

ACTION ITEM SUMMARY

DESCRIPTION	Accounting and Financial Policies and Procedures Revisions
Reason for Recommended Action	<p><u>Revisions due to updated, corrected, or clarified regulations:</u> <i>From Grants and Operations Manager:</i></p> <p>F304 – <u>Charging of Costs to Federal Awards</u>, OMB correction.</p> <p>F306 – <u>Travel and Business Expenses</u>,</p> <ul style="list-style-type: none"> • added to “Employee and Director Business Travel” section, #3, “Note: “Airbnb” expenses are not allowable/reimbursable.” (This is per e-mail from Donna Budd, DMS.myflorida.com, dated 01/16/19 stating that Airbnb would not be reimbursable for state agencies.) (Also added to Personnel policy #HR404.) • changed language regarding board member travel approval as a corrective action item for the OEL Fiscal Monitoring that began 01/28/18. <p>F405 – <u>Leases</u>, OMB correction.</p> <p>F702 – <u>Annual Audit</u>, in section “How Often to Review the Selection of the Auditor”, changed from every three years to every four years. (Per 01/25/19 e-mail from OEL Supervisor FMSAS, Laura McKinley.)</p> <p><u>If this is not done, the following would occur:</u></p> <ul style="list-style-type: none"> • The Coalition’s Accounting and Financial Policies and Procedures would not be up-to-date, correct, nor compliant.
How the Action will be accomplished	Approval of Accounting and Financial Policies and Procedures revisions

F304 CHARGING OF COSTS TO FEDERAL AWARDS

Effective Date: 08/28/07

Revision Date: 09/16/09, 07/01/11, 12/07/16, 08/07/19

Overview

The Coalition charges costs that are reasonable, allowable, and allocable to a Federal award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal awards.

Segregating Unallowable from Allowable Costs

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each Federal award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Accounting personnel shall be familiar with the allowability of costs provisions of 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards particularly:
 - a. The list of specifically unallowable costs found in the Coalition cost allocation plan (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.
 - b. Those costs requiring advance approval from Federal agencies in order to be allowable in accordance with the most current version of OEL Final Guidance on Prior Approval Procedures for Selected Costs and Administrative Requirements, such as foreign travel, equipment purchases, etc.
3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
4. For each Federal award, an appropriate set of general ledger accounts (or account segments) shall be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a Federal award or to activity associated with a Federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e., if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit).

Criteria for Allowability

All costs must meet the following criteria from A-122 2 CFR Part 200 (OMB Uniform Guidance), in order to be treated as allowable direct or indirect costs under a Federal award:

1. The cost must be “reasonable” for the performance of the award, considering the following factors:
 - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the Coalition or the performance of the award;
 - b. Restraints imposed by such factors as generally accepted sound business practices, arm’s length bargaining, Federal and state laws and regulations, and the terms and conditions of the award;
 - c. Whether the individuals concerned acted with prudence in the circumstances;
 - d. Consistency with established policies and procedures of the Coalition, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be “allocable” to an award by meeting one of the following criteria:
 - a. The cost is incurred specifically for a Federal award;
 - b. The cost benefits both the Federal award and other work, and can be distributed in reasonable proportion to the benefits received; or
 - c. The cost is necessary to the overall operation of the Coalition, except where a direct relationship to any particular program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions of 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards or the Federal award itself.
4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of the Coalition.
5. Costs must be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles.
7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.
8. The cost must be adequately documented.

Written Procedures for Allowability of Costs - Required Contents [2 CFR Part 200.302(7)]

1. Procedures or disclosures for prohibited costs – see current OEL Grant Agreement and Fiscal Guidance regarding allowable and unallowable costs.
2. Procedures to evaluate allowability of costs – **a disclosure requirement.**

The Coalition applies the following questions to each transaction and documents the results.

Phase I Analysis – General considerations for allowable costs

- A. Consider requirements from federal regulations and program requirements
 - 1. Is the proposed cost allowable based on instructions from uniform grant guidance?
 - 2. Is the proposed cost consistent with the federal cost principles?
- B. Consider requirements from the federal awarding agency
 - 3. Is the proposed cost allowable based on agency-specific regulations?
 - 4. Is the proposed cost allowable based on the related terms/conditions that govern the agency's award to / agreement with OEL?
 - 5. Is the proposed cost consistent with the grant project performance measures or benchmarks?
- C. Consider requirements from applicable state guidance
 - 6. Is the proposed cost consistent with authorized grant program activities as described in the USDHHS-approved CCDF State plan?
 - 7. Is the proposed cost allowed by state expenditures guidance from state statutes, rules, regulations or guidance from DFS/DMS?
 - 8. Does the proposed cost comply with related grant program terms/conditions issued by OEL for grant awards, contracts, purchase orders and other expenditure agreements?
- D. Consider the period of performance
 - 9. Is the proposed cost for the allowed period of availability as defined for the funding program?
- E. Consider other oversight instructions
 - 10. If federal or state-level prior approval is required for the proposed cost, was this process followed?

Phase II Analysis – Specific factors affecting allowable costs

Several additional factors should be considered and documented by staff for cost transactions. The answer for each question listed here must be "yes" in order for staff to continue with the transaction.

- F. The proposed cost(s) is/are -
 - 11. Necessary
 - 12. Reasonable
 - 13. Allocable
 - 14. In conformance with federal law and grant terms and conditions
 - 15. Consistent with state and local policies
 - 16. Consistently treated
 - 17. In accordance with generally accepted accounting principles (GAAP) and other standards. Each non-federal entity that receives federal/state grant program funds must use accounting rules and procedures established by authoritative bodies or conventions that have evolved through custom and common usage.
 - 18. Not used as match on another federal award
 - 19. Net of applicable credits (2 CFR §200.406)
 - 20. Adequately documented

Priority of compliance with federal guidance. If instances of inconsistency are noted between USDHHS program guidance (i.e., 2 CFR §300 and 45 CFR Parts 98 and 99) and the OMB uniform

guidance (i.e., 2 CFR §200), the program-specific guidance instructions from USDHHS will govern and will supersede the standard instructions from 2 CFR §200 all circumstances.

Priority of compliance with state guidance. Please note State of Florida's program-specific instructions from state statutes, rules, regulations or guidance from the Department of Management Services (DMS) or the Department of Financial Services (DFS) also apply to and govern Florida's early learning programs. If instances of inconsistency are noted between federal level program guidance and the state's guidance on expenditures, the state guidance from DFS and DMS will govern.

Direct Costs

Direct costs include those costs that are incurred specifically for one award or non-Federal function. The Coalition identifies and charges these costs exclusively to each award or program.

Time sheets or personnel activity reports are also submitted on a regular basis, reflecting employees' work and which programs directly benefited from their effort. Time sheets or personnel activity reports shall serve as the basis for charging salaries directly to Federal awards and non-Federal functions. See the Payroll section of this manual for detailed procedures.

Equipment purchased for exclusive use on a Federal award and reimbursed by a Federal agency shall be accounted for as a direct cost of that award (i.e., such equipment shall not be capitalized and depreciated).

Indirect and Joint Costs

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular grant or program. Joint costs benefit more than one, but not necessarily all, awards. Indirect costs, but not joint costs, may be allocated to benefiting grants through the use of an indirect cost rate.

Examples of indirect costs are:

- The Accounting Department
- The Human Resources Department
- The Board of Directors

Examples of joint costs are:

- Shared space
- Vehicle insurance

Per Federal guidelines, each grant will be charged its fair share of costs. Any costs not reimbursed by a particular funding source will be charged to corporate or other funds that may cover indirect or joint costs after the allocation process is complete.

Direct and indirect costs are reviewed monthly by the Finance Manager to ascertain the allowability of the items charged to the grants.

Cost Pools – See Cost Allocation Plan

Accounting for Specific Elements of Cost – See Cost Allocation Plan

F306 TRAVEL AND BUSINESS EXPENSES

Effective Date: 08/28/07

Revision Date: 08/05/09, 08/03/11, 06/06/12, 12/07/16, 09/20/17, 08/07/19

Travel Regulations and Guidance

[2 CFR Part 200.302, Financial management systems; 200.303, Internal controls; DFS Reference Guide, DFS State Travel Manual; s. 112.061, F.S. Per diem and travel expenses of public officers, employees, and authorized persons; CFO Memo No. 06 (2016-17), chapter 69I-42 Florida Administrative Code (FAC); and FDOE Travel Policy DOE-IOP-500, effective 12/01/16.]

1. Policy disclosures
 - a. Travel expenses will be documented and reimbursed based on applicable state travel rules (includes DFS Reference Guide, State Travel Manual CFO Memos and OEL guidance).
 - b. Management has process in place to ensure proper authorization, review, approval, and guidelines to submit adequate supporting records. Includes blanket travel authorizations (if used), requirement to use state-issued travel authorization, travel advances and travel reimbursement forms that include all required signatures/statements from the traveler, requirement to use most economical and efficient method for each travel event.
 - c. Management has a process to ensure reimbursements do not exceed allowable amounts. Includes detail for allowable mileage reimbursement amounts, meal rates from statutes, travel per diem calculations, and recent travel restrictions to limit allowable daily room rates to \$150 per day per traveler. Also includes processes to ensure only reasonable and necessary business-related costs are incurred.
 - d. An independent review and approval process is in place for costs incurred by members of the management team.
 - e. Management has a process to document instances misuse by staff and issue notice of personnel actions taken/required (if applicable).

Travel Approval

In State:

All travel expenses (local and overnight), must be pre-approved by the C.E.O. (for Coalition employees), and by another Board Member or the Coalition Board of Directors (for the C.E.O. and/or Board members) prior to travel taking place.

The pre-approval can be processed using a 'blanket' approval for the entire fiscal year (to include an estimated dollar amount) or on an individual basis.

Out of State:

All out of state travel (for ALL Coalition employees and ALL board members) must be pre-approved by another Board Member or the Board of Directors prior to travel taking place.

Travel Advances

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance. Travel advances are generally limited to \$200 unless there is an extraordinary need for additional funds. Travel advances are to be used only for the purpose intended. Travel expenses are to be made in accordance with the Coalition's travel policies as explained later in this section.

Employees receiving travel advances are required to sign for the advance signifying their acknowledgement of, and agreement to, these policies. Employees receiving travel advances must submit an expense report within five (5) business days of returning from travel. Any outstanding advances more than 2 weeks old will be deducted from an employee's next paycheck.

Employee and Director Business Travel

All out-of-state Coalition related business travel must be pre-approved by the employee's immediate supervisor or the Board of Directors.

At the conclusion of the Coalition business trip, an employee or member of the Board of Directors that has incurred business-related expenses should complete an expense report in accordance with the following policies:

1. Identify each separately incurred business expense (i.e., do not group all expenses associated with one trip together).
2. With the exception of parking, tolls, reimbursed mileage, and per diems, all business expenses must be supported with invoices/receipts.
3. Vendor receipts/invoices must be submitted for all lodging and any expenditure other than meals. Credit card charge slips do not represent adequate supporting documentation – a hotel receipt must be obtained to substantiate all lodging expenditures. Note: "Airbnb" expenses are not allowable/reimbursable.
4. For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes).
5. Mileage will be reimbursed at the standard rates currently in effect with OEL.
6. The business purpose of each trip must be adequately explained on each report.
7. General ledger account coding must be identified for all expenditures.
8. For all meals and other business expenditures, the following must be clearly identified:
 - a. Names, titles, the Coalitions, and business relationships of all persons involved
 - b. The business purpose of the meal or other business event (topics discussed, etc.)
9. All expense reports must be signed and dated by the employee or board member.
10. All expense reports must be approved by the C.E.O.
11. Only one expense report form should be prepared for each substantial trip.
12. The Office Manager maintains a current "Frequent Trips" travel mileage log, for employee use. It is available on the Coalition share drive, and is updated at least annually.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the expense report results in a balance due to the Coalition (as a result of receiving a travel advance greater than actual business expenditures), the employee must return the cash to the Office Manager to deposit back into the Coalition checking account against the original check.

No further travel advances will be issued to any employee who has an outstanding balance due to the Coalition from previous business trips.

Reasonableness of Travel Costs

The Coalition shall reimburse travelers only for those business-related costs that are reasonably incurred. Accordingly, the following guidelines shall apply:

1. Suites and other upgraded rooms at hotels shall not be allowed. Travelers should stay in standard rooms.
2. Ask hotels for any available discounts – nonprofit, government or corporate rates.
3. When utilizing rental cars, travelers must rent compact size cars. When the number of passengers is more than two (2) or the volume of materials to be transported makes use of a compact vehicle impractical, travelers can rent a larger size relative to the needs. Share rental cars whenever possible.
4. Business-related long-distance telephone calls while away on business travel are permitted, but should be kept to a minimum. Expense reports should explain long-distance charges.
5. Personal long-distance calls while away on business are reimbursable if kept to a minimum, such as one nightly call home to family. Personal calls in excess of this shall not be reimbursed.
6. Whenever possible, travelers should utilize long-distance calling cards when placing calls while away on travel. Avoid using the hotel's long-distance service if possible.
7. Foreign travel charged to Federal grants must be approved in writing by the funding source prior to travel.

Special Rules Pertaining to Air Travel

The following additional rules apply to air travel:

1. Air travel should be at coach class or the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
 - a. Require circuitous routing
 - b. Require travel during unreasonable hours
 - c. Excessively prolong travel
 - d. Result in additional costs that would offset the transportation savings, or
 - e. Offer accommodations not reasonably adequate for the traveler's medical needs.
2. First class air travel shall not be reimbursed unless there is a documented medical reason, and such use must be documented.

3. Memberships in airline flight clubs are not reimbursable.
4. Cost of flight insurance is not reimbursable.
5. When airfare is \$500 or more, two quotes from a travel agency and/or an airline should be obtained and attached to the expense report.
6. When returning on a Sunday or departing on a Saturday in order to obtain a cost savings in airfare due to the Saturday-night stay-over, travelers should provide a total cost comparison (showing that the lower airfare plus an extra night lodging, meals & incidentals is less costly than airfare without the Saturday night stay-over).
7. Cost of upgrade certificates is not reimbursable.
8. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.).
9. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e., the Coalition will not reimburse for the personal legs of a trip).

Spouse/Partner Travel

The Coalition does not reimburse any employee or board member for separate travel costs (air fare, etc.) associated with his/her spouse or partner. The cost of a shared hotel room need not be allocated between employee/director and spouse/partner for purposes of this policy.

F405 LEASES

Effective Date: 08/28/07

Revision Date: 08/07/19

Classification of Leases

The Coalition classifies all leases in which the Coalition is a lessee as either capital or operating leases. The Coalition shall utilize the criteria described in Statement of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to the Coalition at the end of the lease term;
2. The lease contains a bargain purchase option;
3. The lease term is equal to 75% or more of the estimated economic life of the leased property; or
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased item.

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

Reasonableness of Leases

The Coalition assesses the value of leases according to the requirements of A-122-43 2 CFR Part 200 (OMB Uniform Guidance) as follows:

- The rate is reasonable when compared to similar property in the same area,
- The rate of any alternatives, and
- The type, life expectancy, condition and value of the property leased.

Rental arrangements will be reviewed every 3 to 5 years to determine if circumstances have changed and other options are available.

Accounting for Leases

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the lease payment is due. For leases with firm commitments for lease payments that vary over the term of the lease (i.e., a lease with fixed annual increases that are determinable upon signing the lease), the amount that the Coalition shall recognize as monthly lease

expense shall equal the average monthly lease payment over the entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability.

All leases that are classified as capital leases shall be treated as fixed asset additions. As such, upon the inception of a capital lease, the Coalition shall record a capitalized asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments).

Scheduled Increases in Rent Payments

Leases with fixed (determinable amounts stated in the lease) increases in monthly rental payments shall be accounted for in a manner that results in an equal monthly rent expense being reported in each month over the entire initial lease term. Accordingly, monthly rent expense in the first year of such leases shall be greater than the monthly cash payment, with the difference being recorded as a liability. This liability will be reduced in the later years of the lease when the monthly cash rent payment is less than the monthly rent expense. To the extent future rent increases are not determinable at the beginning of the lease (because they are based on inflation or other factors), the preceding policy shall not apply and monthly rent expense shall be equal to the monthly cash payment, except as noted below.

Rent Abatements and Other Lease Incentives

Abatements of monthly rent payments, cash incentives, and other lease incentives shall be accounted for in a manner that results in an equal amount of monthly rent expense over the term of the lease agreement (before considering the effects of inflation-based rent increases, which will increase rent expense over the term of a lease). As a result, incentives received up front or over the early months of a lease, shall be established as a liability in the Coalition accounting records (as deferred lease incentives or some similar name). This liability shall be amortized as an offset (credit) to rent expense over the term of the lease agreement.

Changes in Lease Terms

As described in earlier policies, deferred rent incentives are amortized over the initial lease term. If such lease term is changed prior to the expiration of the initial lease term, the Coalition will revise amortization to reflect the remaining lease term as of the effective date of the lease modification.

F702 ANNUAL AUDIT

Effective Date: 08/28/07

Revision Date: 02/12/13, 03/16/16, 12/07/16, 08/07/19

Role of the Independent Auditor

The Coalition will arrange for an annual audit of the Coalition's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the Board of Directors will be required to communicate directly with the Coalition's Executive/Administrative Committee upon the completion of their audit. In addition, members of the Executive/Administrative Committee are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the working papers and the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the independent accounting firm, after the financial statements have been reviewed and approved by the Executive/Administrative Committee.

How Often to Review the Selection of the Auditor

The Coalition shall review the selection of its independent auditor in the following circumstances:

1. Anytime there is dissatisfaction with the service of the current firm
2. When a fresh perspective and new ideas are desired
3. Every ~~3 years~~ four years to ensure competitive pricing and a high quality of service.

Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors shall be considered by the Coalition in selecting an accounting firm:

1. The firm's reputation in the nonprofit community
2. The depth of the firm's understanding of and experience with not-for-profit Early Learning Coalitions for the state of Florida and Federal reporting requirements under 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
3. The firm's demonstrated ability to provide the services requested in a timely manner
4. The ability of firm personnel to communicate with the Coalition personnel in a professional and congenial manner

If the Coalition decides to prepare and issue a written Request for Qualifications (RFQ) to be sent to prospective audit firms, the following information shall be included:

1. Period of services required

2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. The organizational structure of the Coalition
6. Chart of account information (upon request)
7. Financial information about the Coalition (upon request)
8. Copy of prior year reports (financial statements, management letters, etc.) (upon request)
9. Identification of need to perform audit in accordance with 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
10. Other information considered appropriate
11. Description of proposal and format requirements
12. Due date of proposals
13. Overview of selection process (i.e., whether finalists will be interviewed, when a decision shall be made, etc.)
14. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resumes) of key firm member who will serve the Coalition
3. Client references
4. Information about the firm's capabilities
5. Firm's approach to performing an audit
6. Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings
7. Other resources available with the firm
8. Expected timing and completion of the audit
9. Expected delivery of reports
10. Cost estimate including estimated number of hours per staff member
11. Rate per hour for each auditor
12. Other information as appropriate

Copies of all proposals shall be forwarded to each member of the Executive/Administrative Committee or the (ad hoc) RFQ Committee. If necessary, interviews of each firm may be conducted by the Executive/Administrative Committee or the (ad hoc) RFQ Committee, who makes the final recommendation to the Board of Directors for approval.

Preparation for the Annual Audit

The Coalition shall be actively involved in planning for and assisting with the Coalition's independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the Accounting Department shall provide assistance to the independent auditors in the following areas: **Planning** – The Finance Manager is responsible for delegating the assignments and responsibilities to staff in preparation for the audit. Assignments shall be based on the list of requested schedules and information provided by the independent accounting firm.

Involvement - The Coalition staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Coalition's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. The Coalition staff will provide requested schedules and documents to assist the auditors during any interim audit fieldwork.

Throughout the audit process, the Coalition will make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

Concluding the Audit

Upon receipt of a draft of the audited financial statements and working papers of the Coalition from its independent auditor, the Finance Manager and C.E.O. shall perform a detailed review of the draft and working paper, consisting of the following procedures:

1. Carefully read the entire report for typographical errors.
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of the Coalition.
3. Review each footnote for accuracy and completeness.
4. Review working papers for accuracy.

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Finance Manager and C.E.O.

It shall also be the responsibility of the Finance Manager and C.E.O. to review and respond in writing to all management letters or other internal control and compliance report findings and recommendations made by the independent auditor.

In addition, the Single Audit Clearinghouse form shall be completed and a copy submitted to the Executive/Administrative Committee.

Reporting Requirements

The Coalition will retain and distribute all records as identified in OEL OIG guidance OEL-IG-12-001, Audit and Audit Resolution Responsibilities, to fulfill the requirements of the annual audit reporting. This includes submitting (per the directions of this guidance), the appropriate documents (the "audit package") to the Federal Audit Clearinghouse, the Office of Auditor General, and the OEL Office of Inspector General.

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1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Accounting personnel shall be familiar with the allowability of costs provisions of 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards particularly:
 - a. The list of specifically unallowable costs found in the Coalition cost allocation plan (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.
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 - b. Restraints imposed by such factors as generally accepted sound business practices, arm’s length bargaining, Federal and state laws and regulations, and the terms and conditions of the award;
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 - d. Consistency with established policies and procedures of the Coalition, deviations from which could unjustifiably increase the costs of the award.
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 - 3. Is the proposed cost allowable based on agency-specific regulations?
 - 4. Is the proposed cost allowable based on the related terms/conditions that govern the agency's award to / agreement with OEL?
 - 5. Is the proposed cost consistent with the grant project performance measures or benchmarks?
- C. Consider requirements from applicable state guidance
 - 6. Is the proposed cost consistent with authorized grant program activities as described in the USDHHS-approved CCDF State plan?
 - 7. Is the proposed cost allowed by state expenditures guidance from state statutes, rules, regulations or guidance from DFS/DMS?
 - 8. Does the proposed cost comply with related grant program terms/conditions issued by OEL for grant awards, contracts, purchase orders and other expenditure agreements?
- D. Consider the period of performance
 - 9. Is the proposed cost for the allowed period of availability as defined for the funding program?
- E. Consider other oversight instructions
 - 10. If federal or state-level prior approval is required for the proposed cost, was this process followed?

Phase II Analysis – Specific factors affecting allowable costs

Several additional factors should be considered and documented by staff for cost transactions. The answer for each question listed here must be “yes” in order for staff to continue with the transaction.

- F. The proposed cost(s) is/are -
 - 11. Necessary
 - 12. Reasonable
 - 13. Allocable
 - 14. In conformance with federal law and grant terms and conditions
 - 15. Consistent with state and local policies
 - 16. Consistently treated
 - 17. In accordance with generally accepted accounting principles (GAAP) and other standards. Each non-federal entity that receives federal/state grant program funds must use accounting rules and procedures established by authoritative bodies or conventions that have evolved through custom and common usage.
 - 18. Not used as match on another federal award
 - 19. Net of applicable credits (2 CFR §200.406)
 - 20. Adequately documented

Priority of compliance with federal guidance. If instances of inconsistency are noted between USDHHS program guidance (i.e., 2 CFR §300 and 45 CFR Parts 98 and 99) and the OMB uniform guidance (i.e., 2 CFR §200), the program-specific guidance instructions from USDHHS will govern and will supersede the standard instructions from 2 CFR §200 all circumstances.

Priority of compliance with state guidance. Please note State of Florida’s program-specific instructions from state statutes, rules, regulations or guidance from the Department of Management Services (DMS) or the Department of Financial Services (DFS) also apply to and govern Florida’s early learning programs. If instances of inconsistency are noted between federal level program guidance and the state’s guidance on expenditures, the state guidance from DFS and DMS will govern.

Direct Costs

Direct costs include those costs that are incurred specifically for one award or non-Federal function. The Coalition identifies and charges these costs exclusively to each award or program.

Time sheets or personnel activity reports are also submitted on a regular basis, reflecting employees' work and which programs directly benefited from their effort. Time sheets or personnel activity reports shall serve as the basis for charging salaries directly to Federal awards and non-Federal functions. See the Payroll section of this manual for detailed procedures.

Equipment purchased for exclusive use on a Federal award and reimbursed by a Federal agency shall be accounted for as a direct cost of that award (i.e., such equipment shall not be capitalized and depreciated).

Indirect and Joint Costs

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular grant or program. Joint costs benefit more than one, but not necessarily all, awards. Indirect costs, but not joint costs, may be allocated to benefiting grants through the use of an indirect cost rate.

Examples of indirect costs are:

- The Accounting Department
- The Human Resources Department
- The Board of Directors

Examples of joint costs are:

- Shared space
- Vehicle insurance

Per Federal guidelines, each grant will be charged its fair share of costs. Any costs not reimbursed by a particular funding source will be charged to corporate or other funds that may cover indirect or joint costs after the allocation process is complete.

Direct and indirect costs are reviewed monthly by the Finance Manager to ascertain the allowability of the items charged to the grants.

Cost Pools – See Cost Allocation Plan

Accounting for Specific Elements of Cost – See Cost Allocation Plan

F306 TRAVEL AND BUSINESS EXPENSES

Effective Date: 08/28/07

Revision Date: 08/05/09, 08/03/11, 06/06/12, 12/07/16, 09/20/17, 08/07/19

Travel Regulations and Guidance

[2 CFR Part 200.302, Financial management systems; 200.303, Internal controls; DFS Reference Guide, DFS State Travel Manual; s. 112.061, F.S. Per diem and travel expenses of public officers, employees, and authorized persons; CFO Memo No. 06 (2016-17), chapter 69I-42 Florida Administrative Code (FAC); and FDOE Travel Policy DOE-IOP-500, effective 12/01/16.]

1. Policy disclosures
 - a. Travel expenses will be documented and reimbursed based on applicable state travel rules (includes DFS Reference Guide, State Travel Manual CFO Memos and OEL guidance).
 - b. Management has process in place to ensure proper authorization, review, approval, and guidelines to submit adequate supporting records. Includes blanket travel authorizations (if used), requirement to use state-issued travel authorization, travel advances and travel reimbursement forms that include all required signatures/statements from the traveler, requirement to use most economical and efficient method for each travel event.
 - c. Management has a process to ensure reimbursements do not exceed allowable amounts. Includes detail for allowable mileage reimbursement amounts, meal rates from statutes, travel per diem calculations, and recent travel restrictions to limit allowable daily room rates to \$150 per day per traveler. Also includes processes to ensure only reasonable and necessary business-related costs are incurred.
 - d. An independent review and approval process is in place for costs incurred by members of the management team.
 - e. Management has a process to document instances misuse by staff and issue notice of personnel actions taken/required (if applicable).

Travel Approval

In State:

All travel expenses (local and overnight), must be pre-approved by the C.E.O. (for Coalition employees), and by another Board Member or the Coalition Board of Directors (for the C.E.O. and/or Board members) prior to travel taking place.

The pre-approval can be processed using a ‘blanket’ approval for the entire fiscal year (to include an estimated dollar amount) or on an individual basis.

Out of State:

All out of state travel (for ALL Coalition employees and ALL board members) must be pre-approved by another Board Member or the Board of Directors prior to travel taking place.

Travel Advances

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance. Travel advances are generally limited to \$200 unless there is an extraordinary need for additional funds. Travel advances are to be used only for the purpose intended. Travel expenses are to be made in accordance with the Coalition's travel policies as explained later in this section.

Employees receiving travel advances are required to sign for the advance signifying their acknowledgement of, and agreement to, these policies. Employees receiving travel advances must submit an expense report within five (5) business days of returning from travel. Any outstanding advances more than 2 weeks old will be deducted from an employee's next paycheck.

Employee and Director Business Travel

All out-of-state Coalition related business travel must be pre-approved by the employee's immediate supervisor or the Board of Directors.

At the conclusion of the Coalition business trip, an employee or member of the Board of Directors that has incurred business-related expenses should complete an expense report in accordance with the following policies:

1. Identify each separately incurred business expense (i.e., do not group all expenses associated with one trip together).
2. With the exception of parking, tolls, reimbursed mileage, and per diems, all business expenses must be supported with invoices/receipts.
3. Vendor receipts/invoices must be submitted for all lodging and any expenditure other than meals. Credit card charge slips do not represent adequate supporting documentation – a hotel receipt must be obtained to substantiate all lodging expenditures. Note: "Airbnb" expenses are not allowable/reimbursable.
4. For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes).
5. Mileage will be reimbursed at the standard rates currently in effect with OEL.
6. The business purpose of each trip must be adequately explained on each report.
7. General ledger account coding must be identified for all expenditures.
8. For all meals and other business expenditures, the following must be clearly identified:
 - a. Names, titles, the Coalitions, and business relationships of all persons involved
 - b. The business purpose of the meal or other business event (topics discussed, etc.)
9. All expense reports must be signed and dated by the employee or board member.
10. All expense reports must be approved by the C.E.O.
11. Only one expense report form should be prepared for each substantial trip.

12. The Office Manager maintains a current “Frequent Trips” travel mileage log, for employee use. It is available on the Coalition share drive, and is updated at least annually.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the expense report results in a balance due to the Coalition (as a result of receiving a travel advance greater than actual business expenditures), the employee must return the cash to the Office Manager to deposit back into the Coalition checking account against the original check.

No further travel advances will be issued to any employee who has an outstanding balance due to the Coalition from previous business trips.

Reasonableness of Travel Costs

The Coalition shall reimburse travelers only for those business-related costs that are reasonably incurred. Accordingly, the following guidelines shall apply:

1. Suites and other upgraded rooms at hotels shall not be allowed. Travelers should stay in standard rooms.
2. Ask hotels for any available discounts – nonprofit, government or corporate rates.
3. When utilizing rental cars, travelers must rent compact size cars. When the number of passengers is more than two (2) or the volume of materials to be transported makes use of a compact vehicle impractical, travelers can rent a larger size relative to the needs. Share rental cars whenever possible.
4. Business-related long-distance telephone calls while away on business travel are permitted, but should be kept to a minimum. Expense reports should explain long-distance charges.
5. Personal long-distance calls while away on business are reimbursable if kept to a minimum, such as one nightly call home to family. Personal calls in excess of this shall not be reimbursed.
6. Whenever possible, travelers should utilize long-distance calling cards when placing calls while away on travel. Avoid using the hotel’s long-distance service if possible.
7. Foreign travel charged to Federal grants must be approved in writing by the funding source prior to travel.

Special Rules Pertaining to Air Travel

The following additional rules apply to air travel:

1. Air travel should be at coach class or the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
 - a. Require circuitous routing
 - b. Require travel during unreasonable hours
 - c. Excessively prolong travel
 - d. Result in additional costs that would offset the transportation savings, or
 - e. Offer accommodations not reasonably adequate for the traveler’s medical needs.

2. First class air travel shall not be reimbursed unless there is a documented medical reason, and such use must be documented.
3. Memberships in airline flight clubs are not reimbursable.
4. Cost of flight insurance is not reimbursable.
5. When airfare is \$500 or more, two quotes from a travel agency and/or an airline should be obtained and attached to the expense report.
6. When returning on a Sunday or departing on a Saturday in order to obtain a cost savings in airfare due to the Saturday-night stay-over, travelers should provide a total cost comparison (showing that the lower airfare plus an extra night lodging, meals & incidentals is less costly than airfare without the Saturday night stay-over).
7. Cost of upgrade certificates is not reimbursable.
8. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.).
9. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e., the Coalition will not reimburse for the personal legs of a trip).

Spouse/Partner Travel

The Coalition does not reimburse any employee or board member for separate travel costs (air fare, etc.) associated with his/her spouse or partner. The cost of a shared hotel room need not be allocated between employee/director and spouse/partner for purposes of this policy.

F405 LEASES

Effective Date: 08/28/07

Revision Date: 08/07/19

Classification of Leases

The Coalition classifies all leases in which the Coalition is a lessee as either capital or operating leases. The Coalition shall utilize the criteria described in Statement of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to the Coalition at the end of the lease term;
2. The lease contains a bargain purchase option;
3. The lease term is equal to 75% or more of the estimated economic life of the leased property; or
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased item.

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

Reasonableness of Leases

The Coalition assesses the value of leases according to the requirements of ~~A-122-43~~ 2 CFR Part 200 (OMB Uniform Guidance) as follows:

- The rate is reasonable when compared to similar property in the same area,
- The rate of any alternatives, and
- The type, life expectancy, condition and value of the property leased.

Rental arrangements will be reviewed every 3 to 5 years to determine if circumstances have changed and other options are available.

Accounting for Leases

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the lease payment is due. For leases with firm commitments for lease payments that vary over the term of the lease (i.e., a lease with fixed annual increases that are determinable upon signing the lease), the amount that the Coalition shall recognize as monthly lease expense shall equal

the average monthly lease payment over the entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability.

All leases that are classified as capital leases shall be treated as fixed asset additions. As such, upon the inception of a capital lease, the Coalition shall record a capitalized asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments).

Scheduled Increases in Rent Payments

Leases with fixed (determinable amounts stated in the lease) increases in monthly rental payments shall be accounted for in a manner that results in an equal monthly rent expense being reported in each month over the entire initial lease term. Accordingly, monthly rent expense in the first year of such leases shall be greater than the monthly cash payment, with the difference being recorded as a liability. This liability will be reduced in the later years of the lease when the monthly cash rent payment is less than the monthly rent expense. To the extent future rent increases are not determinable at the beginning of the lease (because they are based on inflation or other factors), the preceding policy shall not apply and monthly rent expense shall be equal to the monthly cash payment, except as noted below.

Rent Abatements and Other Lease Incentives

Abatements of monthly rent payments, cash incentives, and other lease incentives shall be accounted for in a manner that results in an equal amount of monthly rent expense over the term of the lease agreement (before considering the effects of inflation-based rent increases, which will increase rent expense over the term of a lease). As a result, incentives received up front or over the early months of a lease, shall be established as a liability in the Coalition accounting records (as deferred lease incentives or some similar name). This liability shall be amortized as an offset (credit) to rent expense over the term of the lease agreement.

Changes in Lease Terms

As described in earlier policies, deferred rent incentives are amortized over the initial lease term. If such lease term is changed prior to the expiration of the initial lease term, the Coalition will revise amortization to reflect the remaining lease term as of the effective date of the lease modification.

F702 ANNUAL AUDIT

Effective Date: 08/28/07

Revision Date: 02/12/13, 03/16/16, 12/07/16, 08/07/19

Role of the Independent Auditor

The Coalition will arrange for an annual audit of the Coalition's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the Board of Directors will be required to communicate directly with the Coalition's Executive/Administrative Committee upon the completion of their audit. In addition, members of the Executive/Administrative Committee are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the working papers and the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the independent accounting firm, after the financial statements have been reviewed and approved by the Executive/Administrative Committee.

How Often to Review the Selection of the Auditor

The Coalition shall review the selection of its independent auditor in the following circumstances:

1. Anytime there is dissatisfaction with the service of the current firm
2. When a fresh perspective and new ideas are desired
3. Every ~~3 years~~ four years to ensure competitive pricing and a high quality of service.

Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors shall be considered by the Coalition in selecting an accounting firm:

1. The firm's reputation in the nonprofit community
2. The depth of the firm's understanding of and experience with not-for-profit Early Learning Coalitions for the state of Florida and Federal reporting requirements under 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
3. The firm's demonstrated ability to provide the services requested in a timely manner
4. The ability of firm personnel to communicate with the Coalition personnel in a professional and congenial manner

If the Coalition decides to prepare and issue a written Request for Qualifications (RFQ) to be sent to prospective audit firms, the following information shall be included:

1. Period of services required

2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. The organizational structure of the Coalition
6. Chart of account information (upon request)
7. Financial information about the Coalition (upon request)
8. Copy of prior year reports (financial statements, management letters, etc.) (upon request)
9. Identification of need to perform audit in accordance with 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
10. Other information considered appropriate
11. Description of proposal and format requirements
12. Due date of proposals
13. Overview of selection process (i.e., whether finalists will be interviewed, when a decision shall be made, etc.)
14. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resumes) of key firm member who will serve the Coalition
3. Client references
4. Information about the firm's capabilities
5. Firm's approach to performing an audit
6. Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings
7. Other resources available with the firm
8. Expected timing and completion of the audit
9. Expected delivery of reports
10. Cost estimate including estimated number of hours per staff member
11. Rate per hour for each auditor
12. Other information as appropriate

Copies of all proposals shall be forwarded to each member of the Executive/Administrative Committee or the (ad hoc) RFQ Committee. If necessary, interviews of each firm may be conducted by the Executive/Administrative Committee or the (ad hoc) RFQ Committee, who makes the final recommendation to the Board of Directors for approval.

Preparation for the Annual Audit

The Coalition shall be actively involved in planning for and assisting with the Coalition's independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the Accounting Department shall provide assistance to the independent auditors in the following areas:

Planning – The Finance Manager is responsible for delegating the assignments and responsibilities to staff in preparation for the audit. Assignments shall be based on the list of requested schedules and information provided by the independent accounting firm.

Involvement - The Coalition staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Coalition's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. The Coalition staff will provide requested schedules and documents to assist the auditors during any interim audit fieldwork.

Throughout the audit process, the Coalition will make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

Concluding the Audit

Upon receipt of a draft of the audited financial statements and working papers of the Coalition from its independent auditor, the Finance Manager and C.E.O. shall perform a detailed review of the draft and working paper, consisting of the following procedures:

1. Carefully read the entire report for typographical errors.
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of the Coalition.
3. Review each footnote for accuracy and completeness.
4. Review working papers for accuracy.

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Finance Manager and C.E.O.

It shall also be the responsibility of the Finance Manager and C.E.O. to review and respond in writing to all management letters or other internal control and compliance report findings and recommendations made by the independent auditor.

In addition, the Single Audit Clearinghouse form shall be completed and a copy submitted to the Executive/Administrative Committee.

Reporting Requirements

The Coalition will retain and distribute all records as identified in OEL OIG guidance OEL-IG-12-001, Audit and Audit Resolution Responsibilities, to fulfill the requirements of the annual audit reporting. This includes submitting (per the directions of this guidance), the appropriate documents (the "audit package") to the Federal Audit Clearinghouse, the Office of Auditor General, and the OEL Office of Inspector General.

ACTION ITEM SUMMARY

DESCRIPTION	Accounting and Financial Policies and Procedures Revisions
Reason for Recommended Action	<p><u>Revisions due to updated, corrected, or clarified regulations:</u> <i>From Grants and Operations Manager:</i></p> <p>F304 – <u>Charging of Costs to Federal Awards</u>, OMB correction.</p> <p>F306 – <u>Travel and Business Expenses</u>,</p> <ul style="list-style-type: none"> • added to “Employee and Director Business Travel” section, #3, “Note: “Airbnb” expenses are not allowable/reimbursable.” (This is per e-mail from Donna Budd, DMS.myflorida.com, dated 01/16/19 stating that Airbnb would not be reimbursable for state agencies.) (Also added to Personnel policy #HR404.) • changed language regarding board member travel approval as a corrective action item for the OEL Fiscal Monitoring that began 01/28/18. <p>F405 – <u>Leases</u>, OMB correction.</p> <p>F702 – <u>Annual Audit</u>, in section “How Often to Review the Selection of the Auditor”, changed from every three years to every four years. (Per 01/25/19 e-mail from OEL Supervisor FMSAS, Laura McKinley.)</p> <p><u>If this is not done, the following would occur:</u></p> <ul style="list-style-type: none"> • The Coalition’s Accounting and Financial Policies and Procedures would not be up-to-date, correct, nor compliant.
How the Action will be accomplished	Approval of Accounting and Financial Policies and Procedures revisions

ACTION ITEM SUMMARY

DESCRIPTION	Revisions to the Coalition’s Procurement of Commodities and/or Contractual Services Policies and Procedures Manual
Reason for Recommended Action	<p><u>Revisions:</u></p> <p>PR601 – <u>Bidding Processes</u>,</p> <ul style="list-style-type: none"> • corrected “Florida Administrative Weekly” to “Florida Administrative Register” • in number 4, added Florida Statute reference regarding renewal years, and then added OEL clarification regarding this. This is a correction from what was previously a total of 3 years per contract, to 4 years per contract before a new bid process is required. <p><u>If this is not done, the following would occur:</u></p> <ul style="list-style-type: none"> • The Coalition would not have the most accurate and updated Policies and Procedures.
How the Action will be accomplished	Approval of the revisions listed above.