proper controls over that compliance such as training of staff involved with compliance and internal verification to assure compliance.

Compliance includes whether individuals being served are eligible for that service, whether services are performed during the time frame required by the grant, and whether cash management requirements are in place and followed.

## Appendix VI Policy Development Resources

In this appendix are resources for developing policies for nonprofit organizations. They are generally generic in nature, yet can be quite useful as models. Along with financial management policies, there are also resources for other policies: personnel, whistleblower, conduct, etc.

### Financial Management and Related Policies

- Financial Management Resources from the Council of Nonprofits:  
<http://www.councilofnonprofits.org/resources/financial-management>
- Guide for Developing a Comprehensive Financial Plan from the Nonprofit Risk Management Center (Available for Purchase):  
<https://www.nonprofitrisk.org/tools/mfmp/mfmp.shtml>
- Newsletter and Website on Nonprofit Management from Blue Avocado Newsletter:  
<http://www.blueavocado.org/>
- Article on Internal Controls from Blue Avocado Newsletter:  
<http://www.blueavocado.org/content/five-internal-controls-very-small-nonprofit>
- Article on Nonprofit Budgeting from Blue Avocado Newsletter:  
<http://www.blueavocado.org/content/focus-destination-not-route-budget>
- Article on Nonprofit Audits from Blue Avocado Newsletter:  
<http://www.blueavocado.org/content/get-most-value-your-audit>

### Risk Management

- Newsletter on Risk Management from the Nonprofit Risk Management Center:  
<https://www.nonprofitrisk.org/>
- Risk Management Policies from the Nonprofit Risk Management Center (Available for Purchase): <https://www.nonprofitrisk.org/tools/mrmp/mrmp.shtml>

### Indirect Cost Rates and Indirect Cost Rate Proposals

- How to Prepare an Indirect Cost Rate Proposal: on-demand IL-NET webinar available at <http://www.ilru.org/training/how-prepare-indirect-cost-rate-proposal>
- Contact ILRU with questions as you prepare your proposal, or send a draft of your proposal to ILRU for evaluation.
- Here are links to HHS guidance for CILs, their sample indirect cost rate proposal, and an indirect cost rate proposal checklist.
  - <https://rates.psc.gov/fms/dca/CIL%20guidance.pdf>
  - [https://rates.psc.gov/fms/dca/np\\_exall2.html](https://rates.psc.gov/fms/dca/np_exall2.html)
  - <https://rates.psc.gov/fms/dca/icpchecklist.pdf>

## Personnel Management

- Frequently Asked Questions on Employment Practices from the Nonprofit Risk Management Center: <http://www.nonprofitrisk.org/advice/faqs/employment2.shtml>
- Guide on Employment Practices from the Nonprofit Risk Management Center (Available for Purchase): [http://www.nonprofitrisk.org/store/pub\\_detail.asp?id=60](http://www.nonprofitrisk.org/store/pub_detail.asp?id=60)

## Whistleblower Policies

- Sample Whistleblower Policy from Blue Avocado Newsletter: <http://www.blueavocado.org/content/model-whistleblower-policy-nonprofits>
- Information on Whistleblower Policies from the Nonprofit Risk Management Center: <http://www.nonprofitrisk.org/library/articles/employment091005.shtml>

## Codes of Conduct and Corporate Compliance

- Article on Codes of Ethics from the Council on Nonprofits: <http://www.councilofnonprofits.org/resources/resources-topic/ethics-accountability>
- Explanation of Corporate Compliance from CARF: <http://www.carf.org/WorkArea/DownloadAsset.aspx?id=22494>

## Federal Regulations and Resources

- Uniform Guidance [http://www.ecfr.gov/cgi-bin/text-idx?SID=6214841a79953f26c5c230d72d6b70a1&tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?SID=6214841a79953f26c5c230d72d6b70a1&tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)
- U.S. Department of Health and Human Services Guidance for Centers for Independent Living Grantees <http://www.acl.gov/Programs/AoD/ILA/Index.aspx#cil>