

CAAS Financial Policies Manual

2022

Financial Policies Manual of Community Action Agency of Somerville, Inc.

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INTRODUCTION

The **Financial Policies Manual of Community Action Agency of Somerville, Inc.** (the “Manual”) is designed to provide a central location for fiscal and operational policies and procedures of Community Action Agency of Somerville, Inc. (“CAAS”). It has been reviewed by management and approved by the Board of Directors. This serves as the official document of CAAS for the conduct of financial business and administration.

The purpose of the Manual is to provide clarity, consistency and internal controls to safeguard CAAS’ assets, practices, and policies, which employees and contractors are required to follow.

It is the intention of CAAS, as a 501(c)(3) non-profit corporation, to comply with all applicable local, state and federal laws and specific grant requirements. This document has been created to adhere to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (the “Uniform Guidance”).

Coronavirus Aid, Relief, and Economic Security (“CARES”) Act Funding

In addition to following all of the requirements relative to federal funding generally contained in this Manual as from time to time approved by the Board of Directors, CAAS shall adhere to the following guidelines as they relate to CARES Act funding:

- A. CAAS shall ensure that CARES Act funding is used pursuant to the terms of the Coronavirus Aid, Relief, and Economic Security Act.
- B. CAAS will follow the Uniform Guidance and specific grant guidelines as included in the grants’ contracts and scope of services documents.
- C. CAAS will account for CARES Act funds and expenditures separately in its accounting records and general ledger.
- D. CAAS will maintain proper documentation and justification for any CARES Act expenses.

SECTION 1. FINANCIAL MANAGEMENT SYSTEM

1-1. Glossary of Terms

- A. “Board” or “Board of Directors”: the board of directors of CAAS, as described in CAAS’ Bylaws.
- B. “CAAS”: Community Action Agency of Somerville.
- C. “CAAS Purchaser” means the CAAS staff person authorized to make a purchasing decision in a particular case as set forth in CAAS Procurement Procedures, Appendix 2.
- D. “Chart of Accounts” or “CoA”: an index of all the financial accounts in CAAS’ general ledger, as amended from time to time.
- E. “Director of Finance” or “DoF”: the chief financial officer of CAAS and/or outside fiscal consultants fulfilling the same function, as designated by the Executive Director.
- F. “Finance Committee” is a committee of the CAAS Board of Directors, which also serves as the Audit Committee and is involved in the planning and review of the annual independent audit conducted by a Certified Public Accountant. The CAAS’ Treasurer chairs this committee.
- G. “Finance Department”: refers to the Director of Finance and/or any other staff designated by the CAAS ED.
- H. “Donations”: includes contributions of cash, securities, and gifts-in-kind.
- I. “ED”: Executive Director.

- J. "Garnishment": a legal proceeding resulting in a court requiring payment of property, in CAAS' case usually wages of an employee, to a third party to satisfy the employee's or other person's debt to a creditor.
- K. "Immediate family/household": means spouse, companion, domestic partner, children, parents, in-laws, or - any other members of the family or immediate household as determined by the Executive Director or as required by the applicable law or grant requirement.
- L. "Management Team" or "Management": the ED, DoF, and any Deputy ED, Program Director, or other staff member designated by the ED from time to time.
- M. "Officers of the Corporation": the President, Vice Presidents, Treasurer, and Clerk of CAAS, who together comprise the Executive Committee of the Board of Directors.
- N. "Executive Officer of CAAS": the Executive Director or any staff member designated by the ED.
- O. "Signing Officer": any Officer of the Corporation and any Executive Officer of CAAS.
- P. "Signing Authority": the President, Treasurer, Executive Director and any other person or persons so designated by the Board.
- Q. "Substantial gifts": means large in amount or of considerable value in relation to normal transactions of a like activity, service or business activity. In any event for the purpose of this policy "substantial" means any benefit having a value in excess of one hundred dollars (\$100).

1-2. General Rules

- A. CAAS operates on a fiscal year basis that begins December 1 and ends November 30.
- B. The Finance Department is overseen by the Director of Finance and/or outside fiscal consultants.
- C. Payroll is coordinated between the Finance Department and Human Resources; further information regarding specifics is contained in the Payroll & Fringe Benefits section.

- D. Accounting for expenditures is done on a modified accrual basis during the fiscal year whereby transactions are recorded promptly as costs or obligations are incurred. At year end CAAS' financial statements are prepared by external auditors on an accrual basis.
- E. CAAS is required by the federal Department of Health and Human Services to provide adequate fidelity bond coverage (a.k.a crime insurance; a.k.a Employee Dishonesty Bond). The policy is renewed annually as part of normal insurance renewal.
- F. The Finance Department ensures that CAAS' registration with the federal System for Award Management is complete and up to date (see www.sam.gov/SAM/).

1-3. Budget Process

- A. An organizational budget will be developed by CAAS Management, in consultation with the Finance Committee, prior to the commencement of each fiscal year. The organizational budget, once approved, will be used to monitor and evaluate the financial status of CAAS throughout the fiscal year. Annual budgets should allow CAAS to meet its goals and successfully carry out its mandate within the community.
- B. The organization budget cycle will commence in March. Program Directors and the ED, assisted by the Finance Department, will develop individual department budgets in compliance with grant requirements and deadlines. These program budgets will be consolidated into an organizational budget by the Finance Department and the ED. The first draft of the organizational and program budgets will be presented to the Finance Committee not later than its June Committee meeting. Once the Finance Committee has approved the organizational and program budgets, they will be presented by the Treasurer to the Board of Directors at the August Board meeting for final approval. The organizational budget will conform, as much as possible, to guidelines established by CAAS' major funding sources.
- C. Any program budget required to be approved by a government funder (e.g., the Administration for Children and Families and the MA Department of Early Education and Care with respect to the Head Start budget; or the MA Department of Housing and Community Development with respect to the Community Services Block Grant ("CSBG") budget must be reviewed by the Finance Committee and approved by the Board prior to submission to the funder.
- D. On a monthly basis, the Finance Committee will compare actual expenses with the approved organizational and program budgets and will advise the Board of Directors of any significant variances. The Board may then request the ED to develop an action plan to reduce or reverse significant ongoing negative variances.

- E. Revisions to the annual organizational or any program budget may need to be made if a significant change is made to a contract, other source of revenue or expenses. The revised budget must be reviewed by the Finance Committee and submitted to the Board for its review and approval.
- F. In accordance with the Board's resolution at its regular meeting held on May 24, 2016, the ED is authorized with respect to the currently Board-approved budget to reallocate funds between two or more budget expense categories, provided however, that the total budget may not be increased and each expense category so adjusted shall then be no greater than ten percent (10%) higher than the amount originally approved in the budget for such expense category, and provided, further, that all such re-allocations shall promptly be reported to the Finance Committee and shall be subject to ratification or reversal at the next meeting of the Board of Directors.

1-4. Accounting Practices and Systems

- A. All entries into the accounting system require proper documentation to demonstrate the cost is allowable (as provided in the applicable statute and regulations and the Cost Principles included in the Uniform Guidance), reasonable, allocated appropriately, and within the approved budget. Information regarding purpose is also included for allocation purposes.
- B. Grant and donation revenues are recorded upon receipt of funds. Review of documents is included to determine if such funds should be restricted for either purpose and/or time. All documents reflecting donor restrictions on a grant or donation must be retained in accordance with the Record Retention section of this Manual.
- C. Contract revenues are recorded on an accrual basis upon delivery of service.
- D. The internal accounting system consists of one general ledger and set of accounts, which integrates all grants, contracts, programs and activities.
- E. Revenues related to individual services performed, if any, are recorded on an accrual basis when services are rendered.
- F. CAAS utilizes Quickbooks software. This software has the capacity to track restricted and unrestricted funds by fiscal as well as grant year. Back-ups to the system are performed automatically nightly, overseen by the IT Consultant.
- G. Outstanding accounts payable to vendors are maintained on a current basis and are available for timely review. CAAS uses Bill.com, synchronized with Quickbooks, to keep accounts payable current.
- H. The accounting software system and data are password-protected.

1-5. Chart of Accounts

- A. Each individual funding source is segregated in the general ledger to allow Management to easily distinguish revenues and expenses by funding source.
- B. CAAS reviews the chart of accounts when new grants are received to ensure that the CoA properly supports the tracking of grants.

1-6. Journal Entries

- A. There are several standard journal entries that must be approved by the DoF.
- B. These entries include the Monthly Prepaid Exp/Insurance entry, and the Payroll J/E which is done per payroll.
- C. Journal entries are recorded in CAAS financial software and are trackable with reference to the individual login associated with each entry.

1-7. Monthly Close

- A. CAAS has standardized the monthly close.
- B. See checklist on process and staff involvement in Appendix 7 for specifics.

1-8. Financial Reporting

- A. CAAS maintains an electronic compliance calendar that lists all reports due and due dates.
- B. Reports are completed by the DoF; the reports are then reviewed by the ED.
- C. CAAS complies with grant conditions or applicable laws that require approval of reports by a specific person or body. For example, the quarterly CSBG reports are required to be reviewed and approved by the Board of Directors.

- D. Monthly financial reports are generated and reviewed by the Finance Department. The financial reporting package includes: Statement of Financial Position (Balance Sheet), Organizational Statement of Activities (Income and Expense Statement) comparing actual to budget, as well as Statements of Activities for each of the budgeted functional activities; at the time of approval of this Manual these are:
 - a. Head Start
 - b. Housing Advocacy
 - c. Community Organizing and Advocacy
 - d. VITA
 - e. Fundraising/Development
 - f. Administration
- E. The financial reports are then shared with the ED, and then with the Finance Committee of the Board of Directors, the full Board of Directors, and the Head Start Policy Council monthly.

1-9. Audit

- A. At least once every five years an “Invitation to Bid” shall be issued by the Finance Department on behalf of the Board to at least 4 qualified auditing firms to conduct an independent audit; the incumbent auditing firm may be included in that list. The Invitation to Bid shall clearly detail the requirements, responsibilities and professional expertise being solicited.
- B. Board Members may meet and/or correspond with prospective auditors to discuss CAAS’ requirements and their proposals as necessary. Questions may be made in written format and answers will be provided to all prospective bidders.
- C. Copies of all proposals will be shared with the Executive and Finance Committees.
- D. The ED, DoF, and Treasurer will screen all proposals, contact any references and present the candidate(s) that most closely meet the requirements of the bid documents to the Finance/Audit Committee.
- E. The Finance Committee will agree on the selection and make a recommendation to the full Board.
- F. The full Board will select the audit firm by majority vote.

- G. Annually the Finance Department and auditors will schedule the audit, planning and field work.
- H. Upon completion of the audit the Auditors attend a Board meeting to present the audit and any issues revealed by the audit.
- I. Upon completion by the auditor, the audit, the Massachusetts UFR report, Federal Form 990, MA Form PC, and MA Secretary of State Annual Report are filed by the auditors or CAAS staff as required. The Form 990 and Form PC shall be presented to members of the Board of Directors for their review prior to submission to the Internal Revenue Service and the Massachusetts Attorney General, respectively.

1-10. Cost Allocation

- A. Costs are directly allocated when possible.
- B. Each staff position is reviewed and allocated based on activity, duties and job description. The majority of staff work may fall under one cost objective, however it may be funded by multiple sources. CAAS time sheets documenting actual time worked are completed and reviewed for allocation information and accuracy.
- C. Shared costs are pooled depending on the type.
- D. Certain administrative or shared direct costs are pooled and distributed equitably to each cost objective, allocated based on program income. Shared physical plant costs are allocated based on FTEs in each program. At the end of each quarter the administrative and physical plant allocations are reviewed by the Finance Department and adjustments are made if necessary. Costs allocated per these methods are so noted in the annual budget spreadsheet prepared by the staff and approved by the Board of Directors.

1-11. Internal Controls

- A. CAAS has strong internal controls for all types of transactions. There is always more than one staff person involved in a transaction.

- B. CAAS has all staff acknowledge receipt of our conflict of interest, whistleblower, and confidentiality policies at the start of their employment. Board Members fill out conflict of interest disclosures annually.
- C. CAAS' Personnel Policies contain clear information as to terminable offenses which include fraud, embezzlement or altering documentation.
- D. CAAS does not make use of signatory stamps.
- E. Most of CAAS' expenses are paid via Bill.com. CAAS purchases a supply of blank checks which are kept in a locked drawer in the Finance Department office, and are used for expenses that are not appropriately paid through Bill.com.
- F. For all accounting transactions there is separation of duties included such as various approvals required, various staff members involvement at appropriate stages, and Executive Director and Board approval.

1-12. Banking Information

- A. CAAS banks with Rockland Trust ("RT").
- B. CAAS has a single operating account.
- C. Check signers are approved by the Board of Directors. Current check signatories include ED, President, Treasurer and Clerk. All checks over \$3,500 require two signatures or two approvals in Bill.com.
- D. CAAS has established a line of credit with RT to act as a safety net for cash flow interruptions and to insure that cash shortfalls are not met with improper advances of federal funds. Board of Directors approval is required prior to any use of the line of credit. If line is used, monthly updates will be provided to the Finance Committee. Depending on the financial position of CAAS, the Board will determine what procedures will be followed in order to repay those funds. Federal funds may not be used to pay down the credit line nor can they be applied to interest on borrowed funds unless approved in writing by the funder.
- E. All accounts are reconciled by the Finance Department. The Treasurer reviews actual checks paid out on a regular basis as a fraud control measure, and has electronic access to see bank account transactions.
- F. On a quarterly basis stale checks are reviewed by the Finance Department and outreach to payees are performed. The result in many cases is to void and reissue the payments.

1-13. Consulting

- A. Due to federal and state labor laws that determine whether an individual providing services must be classified as an employee or may be classified as a consultant or contractor, the Human Resources Manager is required to sign off on the engagement of an individual as a consultant or contractor to ensure CAAS is in compliance with such laws.

1-14. Accounts Payable

- A. CAAS pays accounts payable through Bill.com in most cases. See Emergency Payables Procedure below for exceptions.
- B. Mail is received in Suite 104. The Office Administrator will open and process mail each day. If the Office Manager is not available, the Deputy Executive Director will designate another staff member to carry out this task as needed.
- C. All payables/invoices/bills, including those received by email or other electronic format, should be scanned to PDF format and emailed to caasfinance@bill.com, with a copy emailed to the DoF. In the case of any non-routine payable, the email should include the appropriate class(es) and expense account(s) to which the payable should be allocated.
- D. The DoF is responsible for entering all payables in Bill.com and assigning them to the appropriate program manager(s) and other approvers for approval. See Appendix 6 for current approver policies/roles. Once entered, Bill.com will notify the listed approvers, who will review and either approve each payable (which approval acknowledges that the cost has been determined as a reasonable, allocable, and allowable cost) or reject the payable with an explanation of why it is being rejected. Once appropriate corrections have been made the rejected payable will be returned to the approval queue for approval as above. Bill.com will send all approved payments in accordance with its contractual agreement with CAAS. Bill.com is synchronized with Quickbooks by the DoF on a daily automatic basis.
- E. **EMERGENCY PAYABLES PROCEDURE:** It is CAAS' preferred policy to make all payments to clients or vendors through Bill.com. However, from time to time circumstances may require that a check be held for pickup by a staff member for delivery to a client or vendor (for example, in the case of an overdue rental assistance payment). Payables that need a faster turnaround than that provided by Bill.com or that require pickup of a check at CAAS' offices will be processed by the Executive Director or the Deputy Executive Director as follows: Program Directors should email the ED (or Deputy ED in the ED's

absence, with a CC to the ED) and the Finance Manager the payable need, amount, funding source, payee, and other necessary information. Once approved by the ED (or Deputy ED, as appropriate) the ED will prepare and cause to be signed a check, will scan and email to the DoF a PDF of the signed check, and will return the check to the requesting Program Manager for delivery to the payee. The staff person delivering the check to the payee will obtain a written acknowledgement of receipt in each case, showing the date received, check number, amount, and program, which will be kept with the check stub and other relevant backup documentation.

- F. Whether paid through Bill.com or through the Emergency Payables Procedure, once approved for issuance, a second approval/signature is required for all checks over \$3,500.00.
- G. All requests by staff for reimbursement for the purchase of goods must be accompanied by invoices and source documentation, submitted to the Finance Department accompanied by the proper approval and verification of receipt of goods as ordered.
- H. Purchase orders, packing slips or receipts are matched with invoices or credit card statements prior to coding of expense to determine cost and ensure receipt.
 - a. Outstanding accounts payable to vendors are maintained on a current basis and CAAS pays vendors on a net 30 basis unless vendor requires different terms.
 - b. Expenditures related to accounts payable are carefully reviewed by the DoF as well as by relevant members of the Management Team so they are charged to appropriate funding source and cost center, and are considered to be organizational liabilities of CAAS.
 - c. Payments may be made only to the appropriate party and only for the actual services rendered or products delivered.
 - d. Once the transaction is posted to the General Ledger, the DoF will determine the current cash needs and request any grant drawdowns as needed.
 - e. Stale checks are reviewed periodically and vendors are contacted. In most cases when the payee is contacted the checks are voided and reissued. Checks uncashed after sixty days are reviewed on a monthly basis with documented vendor contact until the account is resolved.

1-15. Gift Cards

- A. Upon need, CAAS may decide to provide support to participants in the form of gift cards.

- B. Purchases of gift cards should follow the procurement procedure stated above and requests should be made through the Finance Department.
- C. The Finance Department will order gift cards and process payment.
- D. Gift cards will be delivered to the program director responsible for distribution. The program director will verify the order, sign, and date the packing slip delivered with the order. A copy of the signed packing slip will be sent to the Finance Department to be verified against the payment/ invoice
- E. Gift cards should be treated as cash and should be stored in a safe and secure location.
- F. The program director will log in all the gift cards received into an inventory tracking sheet showing the gift card number and dollar value. The program director will maintain and update the log on an ongoing basis with the participant name, address, and date issued/ mailed to track the distribution of gift cards to participants.
- G. Participants will sign a gift card receipt form at the point of receipt. A copy of the signed receipt form will be sent to the Finance Department along with the inventory log for further verification.
- H. For whatever reason, if it is not safe or possible for staff to give cards to participants directly, gift cards will be mailed to the participants with a number to call and confirm receipt. In case the participant does not call within 5 business days of mailing the gift card, a staff member should call the participant and confirm receipt.
- I. The Finance Department will perform a periodic (at least quarterly) reconciliation of the gift card account.

1-16. Petty Cash

- A. As a general rule CAAS does not use petty cash. However, from time to time petty cash is the most expedient method of satisfying CAAS' obligations (such as paying for child care during a Board of Directors' meeting). In such cases, use of petty cash is restricted to business purposes only and only for purchases under \$50 and where preparation of a check is not feasible.

- B. The DoF is the custodian of the petty cash. The cash is kept in a secure locked location. A log is maintained for cash disbursed pending receipts. The petty cash account is maintained at \$300; the petty cash box will be replenished whenever cash on hand drops below \$100.
- C. Staff are required to obtain the approval of their supervisor on a petty cash request form, and to provide receipts for all petty cash purchases.
- D. For replenishment a check request is prepared with all receipts attached and coded to applicable cost centers.
- E. The Finance Department shall perform a monthly reconciliation of the petty cash account.

1-17. Lyft/Uber/Travel Vouchers

- A. From time to time CAAS staff, volunteers, and clients need access to local transportation for agency purposes. The preferred method of payment is through CAAS' Lyft or Uber business accounts, with the car service companies billing CAAS directly. In cases where use of these accounts is not feasible, the traveler may request reimbursement through the petty cash procedure outlined above. In all cases an appropriate supervisor must approve the travel expense, preferably in advance.

1-18. Revenue Recognition

- A. Grant revenue is recognized when received. For the internal financial statements the excess revenue after expense is temporarily deferred. At year end this is reviewed and unutilized revenue is coded as temporarily restricted for either purpose or time.
- B. When funds are received into an interest bearing account a journal entry is posted to interest income. The offsetting entry will be posted to the various grants based on a percentage of revenue received for that time frame. As provided in 2 CFR Part 200.305(b)(9) subject to the requirements of 2 CFR Part 200 and to the extent required by law, interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services. Interest amounts up to \$500 per year may be retained by CAAS for administrative expenses.

1-19. Accounts Receivable

- A. At present CAAS does not charge for any of its goods or services.

- B. Pledges and grant agreements are forwarded by program directors to the Finance Department for recording as appropriate in the accounting system.
- C. The DoF prepares the drawdowns for Head Start.
- D. Invoices are recorded in the accounting system to reflect all income.
- E. Many payments by DHHS, EEC and other vendors are electronically deposited. These items are posted to the general ledger by the Finance Department.
- F. Checks and cash received are deposited by the Deputy Executive Director at least weekly at the Rockland Trust Union Square branch. All checks are scanned, and the scans, together with the deposit slip, deposit schedule, and backup documentation are emailed to the DoF for recording in Quickbooks. Any deposit containing donated funds will be CC'ed to the Development Associate and the Executive Director.
- G. From time to time there may be cash collected off-site at an event. In these cases the event staff and Finance Department will create and agree upon appropriate cash procedures for the event on a case by case basis.

1-20. Billing

- A. Each funding source has specific billing requirements. When new grants or contracts come in, documentation is reviewed to determine billing requirements. Some grants require full documentation; others are completed electronically.
- B. Invoice preparation is done in accordance with donor/vendor specifications; invoices are generally prepared by the relevant program director.
- C. Invoices are reviewed by the Finance Director and compared to the monthly expenses in review of the monthly financials.

1-21. Payroll & Fringe Benefits

- A. Employee labor charges are based on payroll costs which are accumulated from timesheets. Most staff work on one cost objective and are allocated to a cost center. Monthly or by payroll reports are generated from the payroll system and entered into the accounting system monthly.

- B. Timesheets are required for all staff in the processing of payroll. Timesheets must be signed electronically in CAAS' payroll company's platform (currently Checkwriters) by both the staff person and supervisor; the exception is employees on leave, whose time can be approved by their supervisor.
- C. All time entered is reviewed by the DoF. Once payroll is verified the payroll is submitted.
- D. The payroll report is sent by the payroll company to the DoF. After review the payroll cash transfer is made; most payments are made via direct deposits.
- E. Employee leave activity is accounted for as a part of salary costs without being identified separately. Employee leave costs are directly charged to programs in the same proportions as salary costs for the relevant employee.
- F. Annual or vacation leave is tracked by pay period and the general ledger is updated annually at the time of the audit.
- G. Gross payroll for the corporation and labor costs among projects and activities are reconciled each pay period and on a year-to-date basis.
- H. Fringe benefits are pooled and allocated on a monthly basis using percentage of salary to cost centers.
- I. CAAS complies with all lawful garnishment orders.
- J. In order to ensure that the Board of Directors is fully aware of the Executive Director's total compensation, a) any requests for approval of COLA increases or other salary adjustments presented to the Board will include an explicit statement of the effect of such request on the ED's compensation, if any (amounts going to other staff will remain unstated for reasons of confidentiality); and b) prior to the implementation of any such increase or adjustment, the Director of Finance must receive a copy of the Board-approved minutes (signed by the Clerk and President in accordance with CAAS' usual practice) of the Board meeting at which the increase or adjustment was approved.

1-22. Credit Card

- A. CAAS has strong internal controls on credit cards. Credit cards are held by ED, Deputy ED, Director of Head Start, Director of Housing Advocacy Program, and Director of Community Organizing & Advocacy, as well as the Board President. No other employee or Board member may be issued a credit card without the approval of the Board of Directors. The spending limit for each card is determined by the ED in consultation with the Treasurer, taking into account the needs of CAAS and of the particular program, but shall generally be between \$3,000 and \$10,000 per month per card. Credit cards should be kept either upon the holder's person or in a locked office.

- B. All credit card holders are required to sign a credit card agreement governing the use of the CAAS credit card at the point of receiving the card. The credit card agreement form is provided as Appendix 5 to this manual. Credit cards may be used only for reasonable and necessary business expenses, consistent with the requirements in this Manual for incurring costs that are reasonable, necessary, documented, and within the relevant budgeted amounts. Card holders must promptly report the loss, misuse, or theft of a card or any fraudulent or unauthorized use or misuse.
- C. Receipts are required for all credit card purchases, as well as prior approval as outlined in the procurement guidelines.
- D. Credit card statements and receipts are reviewed prior to payment by the DoF, who is not a card holder.
- E. Credit card reports are provided monthly to both the Finance Committee of the Board of Directors, the full Board of Directors, and the Policy Council.
- F. The credit card bill is paid in full upon receipt in order to avoid payment of interest and late fees. Any charge that is questioned (whether by a staff member, the Finance Committee, the Policy Council, or a Board Member) will be reported to the DoF, who will work with the ED and the Finance Committee to resolve any issues.

1-23. Property

- A. The Deputy ED oversees maintenance of CAAS' administrative offices at 66-70 Union Square. The Site Supervisor, supervised by the director of Head Start, oversees maintenance at Head Start facilities.
- B. There is a detailed cleaning and maintenance schedule completed annually to ensure safety in all locations.
- C. Head Start facility leases are managed by the Director of Head Start and are executed by the ED.

1-24. Capital Assets

A capital asset is defined as any single item costing more than \$5,000 and having a useful life of more than one year. CAAS maintains a capital asset inventory using FAS First Step Software. This list is maintained by the financial staff and includes the following information on each asset:

- A. Asset Number
- B. Useful Life

- C. Date of Purchase
- D. Vendor
- E. G/L Expense Account
- F. G/L Accumulation Account
- G. G/L Asset Account Number
- H. Current Accumulated Depreciation
- I. Ownership

At the end of each fiscal year, all capital assets purchased during that year will be added to this list. After the list is complete, the DoF will prepare the adjusting entries and the depreciation entry for the fiscal year.

AMORTIZATION: The cost, less any residual value of a capital asset with a limited life, will be amortized over its useful life on a straight-line basis. CAAS will maintain complete and separate accumulated amortization accounts for each significant and meaningful capital asset category. At the minimum the following categories will be required:

Land Improvements	40 years
Buildings	50 years
Furniture and Equipment	5 years

On an annual basis the Finance Committee and the external auditor will review, and amend as necessary, CAAS' policy on amortization. If applicable, the basis of CAAS' policy on amortization will be included in the year-end notes to the audited financial statements.

1-25. Borrowing Policy

This document details the necessary authorizations, limits and requirements to borrow operational and capital funds for CAAS. Such borrowings include: overdrafts, promissory notes, banker's acceptances, leases, and mortgages with Banks and Trust groups, and debentures. This policy is divided into two sections: operational short-term borrowing and long-term borrowing.

OPERATIONAL SHORT TERM BORROWING:

- A. PURPOSE: Normally these funds will be required as part of the daily cash management activities of CAAS and will be used to bridge the gap between the timing of expenditures and the timing of the receipt of budgeted income.
- B. TERMS: It is expected that the term of these commitments will be less than one year. Typically they are 30-90 day transactions. Usually overdrafts, promissory notes, or banker's acceptances are used.
- C. AUTHORIZATION: The ED or the Board Treasurer is empowered to authorize transactions under this section. The person responsible for cash management (in CAAS' case, the DoF) normally carries out such transactions.
- D. LIMITS: The annual cash flow projections presented as part of the annual budget, modified during the year by any subsequent short term financing of approved capital projects and by timing differences, will define the limits in any given year. The ED, the DoF, and the Treasurer will review updates of CAAS' cash position as required.

LONG TERM BORROWING:

- A. PURPOSE: To finance capital projects and capital equipment.
- B. TERMS: Terms of the transactions will be for longer than one year. Each project proposal will contain a recommendation on the interest rate and term to maturity of the financing. The instruments chosen may include leases, mortgages, SWAP agreements, Forward Rate agreements, and debentures.
- C. AUTHORIZATION:
 - a. Capital Projects and Capital Equipment of five hundred thousand dollars (\$500,000) or less:
 - i. The ED is authorized to approve such items that have been identified within the budgeting process and which have received Board approval. The Board will be informed of this action at their next regularly scheduled meeting.
 - b. Capital Projects and Capital Equipment in excess of five hundred thousand dollars (\$500,000):
 - i. For capital projects and capital equipment in excess of five hundred thousand dollars (\$500,000) Board approval is required in advance of the commitment. The Finance Committee will inform the Board of Directors on the financial terms of the proposed transaction. The ED will inform the Board on the need for the project or the piece of equipment.

- D. LIMITS: The limit of any transaction will be specific to the individual proposal. Each proposal will include a repayment schedule and the revenue source.

1-26. Depreciation

DEPRECIATION METHOD: Depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	20-33 1/3 years
Equipment	3 –10 years
Leasehold Improvements	5-27 ½ years
Motor Vehicle	3-5years

ASSETS PURCHASED WITH AGENCY FUNDS ON BEHALF OF A PROGRAM: On occasion, due to lack of funds or other factors, CAAS will use its monetary resources to purchase a capital asset for a program. When this occurs, CAAS will depreciate the item against the grant during the grant’s normal year until fully depreciated. This will cause the depreciation to be shown as an ongoing expense to the program and will serve to repay CAAS for the asset over time. This is reimbursable depreciation.

ASSETS PURCHASED WITH CAPITAL BUDGET FUNDS: When an asset is purchased by a grant with approved capital budget funds, that grant cannot again be charged for accumulated depreciation. The depreciation on this type of asset is non-reimbursable.

NEW ASSETS: In the year that an asset is purchased, after the final billing has been completed, the total purchase price of the asset is credited to the grant. A corresponding debit entry is made to the G/L asset account. In this way, CAAS’ property, plant and equipment are properly recorded.

EXISTING ASSETS: At the beginning of each year, a depreciation schedule of all existing assets shall be prepared. Each month, a credit will be made to the appropriate Accumulated Depreciation account for those assets with a corresponding debit made to the program that originally purchased this item.

NET PROPERTY, PLANT AND EQUIPMENT: Net Property, Plant and Equipment is calculated by subtracting the total value of the accumulated depreciation from the total value of accumulated assets as shown on the trial balance.

DISPOSAL: Disposals of equipment are to be recorded during the annual or bi-annual inventory process. Under no circumstances is the staff to remove or dispose of old equipment without the approval of the DoF. No old, distressed, or destroyed equipment will be given, sold or gifted to staff or clients without written approval of the financial staff.

1-27. Capital Assets and Capitalization

POLICY: On an annual basis the Finance Committee and the external auditor will review and amend, as necessary, CAAS' policy on capitalization. If applicable, the basis of the policy will be included in the year-end notes to the audited financial statements.

PROCEDURE: Capital assets can be either tangible or intangible properties. To be considered a capital asset all of the following criteria must be met:

- A. The asset must be held for either use in the provision of service, for administrative purposes, for production of goods or for the maintenance, repair, development or construction of other capital assets
- B. The asset must have been acquired, constructed or developed with the intent of being used on a continuing basis
- C. The intent is not to sell the asset in the ordinary course of operations
- D. The asset is not held as part of a collection.

The cost of the capital asset to be recorded in CAAS' accounts will include the amount of consideration given up to acquire, construct, develop, or better an existing capital asset. Moving costs, installation costs and the cost to bring the condition of the asset to the level necessary for its intended use will also be considered part of the capital cost.

The DoF will maintain complete and separate accounts for each significant and meaningful capital asset category. At the minimum the following categories will be maintained:

- A. Land Improvements
- B. Buildings
- C. Furniture and Equipment

The Finance Committee will review all repair, renovation and equipment purchases in excess of five thousand dollars (\$5,000) to determine if the cost should be capitalized or expensed. Expenditures less than five thousand dollars (\$5,000) will ordinarily be expensed in the year in which they occur.

1-28. Disposal of Surplus or Obsolete Assets

POLICY: To establish a procedure that simplifies the identification, declaration and disposal of surplus or obsolete furniture, equipment and materials owned by CAAS including:

- A. All furniture, equipment or materials that are additional to the requirements of a department after taking into account the needs of the department over the next two years,
- B. All furniture, equipment or materials rendered useless due to normal wear, breakage beyond economical repair, and/or considered valueless for trade-in purposes and,
- C. All technically obsolete equipment or materials that have been rendered obsolete due to advances in technology.

PROCEDURE: When furniture, equipment or material becomes surplus or obsolete, a standard Declaration Form should be prepared to provide the following information:

- A. Date the item was declared surplus or obsolete
- B. The name of the department and its general ledger accounting code
- C. Physical location of the item
- D. Quantity of items being declared (e.g. 6 tables)
- E. Complete description of the item (model, serial number, etc.)
- F. Original value of the item and the year purchased (estimate if not known)
- G. Condition of the item (good, fair, poor, or scrap)
- H. If the item is to be replaced

APPRAISED VALUE: After discussing the appraised value with the financial staff and with an expert, if required, the ED will establish the final value of the item.

PUBLIC SALE OF SURPLUS OR OBSOLETE FURNITURE, EQUIPMENT OR MATERIALS: Any surplus or obsolete furniture, equipment or materials that are not transferred to another department, or used as "trade-ins", will be offered for sale to CAAS' employees. If the article is not sold to an employee after ten working days then the article will be advertised for sale or donated to another non-profit agency.

1-29. Inventory Policy

CAAS is required by the state to conduct a physical inventory of assets purchased with capital budget funds annually and by the federal government to conduct a physical inventory every two years.

The Finance Department keeps a "Capital Assets Inventory" of all items costing \$5,000 or more for purposes of capitalization and depreciation. For all items purchased with federal funds, the following information shall be maintained on each piece of equipment as appropriate:

- A. Equipment Description
- B. Serial Number or other identifying number (as appropriate)
- C. Equipment location and condition
- D. Date of last inventory (can be held in separate file)
- E. Current Depreciation schedule
- F. Funding Source including award number if any
- G. Ownership (Agency, Federal Gov't, etc.)
- H. Acquisition date
- I. Acquisition cost
- J. Percentage of Ownership (i.e.: 50% DHHS, 50% Agency)
- K. Disposal/sale with date/price

The IT Consultant is responsible for maintaining CAAS's inventory of computers, phone systems, fax machines and copiers.

Any loss, damage or theft of equipment shall be reported to the ED. All equipment shall be maintained in such a way as to be kept in good, orderly and working condition. In the event that a piece of property is to be sold,

approval shall first be sought of the grantor whose funds were used to purchase such property, if applicable, in writing. Specifications shall be developed that allow for competition in the sale of any asset so as to assure the highest return or sale price available.

1-30. In-kind Donations

- A. The DoF is the primary contact for in-kind donations.
- B. Program directors are responsible for their in-kind supporting documentation, which is posted to the General Ledger by the Finance Department.
- C. Fair market value at the time of donation is used to determine value and is checked by the Finance Department prior to entry into the accounting system.

1-31. Insurance

- A. CAAS reviews insurance needs annually with its broker, or as needs arise. All insurance including health and welfare as well as liability is under one broker and they are aware of CAAS' business needs.
- B. Incidents are reported to the insurance company within 48 hours.

1-32. Employee Retirement Accounts

- A. CAAS offers a 403(b) retirement plan through Mutual of America. New employees will be automatically enrolled when they are first hired unless they specifically opt out. The minimum employee contribution is set at one percent (1%) of gross pay, and is taken out pre-tax. The maximum contribution is \$20,500 per year, subject to change per Federal guidelines and allowance.
- B. After one (1) year of service, CAAS will make contributions to each enrolled employee's account, whether or not the employee makes a contribution in that year. For Union members, CAAS contributes 4% of salary. For non-Union members, CAAS contributes 6% of salary, plus an additional amount equal to 25% of their contribution, so long as the amount does not exceed 1% of their salary.
- C. All contributions vest immediately.

- D. Deductions for employee share as well as CAAS' contributions are uploaded to the principal concurrently with each payroll.

1-33. Asset Management

CAAS holds excess cash in its operating account.

1-34. Record Retention

CAAS maintains records according to the following Document Retention Schedule. CAAS reviews the various contracts to ensure that we are following specific requirements that may come with certain funding and modifies record retention as necessary to ensure compliance. CAAS shall retain all financial records, electronic and paper, as required beyond the submission and acceptance of the final audit report. Paper records that are due to be destroyed will be destroyed by a document destruction company that offers secure and certified document destruction services. Destruction will be supervised by the DoF. A certification of document destruction will be obtained from the shredding vendor upon completion of destruction. Electronic records will be archived and stored with appropriate safeguards and security. The following table provides the minimum requirements CAAS will follow for records retention:

Type of Document	Minimum Requirement
Accounts payable ledgers and schedules	7 years
Audit reports	Permanently
Bank reconciliations	3 years
Bank statements	7 years
Checks (for important payments and purchases)	Permanently
Contracts, mortgages, notes and leases (expired)	7 years
Contracts and Grants (still in effect)	Permanently
Correspondence (general)	2 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	7 years

Deeds, mortgages, and bills of sale	Permanently
Depreciation schedules	Permanently
Duplicate deposit slips	2 years
Employment applications	3 years
Expense analysis/expense distribution schedules	7 years
Year end financial statements	Permanently
Insurance policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanently
Internal audit reports	3 years
Inventories of products, materials, and supplies	7 years
Invoices (to customers, from vendors)	7 years
Minute books, bylaws and charter	Permanently
Patents and related papers	Permanently
Payroll records and summaries	7 years
Restricted gift and donation documentation	Permanently
Personnel files (terminated employees)	7 years
Retirement and pension records	Permanently
Tax returns and worksheets	Permanently
Timesheets	7 years
Trademark registrations and copyrights	Permanently

1-35. Fraud, Waste, and Abuse

- A. **BACKGROUND:** This fraud policy is established to facilitate the development of controls that will aid in the detection and prevention of waste, fraud, or abuse against CAAS. It is the intent of CAAS to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct investigations.
- B. **SCOPE OF POLICY:** This policy applies to any irregularity, or suspected irregularity, involving employees as well as directors, Officers of the Board, volunteers, consultants, vendors, contractors, outside agencies doing business with CAAS and/or any other parties with a business relationship with CAAS.
- C. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title or relationship to the agency. Investigative activity involving a union employee will comply with the current union contract.
- D. **POLICY:** Management is responsible for the detection and prevention of waste, fraud, abuse, misappropriations and other irregularities. Each CAAS supervisor will be familiar with the types of improprieties that might occur within their area of responsibility, and be alert for any indication of irregularity.
- E. Any irregularity that is detected or suspected must be reported immediately by the reporting individual in accordance with the CAAS Whistleblower Policy, found in the CAAS Personnel Policies manual.
- F. **DEFINITIONS:**
 - a. **Fraud:** An intentional deception or misrepresentation made by a person(s) with the knowledge that the deception could result in generating an unauthorized benefit to an organization or individual. It includes any act that constitutes fraud under applicable federal or state statute or regulation.
 - b. **Waste:** The thoughtless or careless expenditure, consumption, mismanagement, use or squandering of resources owned or allocated to the agency.
 - c. **Abuse:** The excessive or improper use of an agency asset(s) and/or the intentional destruction, diversion, misapplication, maltreatment of resources owned, assigned or allocated to the agency.

- G. ACTIONS CONSTITUTING FRAUD: The terms fraud, defalcation, misappropriation, and other fiscal irregularities refer to, but not limited to:
- a. Any dishonest or fraudulent act
 - b. Misappropriation of funds, securities, supplies or other assets
 - c. Impropriety in the handling or reporting of money or financial transactions
 - d. Profiteering as a result of insider knowledge of CAAS activities
 - e. Disclosing confidential and proprietary information to outside parties
 - f. Accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to CAAS, accepting gifts of less than \$100 in value
 - g. Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
 - h. Any similar or related irregularity
- H. OTHER IRREGULARITIES: Irregularities concerning an individual's moral, ethical or behavioral conduct should be resolved by the supervisor of that individual's department and the ED. If there is any question as to whether an action constitutes fraud, the ED shall report the matter to the Internal Compliance Officer (as defined in the CAAS Whistleblower Policy).
- I. INVESTIGATIVE RESPONSIBILITIES: The Internal Compliance Officer has the primary responsibility for the investigation of all suspected fraudulent acts. If the investigation substantiates that fraudulent activities have occurred, the Internal Compliance Officer will report the complaint, allegations, and summary of actions in writing to the Board Compliance Officer (as defined in the CAAS Whistleblower Policy) for review and reporting purposes.
- J. Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made by the Executive Committee of the Board of Directors in consultation with legal counsel and senior management, as will any final decision on disposition of the case.
- K. CONFIDENTIALITY: The Internal Compliance Officer shall treat all information received confidentially. Any individual who suspects dishonest or fraudulent activity should follow the procedure set forth in

the Whistleblower Policy, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

- L. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of any person suspected but subsequently found innocent of wrongful conduct and to protect the CAAS from potential civil liability.
- M. AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD: The Internal Compliance Officer will have, free and unrestricted access to all CAAS records and premises, whether owned or rented and the authority to examine, copy, and/or remove all or any portion of the contents of CAAS' files, desks, cabinets, and other storage facilities without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.
- N. REPORTING PROCEDURE: Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is underway.
- O. An employee who discovers or suspects fraudulent activity should follow the procedure set forth in the Whistleblower Policy. The employee or other complainant may remain anonymous. No information concerning the status of an investigation will be given out except as set forth in the Whistleblower Policy. If asked, the proper response to any inquiries is: "I am not at liberty to discuss this matter". Under no circumstances should any reference be made to "the allegations", "the crime", "the fraud", "the forgery", "the misappropriation", or any other similar phrase or reference.
- P. TERMINATION: If an investigation under this section results in a recommendation to terminate an individual, the recommendation will be reviewed by the Executive Director (or, if the Executive Director is the subject of the investigation, by the Executive Committee of the Board of Directors) and by outside counsel before any such action is taken. The final decision to terminate an employee is made by the Executive Director (or, if the Executive Director is the subject of the investigation, by the Executive Committee of the Board of Directors).

SECTION 2. PROCUREMENT POLICY

2-1. Introduction and Purpose

In keeping with its commitment to maintain the highest standards of conduct and ethics, CAAS has adopted this Procurement Policy (“Policy”) to ensure that goods and services purchased by CAAS are obtained in a cost-effective manner and in compliance with applicable federal and state laws.

The acquisition processes described in this Policy apply to all purchases made by (1) CAAS’ Finance Department, and (2) CAAS programs independent of the Finance Department by employees, directors, officers, or agents (together, “CAAS Purchasers”). Purchases may also be subject to prior funding source approval and additional requirements imposed by grants or contracts. Program Directors are responsible for reviewing any such additional requirements, bringing them to the attention of the Finance Department, and ensuring that contractors and vendors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

2-2. Conflict of Interest

- A. CAAS Purchasers shall not participate in the selection, award, or administration of a contract if they have a real or apparent conflict of interest. Such a conflict arises when:
 - a. The CAAS Purchaser; any immediate family/household member; partner; or an organization that employs, or is about to employ, any of the above has a direct or indirect financial or other interest in or will receive a tangible personal benefit from a firm or individual considered for the contract award.
 - b. An “organizational conflict of interest” is created because of a relationship CAAS has with a parent, affiliate, or subsidiary organization that is involved in the transaction such that CAAS is or appears to be unable to be impartial in conducting a procurement action involving the related organization.
- B. CAAS Purchasers shall not solicit or accept gifts, money, gratuities, favors, or anything of monetary value, except unsolicited items or services of nominal value from vendors, prospective vendors, parties to subcontracts, or any other person or entity that receives, or may receive, compensation for providing goods or performing services for CAAS.
- C. All CAAS Purchasers shall review and comply with CAAS’ procedures for disclosing, reviewing and addressing actual and potential conflicts of interest.

- D. When any CAAS Purchaser finds themselves in a situation that breaches, has breached or is likely to breach this policy, the Purchaser will immediately disclose the matter to their immediate supervisor and to the ED. The supervisor will either take over the matter personally or will delegate it to another employee, ensuring in the process that no further breach of this policy occurs. In each case, where a breach of this policy has been reported to a supervisor, the ED will be immediately advised in writing of the breach. Any gift or benefit unknowingly received by an employee must be turned over to the Agency with a disclosure.

2-3. Procurement Requirements and Considerations.

- A. Competition. All procurements shall be conducted in a manner that provides, to the maximum extent practical, full and open competition. Procurements shall:
 - a. Avoid noncompetitive practices that may restrict or eliminate competition, including but not limited to:
 - i. Unreasonable qualification requirements.
 - ii. Unnecessary experience and excessive bonding requirements.
 - iii. Noncompetitive pricing practices between firms or affiliated companies.
 - iv. Noncompetitive contracts to consultants on retainer contracts.
 - v. Organizational conflicts of interest.
 - vi. Specifying “brand name” only instead of allowing “an equal to” product.
 - vii. Arbitrary actions.
 - b. Not intentionally split a single purchase into two or more separate purchases to avoid dollar thresholds that require more formal procurement methods.
 - c. Exclude contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for a proposal from competing for such procurement.
 - d. Include in any prequalified list an adequate number of current, qualified vendors, firms, or products.
 - e. Not preclude potential bidders from qualifying during the solicitation period.
 - f. Not use any geographic preferences (state, local or tribal) in the evaluation of bids or proposals, except where expressly mandated or encouraged by applicable Federal statutes.

B. Profit. For sole source procurements or when cost analysis is used, profit must be negotiated as a separate element of the procurement price.

- a. To establish a fair and reasonable profit, consider: complexity of work performed, risk borne by contractor, contractor's investment, amount of subcontracting, quality of contractor's record and past performance, and industry profit rates in surrounding geographical area for similar work.
- b. CAAS may not use either the cost plus a percentage of cost, or percentage of construction cost methods of contracting.

C. Minority Owned, Women Owned, and Small Business Vendors. CAAS is committed to taking all necessary affirmative steps to assure that minority business, women's business enterprises and labor surplus area firms ("MWSB Vendors") are used whenever possible. Such steps include:

- a. Placing qualified MWSB Vendors on solicitation lists;
- b. Soliciting MWSB Vendors whenever they are potential sources;
- c. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by MWSB Vendors;
- d. Establishing delivery schedules, where requirement permits, which encourage participation by MWSB Vendors;
- e. Using services and assistance, as appropriate, of such organizations as Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
- f. Requiring the prime contractor, if subcontracts used, to take affirmative steps listed in paragraphs (i) through (v) of this section.

D. Minimum Bonding Requirements. For construction or facility improvement contracts or subcontracts exceeding \$250,000, the requirements for bonding shall, at a minimum, be as follows:

- a. A bid guarantee from each bidder is equivalent to five percent of the bid price.
- b. A performance bond on the part of the contractor is for 100% of the contract price.
- c. A payment bond on the part of the contractor is for 100% of the contract price.

- d. All bonds required in this section are obtained from companies holding certificates of authority as acceptable sureties pursuant to the surety requirements for companies doing business with the United States (31 CFR Part 223).
- E. Solicitations. All solicitations shall incorporate a clear and accurate description of the technical requirements for products or services to be procured. Descriptions:
- a. Must not contain features which unduly restrict competition.
 - b. May include a statement of the qualitative nature of the material, product or service to be procured.
 - c. When necessary, must set forth minimum essential characteristics and standards necessary to satisfy its intended use.
 - d. Must avoid detailed product specifications if at all possible.
 - e. May use a “brand name or equivalent” description to define performance or other salient requirements when impractical or uneconomical to make a clear and accurate description of technical requirements. Specific named brand features required to be met must be clearly stated.
 - f. Must identify all requirements which offerors must fulfill and all other factors to be used in evaluating bids and proposals.
- F. Considerations. CAAS Purchasers should consider taking the following actions when procuring goods and services:
- a. Conduct a lease vs. purchase analysis, when appropriate, including for property and large equipment.
 - b. Consolidate or break out procurements to obtain a more economical purchase, if possible.
 - c. Use state and local intergovernmental or inter-entity agreements, or common or shared goods and services, where appropriate.
 - d. Use federal excess and surplus property in lieu of purchasing new equipment and property, if feasible and reduces project costs.
 - e. Use value engineering clauses to offer reasonable opportunities for cost reductions in construction contracts for projects of sufficient size.

- f. Use time and materials contracts only if no other contract is suitable and the contract includes a ceiling price that the contractor exceeds at their own risk. If such contract is negotiated and awarded, CAAS must assert a high degree of oversight to obtain reasonable assurance that contractor using efficient methods and effective cost controls.

2-4. Procurement Methods

- A. All procurements. All procurements made under this policy shall:
 - a. Be necessary, at a reasonable cost, documented, not prohibited by law or the applicable funding source, and made in accordance with this Policy.
 - b. Avoid acquiring unnecessary or duplicative items.
 - c. Engage responsible vendors who possess the ability to perform successfully under the terms and conditions of a proposed procurement. CAAS Purchasers shall consider: vendor integrity, public policy compliance, past performance record and financial and technical resources.
- B. Standard Methods. For transactions meeting the specifications set forth in Appendix 1, CAAS Purchasers shall follow the applicable procurement method set forth therein.
- C. Exceptions to Standard Methods.
 - a. Sole Source. Procurement by solicitation of a proposal from a single source may only be used if one of the following apply and are documented:
 - i. Item is only available from a single source;
 - ii. Public exigency or emergency will not permit any delay;
 - iii. Federal awarding agency or pass-through expressly authorizes in response to a CAAS request; or
 - iv. After soliciting a number of sources, competition is determined inadequate.

2-5. Procurement Procedures

See Appendix 2 for CAAS Procurement Procedures.

2-6. Contract Provisions

All CAAS procurement contracts shall contain the applicable contract provisions contained in Appendix II to 2 CFR Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.

2-7. Documentation

- A. Debarment. CAAS shall either:
 - a. Confirm and document that the vendor is not excluded from doing business with the federal government (see www.sam.gov/SAM/) before entering into a contract; or
 - b. Obtain a signed Debarment Certificate substantially in the form of Appendix 3.
- B. Lobbying Certificate. CAAS shall obtain signed Lobbying Certificates substantially in the form of Appendix 4 for procurements > \$100,000.
- C. Records. CAAS shall maintain records sufficient to detail the history of each procurement transaction. These records must include, but are not limited to:
 - a. A description and supporting documentation showing rationale for procurement method (e.g., cost estimates);
 - b. Selection of contract type;
 - c. Written price or rate quotations (such as catalog price, online price, email or written quote), if applicable;
 - d. Copies of advertisements, requests for proposals, bid sheets or bid proposal packets;
 - e. Reasons for vendor selection or rejection, including Finance Committee and Board minutes, rejection letters and award letter; and
 - f. The basis for the contract price.

2-8. Compliance with this Policy

Program Directors and the Finance Department shall maintain oversight to ensure that contractors and vendors perform in accordance with the terms, conditions, and specifications of contracts or purchase orders. Violations of this policy may result in disciplinary action, up to and including termination.

APPENDICES

Appendix 1: Standard Methods of Procurement

TYPE	THRESHOLD	METHOD
<i>MICRO-PURCHASE</i>	< \$10,000	<ul style="list-style-type: none"> - Price must be reasonable - Periodically distribute purchases equitably among qualified vendors
<i>SMALL PURCHASE</i>	\$10,000.01 < \$250,000	<ul style="list-style-type: none"> - Obtain written price or rate quotations from at least two qualified vendors - Example documentation: catalog price, online price, email or written quote
<i>SEALED BIDS</i>	> \$250,000	<p><u>PRE-SOLICITATION</u></p> <ul style="list-style-type: none"> - Conduct cost or price analysis <p><u>SOLICITATION</u></p> <ul style="list-style-type: none"> - Publicly advertise invitation for bids - Include specifications or information sufficient for bidders to respond - Provide adequate time to respond - Solicit a sufficient number of bids <p><u>BID REVIEW/SELECTION</u></p> <ul style="list-style-type: none"> - Open bids at time and place set forth in invite - Award to lowest responsive and responsible bidder - May reject bids for sound, documented reason - Award written, fixed price contract

COMPETITIVE
PROPOSALS⁵⁸

> \$250,000

PRE-SOLICITATION

- Conduct cost or price analysis

SOLICITATION

- Publicly advertise request for proposals
- Identifies all evaluation factors and their relative importance
- Solicit bids from at least two vendors

PROPOSAL REVIEW/SELECTION

- Consider all proposals to maximum extent practical
 - Use written method to conduct technical evaluations of the proposals
 - Award contract to bidder with most advantageous proposal, considering price and other factors
 - Award fixed price or cost-reimbursement contract
-

Appendix 2: CAAS Procurement Procedures

A. Frequency of Procurement

- a. A Procurement Period is the period of time after the initial procurement procedure, i.e., a quote or request for proposals, and before CAAS must conduct a new procurement process.
- b. Unless otherwise stated, Procurement Periods can vary in length.
 - i. Factors to consider when setting a Procurement Period: length of funding source contract, complexity of funding source requirements, type of service to be provided, customization needed.
- c. Generally, CAAS should conduct a procurement for most goods and services every three to five years. However, the frequency at which CAAS conducts procurement processes should be reasonable and should take into account funding source requirements as well as the nature of the goods and services procured. Unless otherwise specified, the default is for CAAS to conduct a procurement every five years.

B. New Contract/Purchase Order

- a. CAAS Purchaser determines the applicable and appropriate procurement method.
 - i. If micro-purchase or small purchase methods are appropriate, conduct procurement as outlined in this Policy and retain appropriate documentation of quotes and vendor selection, etc. If prior approval is required for the purchase, refer to step 2.
 - ii. If sealed or competitive bid methods are required, complete steps 2 through 5.
- b. If funding source approval is required, CAAS Purchaser shall work with the ED and the DoF to obtain. Depending on the procurement method used, CAAS Purchaser completes Bid Form and submits to the ED and the DoF as part of the approval process.
- c. CAAS Purchaser, in consultation with the Finance Department, formalizes the bid packet and submits it to local newspapers and public websites, such as The Boston Globe, The Somerville Times, Craigslist, and LinkedIn, as well as posting a notice of the bid packet's availability at Somerville City Hall.
- d. Depending on thresholds set for Board of Director's approval, CAAS Purchaser, in consultation with the ED and the DoF, either makes the procurement decision or presents all bid responses to the Finance Committee of the Board of Directors.
- e. If the Finance Committee is involved, it makes a recommendation on awarding the bid to the Board of Directors. Bid award is reviewed and voted on by the Board of Directors and noted in Board minutes.

C. Extension/Renewal of Existing Contract/Purchase Order

- a. For procurements > \$250,000, if the Procurement Period has not expired, CAAS Purchaser may amend or renew an existing contract/purchase order to extend its term for the remainder of the Procurement Period if any adjustment in price is deemed reasonable pursuant to a cost analysis, and all other terms remain the same.
 - i. Example, if the competitive procurement covered a 5 year period and the initial contract/purchase order was for two years, CAAS Purchaser may extend the term of

the initial contract/purchase order for up to three years so long as the price is deemed reasonable pursuant to a cost analysis and all other terms remain the same.

- b. For procurements \leq \$250,000, if the Procurement Period has not expired, CAAS Purchaser may amend or renew an existing contract/purchase order to extend its term for the remainder of the Procurement Period if any adjustment in price is deemed reasonable and all other terms remainder the same.

Appendix 3: Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion Lower Tier Covered Transactions

Instructions for Certification

1. By signing and submitting this contract or proposal, the prospective lower tier participant is providing the certification set out below.
2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.
3. The prospective lower tier participant shall provide immediate written notice to the person to which this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or had become erroneous by reason of changed circumstances.
4. The terms covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principal, proposal, and voluntarily excluded, as used in this clause, have the meaning set out in the Definitions and Coverage sections of rules implementing Executive Order 12549. The term "principals" includes, but is not limited to, officers, directors, owners, partners, and principal investigators. You may contact the person to which this proposal or contract is submitted for assistance in obtaining a copy of those regulations.
5. The prospective lower tier participant agrees by signing and submitting this contract or proposal that should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.
6. The prospective lower tier participant further agrees by submitting this proposal that it will include this clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion- Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, ineligible, or voluntarily excluded from covered transactions, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its

principals. Each participant may, but is not required to, check the List of Parties Excluded from Federal Procurement and Nonprocurement Programs.

8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

9. Except for transactions authorized under paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

**Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion
Lower Tier Covered Transactions**

(1) The prospective lower tier participant certifies, by signing and/or submission of this proposal or contract, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.

(2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Name of Vendor, Contractor, or Subgrantee:

Signature:

Name of Authorized Signatory:

Title:

Date:

Appendix 4: Certification Regarding Lobbying

The undersigned certifies, to the best of their knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Signature:

Title:

Organization:

Appendix 5: CAAS Staff Credit Card Agreement

CAAS will issue company credit cards to certain employees for use in their jobs. This policy sets out the acceptable and unacceptable uses of such credit cards.

- A. Use of company-issued credit cards is a privilege that CAAS may withdraw at any time, with or without cause. Upon an employee's termination of employment at CAAS, all cards must be returned to Human Resources.
- B. The employee in possession of the company credit card is solely responsible for following all procurement guidelines and approval process in accordance with CAAS' existing financial policies. Card holders must ensure that their card is not used by unauthorized personnel and card numbers are not to be distributed.
- C. I agree to immediately notify the credit card company as well as the Finance Department discovering this card has been lost, misused or stolen, or this card has been the subject to fraud, unauthorized use or misuse. I agree to cooperate with any investigation concerning the loss, theft, or suspected misuse of this card and complete any required reports.
- D. Any credit card CAAS issued to an employee must be used for business purposes only, and for purposes in conjunction with the employee's job duties. Employees with such credit cards shall not use them for any non- business purpose. Non-business purchases are considered any purchases that are not for CAAS' benefit.
- E. Business-related expenses, such as food and lodging while on CAAS-approved business travel, may be purchased on the company credit card as long as these purchases are consistent with CAAS' travel and expense reimbursement policy.
- F. Staff should utilize form ST-2 as CAAS is exempt from payment of Massachusetts State Sale tax. Any sales tax paid due to wilful non-use of ST-2 certificate will be considered a personal expense.
- G. If any accidental purchases or sales tax purchases are made on the credit card, the employee agrees to refund CAAS for the expense by either writing a check or via payroll withholding.

H. I agree to reconcile my expenses in a timely manner and to complete a credit card report each month.
The credit card report along with all the related receipts are due to the Finance Department by the 15th of every month.

I. I understand that I can go online to view my credit card statement at any time.

I, _____ agree to the above requirements for credit card use.

Signature _____ Date

Appendix 6: Bill.com AP Approval Roles

All expenses entered into Bill.com must be approved prior to payment as follows:

1. Program Directors will pre-approve program-related expenses in Bill.com.
2. The ED must approve all expenses after step 1 above, including agency-wide expenses not requiring pre-approval by Program Directors.
3. For all expenses over \$3,500, a second approver must approve. The second approver is any person authorized to sign checks on CAAS' behalf other than the ED.

Appendix 7: Standard Monthly Close Checklist

Monthly (within 15 days of month end):

- A. Reconcile all bank statements
- B. Reconcile Intercompany Accounts
- C. Review Accounts Receivable Aging
- D. Review and adjust pre-pays to schedules
- E. Verify Fixed Asset Changes-Copies of invoices for any fixed asset additions
- F. Verify Inventory
- G. Verify Work-in-Process
- H. Verify Customer Deposits
- I. Verify Deferred Revenue
- J. Reconcile Credit Card Liabilities
- K. Review Accounts Payable Aging
- L. Verify Payroll Liabilities if applicable
- M. Review/Record Accrued expenses
- N. Reverse Prior Period Accruals if applicable
- O. Reconcile all Loans Payable
- P. Review all transactions
- Q. Verify all P & L items classed

Quarterly

- A. Reconcile payroll to federal and state quarterly reports
- B. Vendor Review for Independent Contractor status – mail W-9s

Annually

- A. Reconcile payroll to federal and state quarterly reports

- B. Final 1099 Review & Compilation/mailing of 1099s
- C. Corporate Annual Reports
- D. State Tax/Extension payment as required by entity
- E. Compile supporting docs and file for CPA/Auditors

Monthly & Annual Report Functions

- A. Review & Summarize Balance Sheet (Key Indicators)
- B. Cash Position
- C. Debt Position
- D. Equity Position
- E. Liquidity
- F. Compile Proprietary Monthly Reports for Management/Board

- _____
- _____
- _____
- _____
- _____
- _____