

Changes effective **October** 2016

PEACE, Inc.

Fiscal Policies and Procedures Manual

Effective Date(s) of Accounting Policies (1/16), 2/16

The effective date of all accounting policies described in this manual is November 20, 2007. If a policy is added or modified subsequent to this date, the effective date of the new or revised policy will be indicated parenthetically immediately following the policy heading. Changes due to grammar correction will not be highlighted.

Revisions to this manual are presented periodically to the Finance Committee and the Board of Directors, and approval reflected in the minutes. Revisions will be presented to Comprehensive Leadership, who will in turn forward to their staff, and/or emailed to all staff. Human Resources will distribute the current manual at orientations.

Review and revisions are made at least annually, and as required.

APPROVALS

CFO

11/13/07, 2/11/08, 6/9/08, 12/8/08, 1/12/09, 11/9/09, 1/21/10, 5/10, 11/10, 12/8/10, 9/8/11, 11/5/12, 12/10/12, 1/14/13, 11/13, 8/12/14, 12/14, 9/15, 2/16, 11/14/16

Executive Director

11/13/07, 2/11/08, 6/9/08, 12/8/08, 1/12/09, 11/9/09, 1/21/10, 5/10, 12/8/10, 9/8/11, 11/5/12, 12/10/12, 1/14/13, 11/13, 8/12/14, 12/14, 9/15, 2/16, 11/14/16

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1. INTRODUCTION (8/14)(11/16)

The following accounting manual is intended to provide an overview of the accounting policies and procedures applicable to the People's Equal Action and Community Effort, Inc. Agency, which shall be referred to as "PEACE, Inc." or "the Agency" throughout this manual.

PEACE, Inc. is incorporated in the state of New York. PEACE, Inc. is exempt from federal income taxes under IRC Section 501(c)(3) as a nonprofit corporation. PEACE, Inc.'s tax-exempt mission is "*Helping People in the Community Realize Their Potential for Becoming Self-Sufficient.*"

This manual shall document the financial operations of the Agency. Its primary purpose is to formalize accounting policies and selected procedures for the accounting staff and to document internal controls.

The contents of this manual were approved as official policy of the Agency by the Board of Directors. All PEACE, Inc. staff are bound by the policies herein, and any deviation from established policy is prohibited.

We follow the OMB Uniform Guidance requirements. Also, we must adhere to specific grantor requirements.

1.1 GLOSSARY OF TERMS

Program Director – used in this manual to designate the staff person responsible for the mentioned grant or project. The staff person may or may not have the word "Director" in their title.

GENERAL POLICIES

2. AGENCY STRUCTURE

3. The Role of the Board of Directors

PEACE, Inc. is governed by its Board of Directors, which is responsible for the oversight of the agency by:

1. Planning for the future
2. Approving broad policies, including financial and personnel policies and procedures
3. Reviewing and approving the annual audit
4. Reviewing financial information
5. Assisting in interpreting the Organization's mission to the public
6. Soliciting prospective contributors
7. Hiring, evaluating, and working with the Executive Director

The Executive Director shall be responsible for the day-to-day oversight and management of the agency.

There is a 9 year term limit for board members.

4. Committee Structure

The board of directors shall form committees in order to assist the board in fulfilling its responsibilities. These committees represent vehicles for parceling out the board's work to smaller groups, thereby removing the responsibility for evaluating all of the details of particular issues from the full board's consideration. Standing board-level committees of PEACE, Inc. consist of the following:

1. Executive Committee
2. Finance Committee (includes audit review)
3. Development Committee
4. Personnel/EEO Committee
5. Planning Committee

Specific guidelines regarding the composition and election of the board of directors and committees are described in the Agency's by-laws. However, roles of committees with direct responsibilities for the financial affairs of the Agency are further described in this manual. These committees shall be referred to in appropriate sections of this manual.

Periodically the Board of Directors will receive training on fiduciary responsibilities, focusing on regulations pertaining to the safeguarding of all agency funds.

5. Finance Committee Responsibilities (11/10)

The Finance Committee is responsible for direction and oversight regarding the overall financial management of PEACE, Inc.. Functions of the Finance Committee include:

1. Review and recommendation of the Agency's annual budget (prepared by the staff) for final approval by the full board
2. Financial planning
3. Establishment of investment policy and monitoring investment performance
4. Monitoring actual vs. budgeted financial performance
5. Oversight of reserve funds
6. Recommend external auditors to Board for approval
7. Review of internal controls and written policies (periodically)
8. Approve financial policies

The review of the Agency's financial statements shall not be limited to the finance committee, but shall involve the entire board of directors.

6. The Roles of the Executive Director and Staff (11/10)

The Board of Directors hires the Executive Director, who reports directly to the Board of Directors. The Executive Director is responsible for hiring and evaluating department directors for each of the Agency's departments/programs. Each department/program director reports directly or indirectly to the Executive Director.

All staff has the authority to sign on behalf of staff they supervise when appropriate. Any position title identified with a task in this manual also refers to any assigned "backup" staff member.

Within each department or program, department/program directors are responsible for hiring, with approval from the Executive Director, employees to work in that department. All employees within a department shall report directly or indirectly to that department's/program's director, who shall be responsible for managing and evaluating directly or indirectly all employees within the department or program.

Cross training of responsibilities is encouraged to ensure continuity of business practices. All references to job titles within this manual also refer to the position's backup when needed.

6.1 STAFF COMMUNICATION (11/13) (11/16)

Staff communication to:

Board - As a matter of good practice, Comprehensive Leadership may contact the Board on non-personal issues with the Executive Director's permission. Also, please refer to Accounting and Financial Policies and Procedures Manual section 18, which addresses our Fraud Policy.

Funding Sources – All staff including the fiscal department are to inform the Program Director when they wish to contact a member of the Grantor/Fundor's office with the nature of the question or contact. This will keep the Program Director up to date with the grant.

Media – All staff is to contact **the Community Engagement Department** in any matters concerning the media, before any action is taken with the media.

7. ACCOUNTING DEPARTMENT OVERVIEW

8. Agency (11/13), (1/16) (8/16)

The accounting department consists of 10 staff who manage and process financial information for PEACE, Inc. The positions comprising the accounting department of PEACE, Inc., are:

- CFO
- Controller
- Senior Accountant (4)
- Payroll Specialist
- Accounts Payable Specialist
- Purchasing Director
- Purchasing Inventory Control/DEHS

Other staff who report directly or indirectly to the CFO are:
Facilities Director (non financial position)
(and Maintenance staff)

Other officers and employees of PEACE, Inc. who have financial responsibilities, and the abbreviations of each position used throughout this manual, are as follows:

- Executive Director
- Finance Committee
- Full Board of Directors
- Department/Program Directors
- Human Resources Director

9. Responsibilities (11/12)

The primary responsibilities of the accounting department consist of:

- General Ledger
- Budgeting
- Cash Management & Investment
- Asset Management
- Purchasing
- Accounts Receivable and Billing
- Cash Receipts
- Accounts Payable
- Cash Disbursements
- Payroll
- Financial Statement Processing
- External Reporting of Financial Information
- Bank Reconciliation
- Reconciliation of Sub-Ledgers
- Compliance with Government Fiscal Reporting Requirements
- Financial Audits

Grants and contracts – fiscal administration
Leases
Insurance

10. BUSINESS CONDUCT

11. Practice of Ethical Behavior (8/16)

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of PEACE, Inc. depend to a very large extent on the following considerations.

Each employee must apply her/his own sense of personal ethics, which should extend beyond compliance with applicable laws and regulations in business situations, to govern behavior where no existing regulation provides a guideline. It is each employee's responsibility to apply common sense in business decisions where specific rules do not provide all the answers.

In determining compliance with this standard in specific situations, employees should ask themselves the following questions:

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with PEACE, Inc. policy?
4. Am I sure my action does not appear inappropriate?
5. Am I sure that I would not be embarrassed or compromised if my action became known within the Agency or publicly?
6. Am I sure that my action meets my personal code of ethics and behavior?
7. Would I feel comfortable defending my actions on the 6 o'clock news?

Each employee should be able to answer "yes" to all of these questions before taking action.

Each Director, Manager and supervisor is responsible for the ethical business behavior of her/his subordinates. Directors, Managers and supervisors must weigh carefully all courses of action suggested in ethical as well as economic terms, and base their final decisions on the guidelines provided by this policy as well as their personal sense of right and wrong.

No Board member, staff member, or corporate officer shall receive a benefit because of the agency doing business with a vendor contractor. **See section 12 for gifts up to \$25.**

Personal use of any corporate vendor contractor accounts, credit cards, member cards or similar items is prohibited. This would include PEACE, Inc. used in the name of the account in any way. No one is to obtain personal vendor contractor accounts, credit cards, member cards or similar items with the

inclusion of PEACE, Inc. as the holder, or listed in any way on the account. All business vendor contractor accounts, credit cards and member cards are to be opened through the Purchaser.

Noncompliance to this policy can be terms for termination of employment.

12. Conflicts of Interest (5/15), (1/16)

No employee, officer, Board member or agent of PEACE, Inc. shall participate solely in the selection, award, or administration of a contract involving PEACE, Inc. if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, agent, or any member of her or his immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected. The officers, employees, and agents of PEACE, Inc. shall neither solicit nor accept gratuities of value over \$25, favors, or anything of monetary value from contractors, or parties to sub-agreements. If there is such a conflict, full disclosure must be made to the Executive Director, who must sign an authorization, and deem that the financial interest is not substantial. The HR Director will ensure that staff disclose any conflicts of interest, and sign statement annually. The Board of Directors sign an annual conflict of interest disclosure.

If required by Federal awarding agencies, PEACE, Inc. will notify those agencies in writing of any potential conflict of interest (2 CFR Part 200.112), Conflict of Interest)

Violations of this policy will be handled by the Executive Director, and there could be disciplinary actions applied or constitute termination.

13. Breach of Company Policy

The Executive Director will notify the Board of Directors of any breach of policy that is deemed appropriate.

14. Compliance With Laws, Regulations and Agency Policies

PEACE, Inc. does not tolerate the willful violation or circumvention of any Federal, state, local, or foreign law by an employee during the course of that person's employment; nor does the Agency tolerate the disregard or circumvention of PEACE, Inc. policy or engagement in unscrupulous dealings. Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly forbidden.

Implementation of the provisions of this policy is one of the standards by which the performance of all levels of employees will be measured.

An annual letter will be issued by the CFO's office to all staff to inform staff they are to call the CFO's office immediately if they are aware of any violation or fraud. In a case where it is believed the CFO is not in compliance, the Executive Director should be notified. If it is believed the Executive Director is not in compliance, a Board of Directors member should be notified.

15. Disciplinary Action

Failure to comply with the standards contained in this policy will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the Agency or to the

government, for any loss or damage resulting from the violation. As with all matters involving disciplinary action, principles of fairness will apply. Any employee charged with a violation of this policy will be afforded an opportunity to explain her/his actions before disciplinary action is taken.

Disciplinary action will be taken:

1. Against any employee who authorizes or participates directly in actions that are a violation of this policy.
2. Against any employee who has deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of this policy.
3. Against any Director, Manager or supervisor who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this policy.

15.1 Whistleblower Protection (4/15)

General

PEACE, Inc. expects its directors, officers, employees, volunteers, and other representatives to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of PEACE, Inc., we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

A copy of this policy will be distributed to all directors, officers, employees and volunteers providing substantial services during initial orientation and as part of annual in-service education.

Reporting Responsibility

It is the responsibility of all directors, officers, employees, and volunteers to report Wrongful Conduct in accordance with this Whistleblower Policy.

Wrongful Conduct

“Wrongful Conduct” is defined in this Whistleblower Policy to include: a serious violation of PEACE, Inc. policy; a violation of applicable state and federal law; or the use of PEACE, Inc. property, resources, or authority for personal gain or other none organization-related purposes except as provided under PEACE, Inc. policy.

This definition of Wrongful Conduct is not intended to be an exclusive listing of the illegal or improper activity encompassed by the Whistleblower Policy. Rather, the Whistleblower Policy is intended to serve as a means of reporting all serious improprieties that potentially impact the integrity and effective operation of PEACE, Inc.

No Retaliation

No director, officer, employee, or volunteer who in good faith reports Wrongful Conduct will suffer harassment, retaliation or adverse employment consequence. Any director, officer, or employee who retaliates against anyone who has reported Wrongful Conduct in good faith is subject to discipline up to and including termination of employment or removal from the board of directors, as applicable. This

Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within PEACE, Inc. prior to seeking resolution outside PEACE, Inc.

Reporting Wrongful Conduct

PEACE, Inc. encourages its directors, officers, employees and volunteers to share their questions, concerns, suggestions, or complaints with someone who can address them properly. The Executive Director is charged by the corporation with the responsibility of administering this policy, which shall include receiving complaints and making periodic reports to the board of directors. Any director, officer, employee, or volunteer may report Wrongful Conduct to the Executive Director or the president of the board of directors. If the Wrongful Conduct implicates one or both of the Executive Director or the president of the board of directors, or if the reporting individual is not comfortable speaking with or not satisfied with the response of the foregoing individuals, the issue may be reported to any member of the board of directors or anonymously, as set forth below. The Executive Director, president of the board of directors, and all members of the board of directors to whom a report of Wrongful Conduct is made are required to immediately advise the full board of directors of such report of Wrongful Conduct.

Acting in Good Faith

Anyone filing a complaint of Wrongful Conduct must be acting in good faith and have reasonable grounds for believing the information disclosed indicates Wrongful Conduct. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

Confidentiality

Reports of Wrongful Conduct or suspected Wrongful Conduct may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of Wrongful Conduct or suspected Wrongful Conduct will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Handling of Reported Wrongful Conduct

A representative of the board of directors will notify the sender and acknowledge receipt of the reported Wrongful Conduct or suspected Wrongful Conduct within five business days, unless such report was submitted anonymously. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

Reports can be made to the Executive Director, Board President, Chief Financial Officer, or Human Resources by telephone, email, or in writing to the attention of the Executive Director or Board President at: PEACE, Inc., 217 S. Salina St., 2nd Floor, Syracuse, NY 13202; Telephone # 315-470-3300; E-mail address: johara@peace-caa.org.

No Retaliation

This Whistleblower Policy is intended to encourage and enable directors, employees, and volunteers to raise concerns within the organization for investigation and appropriate action. With this goal in mind, no director, employee or volunteer, who in good faith, reports a concern shall be subject to retaliation, or in the case of any employee, have adverse employment consequences.

(The preceding statement is a required element of the Sarbanes-Oxley Act of 2002.)

16. FRAUD POLICY

17. Scope

This policy applies to any fraud or suspected fraud involving employees, officers or directors, as well as members, vendor contractors, consultants, contractors, funding sources and/or any other parties with a business relationship with PEACE, Inc. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with PEACE, Inc.

18. Policy

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any fraud that is detected or suspected must be reported immediately to the CFO, who will report the event immediately to the Executive Director. If the CFO is unavailable or the CFO is suspected of fraud, contact the Executive Director directly. If the Executive Director is suspected of fraud, contact a Board member. Also refer to Disciplinary Action regarding noncompliance with Laws, Regulations and Agency Policies.

19. Actions Constituting Fraud

The terms fraud, defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

1. Any dishonest or fraudulent act
2. Forgery or alteration of any document or account belonging to PEACE, Inc.
3. Forgery or alteration of a check, bank draft, or any other financial document
4. Misappropriation of funds, securities, supplies, equipment, or other assets of PEACE, Inc.
5. Impropriety in the handling or reporting of money or financial transactions
6. Disclosing confidential and proprietary information to outside parties
7. Accepting or seeking anything of material value from contractors, vendor contractors, or persons providing goods or services to PEACE, Inc. (Material value is a value of over \$25.)
8. Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
9. Any similar or related irregularity

20. Other Irregularities (11/10)

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by the Program Director and the Human Resources Director, and be reported to the Executive Director and/or CFO.

If there is a question as to whether an action constitutes fraud contact the Executive Director or the CFO for guidance.

21. Investigation Responsibilities

The Executive Director and CFO have the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The Executive Director may utilize whatever internal and/or external resources he considers necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the Executive Director will issue reports to appropriate designated personnel and, if appropriate, to the PEACE, Inc. Board of Directors and/or the Executive Committee.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final dispositions of the case.

If suspected fraud or other wrongdoing involves programs funded in whole or in part with federal funds, additional responsibilities, such as special reporting and disclosure to the awarding agency, may apply to the Agency. It is the policy of PEACE, Inc. to fully comply with all additional reporting, disclosure and other requirements pertaining to suspected acts of fraud as described in award documents.

22. Confidentiality

The Executive Director, CFO and Human Resources Director treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the CFO/Executive Director immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see Reporting Procedures section below).

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 persons suspected but subsequently found innocent of wrongful conduct and to protect PEACE, Inc. from potential civil liability.

23. Authority for Investigation of Suspected Fraud

Members of the PEACE, Inc. Executive Committee will have:

1. Free and unrestricted access to all PEACE, Inc. records and premises, whether owned or rented; and
2. The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any

individual who may use or have custody or any such items or facilities when it is within the scope of their investigations.

24. Reporting Procedures (5/15) (11/16)

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 under way.

An employee who discovers or suspects fraudulent activity will contact the CFO immediately who will notify the Executive Director. The employee or other complainant may remain anonymous.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the PEACE, Inc. legal counsel or the Executive Director or Executive Committee.

The organization will disclose, in a timely manner, in writing to Federal awarding agencies all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award (Uniform Guidance, Subpart B – General Provisions Sec 200.113 Mandatory disclosures)

24.1 Risk Management

We have developed an active, ongoing list of areas of risk management and assessment. This list will be reviewed periodically during the year, with input from staff and managers. Areas of concern are listed, and discussions and actions made to reduce risk. This list will be reviewed with the Executive Director and Board.

25. SECURITY

26. Accounting Department (8/16)

A lock will be maintained on the door leading into the PEACE, Inc. Accounting Department. This door shall be closed and locked in the evenings and whenever the Accounting Department is vacant. The key/combination to this lock will be provided to appropriate accounting personnel and the Executive Director. The lock will be changed at the discretion of the CFO when there is a turnover in accounting department staff.

The PEACE, Inc. corporate seal is locked in the CFO's office. The blank check stock shall be stored in a locked file cabinet in the Accounting Department. This cabinet will be locked with a key that is held by the Accounts Payable Specialist. Access to this file cabinet shall be by keys in the possession of the Accounts Payable Specialist, a Senior Accountant and CFO.

Petty cash is stored in a combination locked cash box and kept in a fireproof combination safe in the Accounting Department. A Senior Accountant is the petty cash custodian and the only other employees with the combinations to this safe will be the CFO, Controller, and one other Senior Accountant (who serves as backup).

27. Access to Electronically Stored Accounting Data

It is the policy of PEACE, Inc. to utilize passwords to restrict access to accounting software and data. Only duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties.

PEACE, Inc. has intrusion detection software installed. The emails and logs are reviewed by the I.T. security team on a daily basis.

27.1 Storage of Sensitive Data (5/15)

In addition to accounting and financial data stored in the Accounting Department, other sensitive data, including protected personally identifiable information (PII) such as social security numbers of employees and/or clients may be stored in areas other than the Accounting Department. Locations of sensitive data include, but are not limited to:

- Other Organization departments such as Human Resources
- Electronic of on-line storage

28. Storage of Back-Up Files (1/6/09)

It is the policy of PEACE, Inc. to maintain back-up copies of electronic data files off-site in a secure, fire-protected environment. Access to back-up files shall be limited to individuals authorized by management. The files are stored daily electronically by the IT Department.

29. General Office Security (11/13)

During normal business hours, all visitors are required to sign in at the receptionist's desk. After hours, a security key is required for access to the offices of PEACE, Inc.. Keys are issued only to employees of PEACE, Inc.

29.1 Theft (11/10)

When an employee discovers stolen or missing cash funds or property, the employee is to immediately notify the CFO or Controller and their Program Director. The CFO will then notify the Executive Director, and contact the Program Director.

Please note that this pertains both to cash and property of PEACE, Inc. and personal property. PEACE, Inc. is not responsible for personal property, but it would help us to determine if there is a pattern.

29.2 Crisis Management (11/12),(9/16) (11/16)

Under conditions of a crisis and employees are unable to get to work or work under normal conditions, the following will be followed:

Payroll processing –

Can be completed by Senior Accountant or Payroll Specialist at home, and be called into ADP if needed. If unable to secure the funds with a normal draw, we can draw on the line of credit with verbal authorization from the Executive Director to be followed up with appropriate paperwork.

Cash management –

The Executive Director may call Key Bank or M&T banks for verbal instructions, to be followed up with appropriate paperwork.

30. TECHNOLOGY AND ELECTRONIC COMMUNICATIONS

31. Purpose and Scope

The purpose of this policy is to identify guidelines for the use of PEACE, Inc. technologies and communications systems. This policy establishes a minimum standard that must be upheld and enforced by users of the Agency's technologies and communications systems.

The term "user" as used in these policies refers to employees (whether full-time, part-time or limited-term), independent contractors, consultants, and any other user having authorized access to, and using any of, the Agency's computers or electronic communications resources.

Computer and electronic communications resources include, but are not limited to, host computers, file servers, stand alone computers, laptops, printers, fax machines, phones, on-line services, E-mail systems, bulletin board systems, and all software that is owned, licensed or operated by PEACE, Inc.

32. Acceptable Use of Agency Property (11/13)

Use of the Agency's computers and electronic communications technologies is for programmatic and business activities of PEACE, Inc. All use of such resources shall be in an honest, ethical, and legal manner that conforms to applicable license agreements, contracts, and policies regarding their intended use. Although incidental and occasional personal use of the Agency's communications systems are permitted, users automatically waive any rights to privacy.

In addition, the information, ideas, concepts and knowledge described, documented or contained in the Agency's electronic systems are the intellectual property of PEACE, Inc. The copying or use of the Agency's intellectual property for personal use or benefit during or after employment (or period of contract) with PEACE, Inc. is prohibited unless approved in advance by the Executive Director.

All hardware (laptops, computers, monitors, mice, keyboards, printers, telephones, fax machines, etc) issued by PEACE, Inc. is the property of the Agency and should be treated as such. Users may not physically alter or attempt repairs on any hardware at any time. Users must report any problems with hardware to the IT Department.

33. Password Security (6/9/08)

Users are responsible for safeguarding their login passwords. Passwords may not be shared, nor should they be printed or stored on-line. Supervisors will have access to employee's files in case of emergency. Users should not leave their computers unattended without logging off or locking their workstation. Staff may not enter another employee's area to use their computer, without supervisor permission.

34. Confidentiality

All information about individuals or families served by PEACE, Inc. is confidential. No information may be shared with any person or Agency outside PEACE, Inc. without the prior written approval of the individual or family and the Executive Director.

35. Copyrighted Information

Use of PEACE, Inc. electronic communication systems to copy, modify, or transmit documents, software, information or other materials protected by copyright, trademark, patent or trade secrecy laws, without obtaining prior written permission from the owner of such rights in such materials, is prohibited.

36. Installation of Software

The installation of new software on the computers of PEACE, Inc. without the prior approval of IT Director is prohibited. If an employee desires to install any new programs onto a PEACE, Inc. computer, written permission should first be obtained from the IT Director.

37. Other Prohibited Uses

Other prohibited uses of the Agency's communication systems include, but are not limited to:

1. Engaging in any communication that is discriminatory, defamatory, pornographic, obscene, racist, sexist or that evidences religious bias, or is otherwise of a derogatory nature toward any specific person, or toward any race, nationality, gender, marital status, sexual orientation, religion, disability, physical characteristic, or age group.
2. Browsing or downloading and/or forwarding and/or printing pornographic, profane, discriminatory, threatening or otherwise offensive material from any source including, but not limited to, the Internet.
3. Engaging in any communication that is in violation of federal, state or local laws.
4. Proselytizing or promoting any religious belief or tenet.
5. Campaigning for or against any candidate for political office or any ballot proposal or issue.
6. Sending, forwarding, redistributing or replying to "chain letters."
7. Unauthorized use of passwords to gain access to another user's information or communications on PEACE, Inc. systems or elsewhere.
8. Advertising, solicitation or other commercial, non-programmatic use.

9. Knowingly introducing a computer virus into the Agency's communication system or otherwise knowingly causing damage to the Agency's systems.
10. Using the Agency's systems in a manner that interferes with normal business functions in any way, including but not limited to, streaming audio from the Internet during business hours, stock tickers, installing unauthorized software, etc.
11. Excessive personal use of the Agency's technologies that preempts any business activity or interferes with Agency productivity.
12. Sending E-mail messages under an assumed name or obscuring the origin of an E-mail message sent or received.

38. Disciplinary Action for Violations

PEACE, Inc. requires all users to adhere to this policy. Violations of this policy will result in disciplinary action, which could include termination of employment or cancellation of contracts.

39. Reporting of Suspected Violations

Suspected violations of these policies should be immediately and confidentially reported to your immediate supervisor. If you prefer not to discuss it with your supervisor, you may contact the Executive Director or IT Director.

PEACE, Inc. reserves the right to install programs that monitor employee use of the Internet and electronic communication systems and to act on any violations of these policies found through use of such programs. PEACE, Inc. further reserves the right to examine any and all electronic communications sent or received by employees via the Agency's electronic communications systems.

40. GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of PEACE, Inc., and is supported by subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

41. Chart of Accounts Overview (11/12)

The chart of accounts is the framework for the general ledger system, and therefore the basis for PEACE, Inc.'s accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense and gain and loss account.

PEACE, Inc.'s chart of accounts is comprised of six types of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues
5. Expenses
6. Gains and Losses

Each account number shall be in the following format:

XX-XXXX-XXXXX XXXXX

The first two digits represent the net asset class code (01-unrestricted, 02-temporarily restricted, 03-permanently restricted)

The second four digits represent the account number

The third group up to five digits represent the location codes (or segments, as an example, used on grants that fund multiple sites/locations or programs, i.e. Department of Health and Human Services Grant and Community Services Block Grant.) The 5 digits are also used to identify individual jobs for Weatherization job costing.

The last five digits represent the project number (each grant or responsibility center is given its own project number – this last portion of the account number can be 3, 4 or 5 digits).

42. Distribution of Chart of Accounts

All PEACE, Inc. employees involved with account coding responsibilities (assignment or review of coding) or budgetary responsibilities will be issued a current chart of accounts. As the chart of accounts is revised, an updated copy of the chart of accounts shall be distributed to these individuals.

43. Control of Chart of Accounts (11/12)

PEACE, Inc.'s chart of accounts is monitored and controlled by the CFO. Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the CFO or Controller, who ensures that the chart of accounts is consistent with the Agency structure of PEACE, Inc. and meets the needs of each division and department. The Controller will notify the CFO of any changes.

44. Account Definitions (11/09)

General Ledger
Account Range
1000 - 1999

Category
Assets

Definition

Assets are probable future economic benefits obtained or controlled by the Agency as a result of past transactions or events. Assets of PEACE, Inc. are classified as current assets, fixed assets, contra-assets, and other assets.

Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, receivables, and inventories that will be collected within one year of the statement of financial position date.

Fixed assets are tangible assets with a useful life of more than one year that are acquired for use in the operation of the Agency and are not held for resale.

Contra-assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable

Other assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property and long-term investments.

2000 – 2999

Liabilities

Liabilities are probable future sacrifices of economic benefits arising from present obligations of the Agency to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities of PEACE, Inc. are classified as current or long-term.

Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, short-term notes payable, and deferred revenue.

Long-Term Liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example is the non-current portion of a mortgage loan.

3000 - 3999

Net Assets

Net Assets is the difference between total assets and total liabilities. See the next section for PEACE, Inc.'s policies on classifying net assets. PEACE, Inc. currently has three possible types of net assets – unrestricted (01), temporarily restricted (02) and permanently restricted (03).

4000 - 4999

Revenues

Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute an Agency's ongoing major or central operations. Revenues of PEACE, Inc. include grant revenues, service fee income, fundraising, rental income and direct contributions.

Revenues of PEACE, Inc. also include contributions received from donors and grants received from government agencies, private foundations and corporations.

5000 - 6999

Expenses

Expenses are outflows or other using up of assets or incurrences of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute PEACE, Inc.'s ongoing major or central operations.

7000 – 9999

Transfers, Gains and Losses

Transfers are accounts used to transfer assets between the net asset classifications as the donor restrictions are satisfied.

Gains are increases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the Agency except those that result from revenues or contributions.

Losses are decreases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the Agency except those that result from expenses.

Gains or losses occur when PEACE, Inc. sells a fixed asset or writes off as worthless a fixed asset with remaining book value.

45. Classification of Net Assets

Net assets of the Agency shall be classified based upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of the Agency and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations that the Agency permanently maintain certain contributed assets.

Net assets accumulated by PEACE, Inc. that are not subject to donor imposed restrictions, but which the Board of Directors of the Agency has earmarked for specific uses, shall be segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.

46. Empty (11/12)

47. Fiscal Year of Agency (10/16)

PEACE, Inc. shall operate on a fiscal year that begins on February 1 and ends on January 31. Any changes to the fiscal year of the Agency must be ratified by majority vote of PEACE, Inc.'s Board of Directors.

47.1 Accounting Estimates (2/11/08), (1/16)

The Agency utilizes numerous estimates in the preparation of its interim and annual financial statements. Some of those estimates include:

1. Useful lives of property and equipment
2. Fair market value of donated assets
3. Values of contributed services
4. Joint cost allocations
5. Allocations of certain indirect costs
6. Allocations of time/salaries
7. Self insurance reserves

48. Journal Entries (11/12)

All general ledgers entries that do not originate from a subsidiary ledger shall be supported by a journal entry cover sheet, all supporting documentation that describes the journal entry and the journal entry batch validation and post reports from the accounting software system. All journal entries should be signed by the originator and approved by the CFO or Controller. Journal entries written by the CFO will be reviewed by another accountant. All journal entries will be stored in numerical order in a central location in the accounting department. A copy of the top sheet of payroll entries is filed in the central location, and the original payroll entry with support is filed in the CFO's office for confidentiality. Access to journal entries is limited to accounting department staff.

Only cover sheets are filed with the journal entries for operating account cash receipts and Accounts Payable journal entries. The backup for both are maintained in separate files.

49. Documentation of monthly posting procedures (to ensure items posted timely and correctly) (11/13) (8/16)

Monthly posting procedures are to ensure that items are posted to the correct general ledger accounts timely and accurately.

Accounts Payable We post the payable and payments immediately upon issuance of the checks.

Cash Receipts & Wire
Transfers We have normally 2 deposits per day – meal contributions and the daily deposit for items received at the home office.

The daily deposits are prepared and deposited during the current day.

Meal contribution deposit entries are prepared and posted throughout the month, but all are completed within the current month.

The journal entries are prepared daily, and posted into the general ledger in a timely manner. A few days delay may occur for posting if there is a question concerning the deposit or transfer. For example, the wire draw for Head Start/Early Head Start is posted after the payroll journal entry is posted. However, all entries are posted in the current month.

Payroll We receive the ADP reports, and post a journal entry taken from the ADP reports and incorporate into an excel spreadsheet to allocate the charges. This entry is made within days of the payroll, within the current month. If a payroll falls within a couple of days of the month end, it may be posted for that month to a

current asset account so we can complete a quick month end close. This is done with the approval of the CFO or Controller, who will consider any grants that may be closing.

Adjusting Journal Entries	Adjusting journal entries are prepared by the fiscal staff and CFO and immediately posted. All journal entries are reviewed and signed by the CFO or Controller. If the journal entry is prepared by the CFO, it is reviewed by another accountant.
Food Service Allocation	Effective 3/1/11 our Food Service Senior Nutrition and Head Start kitchens merged into one centralized food production kitchen. The monthly allocation of food service department costs (including all costs; salaries, fringes, indirect, general programming, transportation and overhead) are allocated monthly to either HS/EHS, Senior Nutrition or special functions/events based on actual production records kept on a daily basis by the food service department. Transportation costs are allocated by miles driven per month. Account 6573 is used to allocate the monthly food service costs.
Transportation/Maintenance	These allocations are prepared monthly in journal entry form to allocate salaries, fringe benefits and other department costs. Maintenance salaries are allocated from the payroll entry based on the timesheets. Effective 2/1/07 transportation costs are direct charged when possible. All other remaining costs are allocated to the programs based on a monthly transportation summary.
Indirect Pool Costs	The CFO prepares a monthly analysis to determine the actual indirect rate and compares it to the approved interim rate. The indirect pool costs are allocated to the responsibility centers using the interim rate, or the actual rate if lower than the approved interim rate. This way, we do not charge more to the grants than the interim rate or actual.
Allocations	The base for allocation of costs for transportation, maintenance, insurance, food service and payroll will be reviewed at least annually.

All journal entries and adjusting journal entries must have adequate supporting documentation attached to enable the reader to understand the reason for the entry.

Also, we have a system where each balance sheet account is assigned to an accountant for reconciliation. A master control sheet is prepared and as reconciliations are submitted to the CFO, the CFO signs the reconciliation, and the reconciliation is filed by account number. The control sheet is updated to reflect that the general ledger account has been reconciled.

Before issuance of internal financial statements monthly, the CFO reviews all major balance sheet accounts to ensure there is not an item that must be allocated before the issuance of the statements. Other reconciliations are submitted to the CFO during the subsequent months.

The CFO will include the "Month End Closing Schedule" with the CFO's copy of monthly financial statements. Part of the CFO's monthly close out procedures includes review of each grant or cost center and to compare the budget to actual amounts.

50. Account Reconciliations (8/14)

Effective with the September 2005 financial statements, all balance sheet accounts are to be reconciled by the accounting staff. The balance sheet accounts have been assigned to each staff member. Reconciliations are submitted to the CFO for review and approval, and then filed in accounting by account number order. Major accounts such as operating cash, accounts payable and major asset and liability accounts will be reviewed by the CFO before the current month general ledger is closed. Also, the interfund transfer accounts #7000 will be reviewed by the CFO monthly to ensure they balance to \$0. Bank account reconciliations are prepared and approved monthly (unless we receive the bank statements for another time frame, such as quarterly. Also, selected accounts such as Petty Cash are reconciled quarterly.

Account reconciliations prepared by the CFO are reviewed by another fiscal staff person.

The reconciliation of grant receivables, deferred revenue and revenue are completed simultaneously. The reconciliations are to be tied to the vouchers as appropriate (example – some grants pay set amounts each month). The CFO is to review and sign all vouchers.

We track jobs completed within the Weatherization Department programs to match revenue with expenditures for selected projects. We assign job numbers to Energy & Housing Fee for Service programs, and will track completed jobs to record revenue. We view direct expenses to be items such as labor and materials, and indirect costs to include telephone, maintenance, etc. As this is implemented, these procedures will apply to all weatherization non-grant projects as appropriate.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

51. REVENUE

52. Revenue Recognition Policies (11/13) (2/16)

PEACE, Inc. receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements of PEACE, Inc. in the following manner:

1. **Grant income** – Recorded according to the grant requirements. This includes cash basis (accruals recorded at year end in another project), accrual basis, fixed price, unit-of-service, and other types.
2. **Service fee income** – Monthly based on the unit-of-service or fees of the specific program
3. **Rent income** - Monthly accrual, based on the terms of each sublease
4. **Contributions** - Recognized as income when received, unless accompanied by restrictions or conditions (see the next section on contribution income). Some contributions may be recorded as receivables for some fundraisers, to ensure collection.
5. **Interest Income** – monthly accrual based on when it was earned.

Immaterial categories of revenue may be recorded on the cash basis of accounting (i.e. recorded as revenue when received) as deemed appropriate by the CFO.

53. Management Construction Fees – Weatherization Assistance Program

A construction management fee of 10% of the owner investment to compensate and reimburse the sub-grantee for administrative expenses associated with additional work required to monitor owner investment may be charged on all owner investments except indirect investments.

Charging the additional 10% to the owner is at the discretion of the agency.

The Executive Director, CFO and Program Manager will review construction management fees in relation to the Weatherization Assistance Program on an annual basis, or as needed, to determine whether or not the agency will charge the additional 10%. The final decision will be signed by the Executive Director.

54. CONTRIBUTIONS RECEIVED

55. Definitions

The following definitions shall apply with respect to the policies described in this section:

Contribution - An unconditional transfer of cash or other assets to the Agency, or a settlement or cancellation of the Agency's liabilities, in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

Condition - A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred to the Agency or releases the promisor from its obligation to transfer its assets.

Restriction - A donor-imposed stipulation that specifies a use for the contributed asset that is more specific than broad limits resulting from the nature of the Agency, the environment in which it operates, and the purposes specified in PEACE, Inc.'s articles of incorporation and bylaws. Restrictions on PEACE, Inc.'s use of an asset may be temporary or permanent.

56. Accounting for Contributions (11/10) (10/16)

PEACE, Inc. shall recognize contribution income in the period in which the Agency receives restricted or unrestricted assets. Contribution income shall be classified as increases in unrestricted, temporarily restricted, or permanently restricted net assets based on the existence or absence of such restrictions.

When the final time or use restriction associated with a contributed asset has been met, a reclassification between temporarily restricted and unrestricted net assets shall be recorded.

When it receives support in the form of volunteer labor, PEACE, Inc. shall record contribution income and assets or expenses (inkind) if one of the following two criteria is met:

1. The contributed service creates or enhances a nonfinancial asset (such as a building or equipment), or
2. The contributed service is the type of service that would typically need to be purchased by PEACE, Inc. if it had not been contributed,

Examples of contributed services received and recorded as income and expense by PEACE, Inc. include volunteer hours, supplies, buildings and space rented to PEACE, Inc. at the FMV rental rate. (The donated portion is the difference between the FMV and the agreed rental amount.)

Contributed services that meet the preceding criteria shall be recorded at the fair market value of the service rendered. As an example, if a physician donates his/her time in their medical capacity, we can use their professional rate. If the same physician donates time to paint a hallway, the rate would be the rate established for overall donated hours.

Non-standard contributions will be reviewed by the Executive Director for acceptance.

57. In-Kind Contributions (11/14), (1/16)

We will use a standard method of recording the following types of In-Kind throughout the company. Any In-Kind donation must be allowable by the grant. Please note that not everything that donor's want to contribute can be used as In-Kind. One benchmark of whether an item/event is reportable as In-Kind is if PEACE, Inc. would pay the In-Kind amount to purchase the item or event and that if purchased it would be allowable under the grant. For In-Kind to be acceptable, the following must be met:

- Are verifiable from records
- Are not included as contributions for any other federally-assisted project or program
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives
- Are allowable under the applicable cost principles
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching
- Are provided in approved budget

Type of In-Kind: Space
 Volunteer Time/Professional Services
 Volunteer Mileage/Travel
 Items Donated
 Mantoux Test/TB Screening
 Volunteer parking
 Volunteer uniform rentals
 Volunteer meals

Space

Space In-Kind will be booked into the general ledger monthly via a journal entry. The support for the journal entry will reflect the square footage and the justification for the square footage rate used. The In-Kind space will be recorded in the current month (for example, April In-Kind space will be booked in April).

Space In-Kind should be written into the grant whenever possible.

The journal entry should debit the account #6620 – In-Kind Space and credit the In-kind revenue account #4551.

The journal entries will be prepared by the Controller, and reviewed by the CFO or Senior Accountant.

Volunteer Time and Volunteer Mileage (1/16)

We use a form "Affidavit of Volunteer Services" to be completed and signed by the volunteer.

Volunteer indicates hours by day and checks under the appropriate column for the type of work

performed, The staff should reflect the time to the closest ¼ hour, and complete totaling of hours. Different types of work will be valued at different rates. Use the “Volunteer/In-Kind Hourly Rates” sheet prepared by Human Resources to determine the hourly rate. If the type of work is not included on the “Volunteer/In-Kind Hourly Rates” we must record the rate at the going market rate, which can be the volunteer’s rate in the market place. There is a separate “Affidavit of Volunteer Services” for CSBG and Head Start/Early Head Start (due to different types of volunteers).

In fiscal year end 1/31/13 a new more efficient volunteer service form was introduced to CSBG funded programs. Not all programs can use this form.

CSBG volunteer indicates their status:

NAC Member
Office Support

Other/Professional

Profession _____
Description of volunteer work _____
Hourly Rate\$ _____

Head Start/Early Head Start volunteer indicates their status:

Parent/Legal Guardian
Former Parent
Other/(Non-Parent/Non-Guardian)
Profession/Occupation _____
Type of volunteer work done _____
Hourly Rate\$ _____

Self transport is no longer allowed as of June 24, 2007.

The PEACE, Inc. representative will forward the following completed items to the accounting office:

All “Affidavits of Volunteer Service” forms
“Monthly Volunteer Tally Sheet” form stapled on top

The forms are due in accounting office the month following the volunteer month. The PEACE, Inc. representative will retain a copy of the tally sheet sent to be retained at their location.

The PEACE, Inc. program representative is responsible that all forms are completed correctly. The Accountant is responsible to add the totals from the individual forms and tie to the Monthly Volunteer Tally Sheet, and test check the Affidavit forms. If there are discrepancies, the Accountant will correct the error or send the form to the Program Manager to be corrected immediately, as we need to have returned to accounting to enter into the general ledger.

The standard rates for volunteer hours will be maintained on the intranet tally sheet, so we are using standard rates consistently. This rate list will be updated by Human Resources on an annual basis.

Items Donated (1/16)

The staff person or volunteer at each site taking donated items will have the following:

Copy of Salvation Army donated items value list
Supply of "Receipt for Donated Goods" form – 3 part form with location stamped on all three copies
"Volunteer/In-Kind Hourly Rates" list

A donor will bring the items to be donated to the location or site. The "Receipt for Donated Goods" form is to be completed as follows:

Donor (person bringing in items) completes the Donor Name/Address and Date.

-Not required if the donor does not wish to indicate.

Donor signs the form at the bottom (not required).

The PEACE, Inc. representative gives the top white copy to the Donor. It is the Donor's responsibility to complete their values for income tax purposes. Do not complete the condition or value for our purposes until after giving the Donor their copy. PEACE, Inc. is not to value the items for the Donor's benefit.

The PEACE, Inc. representative lists items under Description of Articles and condition (have Donor help complete if Donor is willing – not required that Donor complete). The PEACE, Inc. representative must be sure it is a list (cannot have "bag of clothes"). List each item separately, with a condition value – poor, good, excellent.

The PEACE, Inc. representative uses the Salvation Army guide to value the items based on condition. The value must be within the Salvation Army guide. If an item is not listed in the Salvation Army guide, use best judgment (based on guide's value of similar items). Value the items based on condition between the low value and high value. You can list like items is same condition on one line. In addition, there might be occasions where the internet will be a reference for valuing items that are not listed on the Salvation Army guide, or when you cannot use your best judgement.

If an item is brand new, never been used, it can have a value of the purchase price if one of the following exists. In this case, the Salvation Army guide will not be used. If question, please call the CFO at 634-3722.

The tags indicating the purchase price are still on the item – as applicable the program representative is to take a photo copy of the item showing the tag affixed to it and attach to the "Receipt for Donated Goods"

The donor is a retail store, and gives written evidence of the price

If a staff member has received the goods and removed the affixed tags, the Director must submit a letter indicating they removed the tags, and the items are new. This may occur when we are given a large shipment of new items from a retail store. An example of such is when we receive a case of food from a local grocery store.

PEACE, Inc. representative signs the line "Program representative signature" on the "Receipt of Donated Goods" form

PEACE, Inc. Program Manager or designee ensures all information is correct (including values used), and signs the "Donated Goods Coversheet" form.

Program Manager/Designee must indicate where these items will be used – for example, Eastside Family Resource Center, Head Start Merrick Location for toddlers, etc.

The Program Manager/Designee retains a file for the site copies.

The Program Manager/Designee sends the pink copies to the Fiscal Department the subsequent month attached to a cover sheet "Donated Goods Cover Sheet" form.

Accounting will ensure the "Donated Goods Cover Sheet" form does reflect the correct total of the "Receipt of Donated Goods" forms attached. Accounting will also test check the "Receipt of Donated Goods" forms for accuracy. Accounting will prepare a journal entry for each location for the items donated each month. The entry will be for items from the prior month. There will be a one month lag of this recording in the general ledger, as we close each month very quickly, and do not have time to record currently. During the final month of the fiscal year, January, we will post both the December and January items donated.

It is the Program Manager/Designee's responsibility to ensure the sites have an adequate supply of "Receipt of Donated Goods" forms on hand. The assigned accountant can provide additional forms.

The Senior Accountant will maintain a grid report indicating all locations and the type of In-Kind donation reportable for each. This grid is forwarded to the CFO for each month to indicate that we received In-Kind.

An item cannot be processed as In-Kind for a grant if it is not something PEACE, Inc. would buy for the grant. If there is any question as to whether or not an item is allowable, please contact the Program Director. Written authorization is required for any In-Kind that does not normally qualify under the grant. If the item or service is written into the grant, and the grant is approved as is, this satisfies the written requirement.

Head Start/Early Head Start does not accept clothing, other than for dramatic play. Therefore, if a donor brings clothing to a Head Start site, do not accept the clothing, but refer them to a Family Resource Center to deliver the clothing. This will ensure Head Start/Early Head Start personnel are not involved in Family Resource Center activity, and the families we serve will become acquainted with all that PEACE, Inc. offers.

Some examples of acceptable items might be (depending on the individual grant):

- Clothing (not allowed on Head Start unless for dramatic play)
- Food
- Educational items/Books/Computer items
- Toys for children
- Furniture/Kitchen Items

Some items are unacceptable for certain grants. A review of each grant is to be made to determine allowability.

In-Kind reports are the responsibility of the Program Manager.

57.01 Gifts to Organization (2/16)

PEACE, Inc. will not accept any donations that imply endorsement of businesses, products or services. Donor businesses may not use PEACE, Inc.'s name for promotion of any product of service.

57.02 Donor Privacy (8/15)

PEACE, Inc. respects the privacy of its donors and also recognized that donors wish to be connected to PEACE, Inc. PEACE, Inc. uses donor information to notify them of information, plans and activities. Donor information is shared with staff, board members, volunteers and consultants on a “need-to-know” basis.

PEACE, Inc. does not share their donor list with any third party unless donor permission has been granted. Requests to remain anonymous will be honored.

57.1 INVESTMENTS (12/14)

57.2 Investment Policy

Introduction

It is the policy of PEACE, Inc. to treat all assets of the organization, including those funds that are legally unrestricted, as though they are held by PEACE, Inc. in a fiduciary capacity for the purpose of accomplishing the organization's tax-exempt mission. As such, the policies described in this section are to be interpreted in light of that overall sense of stewardship, and the investment standards of PEACE, Inc. shall be those of a prudent investor.

Delegation of Authority

The board of directors of PEACE, Inc. has delegated supervisory authority over its investing activities to the Fiscal Committee of the board. The Fiscal Committee is responsible for regularly reporting on the organization's investments to the full board of directors.

Investment Objectives

PEACE, Inc.'s investment objectives are the preservation and protection of the organization's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments. It is the organization's policy that excess funds may first be used to pay down interest-bearing (loans) prior to investing such funds.

Allowable Investments

Investments of PEACE, Inc. shall be made exclusively with the following securities:

1. Federally-insured Certificates of Deposit, not to exceed \$100,000, including interest, at commercial banks or savings and loan institutions.
2. U.S. Treasury securities and securities of Federal agencies and instrumentalities.
3. Repurchase agreements with financial institutions, collateralized by U.S. Treasury or Federal agency securities.
4. Corporate bonds and notes rated A or better by Moody's and Standard & Poor's.
5. Commercial paper rated P-1/A-1 by Moody's and Standard & Poor's.
6. Money market funds that invest in securities approved under these guidelines.

PEACE, Inc. shall not engage in margin transactions, short selling, commodity transactions or use of derivatives.

Periodically we will review with the bank if a sweep account is in our best interest, and if so we will utilize the sweep account.

58. BILLING/INVOICING POLICIES

59. Overview (11/12)

The following is an example list of items billed and/or accrued and received by PEACE, Inc. and the frequency with which each is billed:

Monthly, Quarterly & Periodic Billings

1. Grants, service fees and contracts (including rents) (See separate section on “Policies Associated with Federal Awards” for billing policies associated with federal grant agreements)
2. Leases and Subleases

60. Responsibilities for Billing and Collection (8/15)

PEACE, Inc.’s Accounting Department is responsible for the vouchering of receivables (except for examples listed below), as well as the collection of outstanding receivables on grants. Grant vouchers prepared by fiscal are reviewed and approved by either the CFO or Executive Director. The program staff may complete the vouchers for selected grants and fee for service programs because of the required information to complete the form or the program staff maintains the software required to complete the vouchers. Examples are: (DEHS program staff completes a portion of the vouchers as they have software required by the grantor. Reimbursements for volunteer Foster Grand Parent mileage and meals from CNYDSO and Elmcrest are currently prepared by program staff. Energy & Housing staff complete vouchers/invoices for Empower New York, and other fee for service programs.) Rent collection is the responsibility of the Program Manager. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections).

Prior to termination of a tenant lease agreement, management must provide tenant with the Notice of Violation. This will advise the tenant that if the stated violation is not corrected by the stated date, management may seek to terminate the lease by instituting an action for eviction at which time the resident may present a defense.

The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements.

61. Accounts Receivable Entry Policies

Accounts receivable posting is done in coordination with the monthly revenue entries prepared by the Accounting Department Staff.

62. Classification of Income and Net Assets

All income received by PEACE, Inc. is classified as "unrestricted", unless specifically noted by the donor.

From time to time, the PEACE, Inc. Board of Directors may determine that it is appropriate to set funds aside for specific projects. To the extent these set-asides result from a Board action, rather than a donor-imposed requirement, the resulting set-aside shall be classified as “unrestricted”. However, to

identify these funds as being set aside for special projects, such set-asides shall be labeled “Board-Designated” funds within the unrestricted net assets of PEACE, Inc., and shall be reported as a separate component of unrestricted net assets on the PEACE, Inc. financial statements.

63. CASH RECEIPTS

64. Overview

Cash (including checks payable to the Agency) is the most liquid asset an Agency has. Therefore, it is the objective of PEACE, Inc. to establish and follow the strongest possible internal controls in this area.

65. Processing of Checks and Cash Received in the Mail (11/12), (1/16), (9/16)

For funds that are received directly at PEACE, Inc. cash receipts are centralized to ensure that cash received is appropriately directed, recorded and deposited on a timely basis.

The mail is opened daily by the Payroll Specialist or Accountant, who stamps any checks she receives "For Deposit Only" on the back of the check, and forwards all checks to the Senior Accountant. The Senior Accountant then reviews the checks and prepares general ledger coding for each cash receipt. The deposit and journal entry are prepared by the Senior Accountant. The daily bank deposit is taken to the bank by the HR Assistant. The CFO or Controller review all deposits and sign the journal entry. If cash or checks are received after the cutoff for the day's deposit, the cash or checks will be held overnight in a locked safe in the locked fiscal department and deposited the next business day.

Funds that are received in the form of cash are brought to the accounting department and a pre numbered cash receipt is written in the receipts book and given to the individual employee who brought in the actual cash, as appropriate.

The bank reconciliations are prepared by a person other than the person making the deposits. The M&T operating and the Key Bank operating bank reconciliations are prepared by a staff person who does not record receipts or disbursements for the account.

65.1 Processing of Other Checks and Cash Received (Including Receipts at Sites) (11/12), (1/16)

All cash and checks received at any site (either by mail or not), are to be forwarded to the Accounting Department with explanation of the receipt. We can then deposit the items into the corporate accounts, and account for the receipt through the general ledger.

Meal contributions are prepared daily by program personnel, and deposit information is forwarded to the Accounts Payable Specialist, who prepares the journal entry.

66. Endorsement of Checks (1/16)

It is the policy of PEACE, Inc. that all checks received that are payable to the Agency shall immediately be restrictively endorsed by the individual who opens the daily mail (if received via mail). If the check is delivered internally (not via mail), the Senior Accountant will endorse the check. The restrictive

endorsement shall be a rubber stamp or manual endorsement that includes the following information: (If a stamp is not available, the information will be written on the back of the check.)

1. "For Deposit Only"
2. PEACE, Inc.
3. The bank account name and account number

67. Timeliness of Bank Deposits (1/6/09)

It is the policy of PEACE, Inc. that bank deposits will be made on a daily basis. If for some reason (bank suddenly closed), the deposit cannot be made that day, the CFO must be notified that day. If there is no deposit for the day, the accountant who prepares the deposits will email the CFO. If cash or checks are received after the daily deposit is made, the items will be locked in a safe in the locked fiscal department, to be deposited the next business day.

68. Reconciliation of Deposits (11/12), (9/16)

On a daily basis, the CFO, who does not prepare the initial cash receipts listing or bank deposit, shall reconcile the listings of receipts to bank deposits reflected on the online bank account for the two operating accounts **Key Bank** and M&T). Any discrepancies shall be immediately investigated.

69. ACCOUNTS RECEIVABLE MANAGEMENT

70. Monitoring and Reconciliations (8/15)

Accounts receivable account analysis/reconciliations are prepared by the responsible accounting department personnel to ensure proper balance and reporting. The accounts receivables reconciliations are forwarded to the CFO for review and approval. At this time any old outstanding accounts receivables would be noted for the CFO. The collection of outstanding vouchers would be the responsibility of the Accountant responsible for that particular receivable (unless otherwise instructed by the CFO).

As of October 2007, accounts receivable reconciliations are to include voucher amounts and date sent, which can then be incorporated for aging purposes.

In order to maintain effective internal controls, the approval to write off receivables is completed by the CFO or Executive Director, who do not record payments.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

71. PURCHASING POLICIES AND PROCEDURES

72. Overview (2/11/08) (2/16)

THE POLICIES DESCRIBED IN THIS SECTION APPLY TO ALL PURCHASES MADE BY PEACE, INC.

ADDITIONAL POLICIES APPLICABLE ONLY TO THOSE PURCHASES MADE UNDER FEDERAL AWARDS ARE DESCRIBED IN THE SECTION “POLICIES ASSOCIATED WITH FEDERAL AWARDS.” (Section 184)

It is the policy of PEACE, Inc. to follow a practice of ethical, responsible and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. The policies in this section describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

The goal of these procurement policies is to ensure that materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal statutes and executive orders.

Relevant OMB circulars are reviewed periodically (and whenever changes to circulars) to ensure adherence to directives.

72.1 Procurement Procedures (2/16)

Refer to CFR , Subpart D, sections 200.317-200.326

73. Responsibility for Purchasing (2/11/08)

All department and project Directors shall have the authority to initiate purchases on behalf of their department or project, within the guidelines described in this policies manual. In addition, department directors may delegate purchasing authority to responsible individuals within their department. The fiscal department shall maintain a current list of all authorized department and project signors.

The accounting department shall be responsible for processing purchase orders. The Executive Director and/or CFO have approval authority over all purchases, and shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

The purchasing system of the Agency shall be overseen by the Purchasing Director. The Purchasing Director can review a requisition or purchase at any time.

74. Non-Discrimination Policy

All vendor contractors who are the recipients of Agency funds, or who propose to perform any work or furnish any goods under agreements with PEACE, Inc. shall agree to these important principles:

1. Vendor Contractors will not discriminate against any employee or applicant for employment because of race, religion, color, sexual orientation or national origin, except where religion, sex, or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the vendor contractors.

75. Purchasing Overview (11/12), (2/16)

Before committing to a purchase with a new vendor contractor, the Purchasing Dept. confirms that the vendor contractor is not on the suspension/disbarment list. On the Purchase Order Checklist there is an indication if this is a new vendor contractor.

We can categorize our disbursements into three types:

Purchase Orders required – items we will receive an invoice for

Require a “Purchase Order Checklist” to be completed by accounting or Purchasing department

Cash Disbursement – no invoice will be received – example – expense reports and credit card payments

Recurring Payments – leases and contracts and standard payments (example - utilities)

Includes master list of recurring, and coversheet for each with documentation attached in a folder

As PEACE, Inc. is exempt from NYS sales tax, no NYS sales tax is to be charged directly or indirectly to any grant. We do everything possible to eliminate sales tax. However, on occasion a minor amount of sales tax may be charged. If so, it needs to be approved by the Controller, Purchasing Director or CFO, and charged to “non-allocable”. Some tax payments are required such as for flights, hotels, etc.

There are 3 purchasing dollar levels. Refer to CFR, Subpart D, 200.320. We will use the dollar levels included below:

Micro purchases – below \$2,000

Small purchases - \$2,000 – below \$5,000

Large purchases - \$5,000 and higher

76. Use of Purchase Orders (11/13)

It is the policy of PEACE, Inc. to utilize a purchase order system. A properly completed purchase order or Cash Disbursement form shall be required for each purchase decision with the exception of petty cash accounts, recurring payments, travel advances and expense reimbursements, cash advances, etc. which require a separate form described elsewhere in this manual. Also, professional services such as legal or accounting, do not require a purchase order, but fees will be analyzed periodically. A “Purchase Order Checklist” will be attached to a properly completed purchase order to indicate at a minimum:

1. PO Date
2. Determine whether allowable under grant and initial
3. Indicate no sales tax included
4. If item \$5,000 or more and fixed asset, notify Senior Accountant, OR Construction in Progress, acct #1540
5. If fixed asset must have lease vs buy analysis form
6. Indication that funds are available
7. Three quotes, indication NYS Contract, or Sole Source attached as required
8. Required signatures
9. Receipt of items
10. Recognition of Davis Bacon

Purchase orders shall be pre-numbered and kept in a secure area in the accounting department, and issued upon request from an authorized purchaser. All purchase orders are logged out by the accounting department when disbursed to employees/program managers.

If the purpose of the purchase is not readily apparent, a written description of the nature of the purchase and how it relates to the applicable grant shall be attached.

A "Purchase Order Check List" will be attached to each Purchase Order to ensure all items are considered, and we have adequate support for payment. Each Purchasing staff member will initial/date the review items as they review through the receiving of product area and sign-off as all complete up to that point. The Accounts Payable Specialist will initial/date the invoice area of the checklist and sign-off that all is complete.

The Purchasing Department reviews the open purchase order file on a periodic basis to ensure the open purchase order file is up to date.

77. Authorizations and Purchasing Limits (11/13), (2/16)(11/16)

The following table displays required approval levels used by PEACE, Inc. for purchases, whether using a Purchase Order or a Cash Disbursement Request.

If there is a required PO, there will be a Purchase Order Checklist attached.

If a PO is required, the PO will be written before the order is placed.

Any specific grantor requirements **must be identified and adhered to.**

Requisition Requests are not required.

Total Amount of Purchase	Signatures required to Purchase	Solicitation Process	Documentation of Decision
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Petty Cash	Project Director	No 3 quotes/bids required for petty cash disbursements of \$50 or less for sites, and \$500 or less for Main Office. Open and free competition as a variety of vendor contractors are used	Invoice/Receipt
Below \$2,000	Program Director – before purchase Purchasing Director – can be after purchase date Accountant – can be after purchase date	No quotes required (for HCR) threshold is up to under \$500)	Purchase Order or Cash Disbursement Request Invoice/Receipt PO Checklist if using PO
\$2,000 – below \$5,000	Program Director Purchasing Director Accountant CFO if item \$2,500 or more, or total \$5,000 or more Exec Director if item \$2,500 or more, or total \$5,000 or more	One of: ‘3 quote form NYS Contract Sole Source FRP Process only if required by grantor Sealed Bids only if required by grantor	Purchase Order or Cash Disbursement Request Invoice/Receipt PO Checklist if using PO
\$5,000 or higher	Program Director Purchasing Director Accountant CFO if item \$2,500 or more, or total \$5,000 or more Exec Director if item \$2,500 or more, or total is \$5,000 or more	One of: ‘3 Quote form-written quotes NYS Contract Sole Source FRP Process only if require by grantor Sealed bids – only if required by grantor	Purchase Order or Cash Disbursement request Invoice/Receipt PO Checklist if using PO

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Exceptions:

The Director of Food Services may order food and supplies (no equipment or items out of ordinary daily purchases) solely on his signature due to the nature of the program. The Purchase Order is then remitted to Accounting for the Purchasing Director and Accountant signatures.

The Weatherization Director may order supplies and materials for jobs (no equipment or items out of ordinary daily purchase) solely on his signature due to the nature of the program. The Purchase Order is then remitted to Accounting for the Purchasing Director and Accountant signatures.

The Program Director is the only required signor prior to ordering items or service if the total is under \$2,000, except as noted above for food services and weatherization purchases. The Purchasing Director and Accountant are able to sign after the purchase.

The Human Resources Director signs for HR related invoices for example: drug testing, employee background checks, payments for small medical claims, insurance and tuition reimbursement.

All required approval signatures must be obtained prior to placing an order with the vendor contractor.

Only the Executive Director is authorized to enter into any contract (verbal or written) on behalf of PEACE, Inc.

Small, recurring purchases made routinely through the year may be supported by an annual letter of authorization. This letter would reflect the dollar limit and type of purchase, along with “allowable under

grant” and “grant funds available” clauses. This annual letter is signed by the Program Director or authorized person.

Cash Disbursements requests for the transfer of funds between bank accounts (such as the Key Bank operating account to the M&T operating account) do not require the Purchasing Director’s signature.

77.1 Allowable Purchases (12/14), (2/16)

It must be determined that a purchase is allowable under the grant. To accomplish this:

There is a box on the Purchase Order and Cash Disbursement Request that must be checked and signed by the Program Director that the item is allowable. At times this box may be checked and initialed on the requisition or request, and attached to the Purchase Order.

A Partial Listing of Allowable/Unallowable Expenses for Head Start has been forwarded to Head Start Senior Leadership

CFO, Subpart E, 200.420-200.475 Selected Items of Cost and Selected Unallowable Cost Items are forwarded to Senior Leadership periodically.

See also CFR, Subpart E, 200.402 – 200.411 for Basic Consideration regarding costs.

78. Required Solicitation of Quotations from Vendor Contractors (12/14), (2/16)

Also see CFR D 200.319

PEACE, Inc.’s choice of vendor contractors is based on full open and free competition. We choose the vendor contractor most responsive to the solicitation and advantageous to the agency.

Refer also to CFR, Subpart D, 200.319.

Purchases of \$2,000 or more (unless discussed in other sections of this manual – example Section 76), will be supported by quotes as required (see section 77). These quotes can be in the form of either bids per purchase (documented by the Vendor Contractor Quote Verification – vendor contractor quote form), indication on the NYS Contract list, sole source, or an annualized bid. An annualized bid is a sampling of commonly used items in specific groupings ie: hardware, plumbing products, electrical products, office supplies, food products, and is reevaluated on a yearly basis and determines reasonable priced vendor contractors in locations common to our facilities. For purchases of multiple items such as hardware, novelty goods, etc. from vendor contractors that do not have an annual bid on file it is permissible to do a price comparison on a random sampling of those items to prepare a vendor contractor quote form.

Petty cash purchases (section 126) do not require bids, but have free and open competition. Staff may use a vendor contractor they feel is in the best interest for the agency. Bids are not required for Petty Cash up to \$50 for the sites, and \$500 for the Main Office.

Required governmental fees and similar situations where we have no control over the vendor contractors used do not require bids. An example would be if we are required by contract to reimburse expenses to a landlord or vendor contractor is specifically written into the grant. We would then review for reasonableness.

Certain purchases such as license fees, job fair fees, training costs, postage, mileage reimbursements, subscriptions, memberships, etc (list is not all-inclusive) do not require bids or sole source forms. We would review for reasonableness.

Written quotes are required for purchases of \$2,000 or more. Exceptions to the three quote requirement are: if the vendor contractor is on an approved New York State bid list, specialized contract services ex: auditors, lawyers, consultants (who are reviewed periodically) or if a vendor contractor is considered sole source of a product. (A sole source form must be filled out and attached to the purchasing package).

A sole source form is to be used only when there is no other vendor contractor (not because they are the lowest cost).

If a new vendor contractor is being considered, the staff person responsible for the purchase must confirm with the Purchaser that the vendor contractor is not on the disbarment list, before committing to the purchase.

All Purchase decisions of \$100,000 or more shall be made by obtaining written competitive proposals from at least three (3) responsible vendor contractors. Sealed bids shall be utilized when required by a Federal awarding agency.

Solicitations for goods and services (requests for proposals) should provide for all of the following:

1. A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features, which unduly restrict competition.
2. Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals.
3. A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
4. The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitations.
5. Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.
6. A description of the proper format, if any, in which proposals must be submitted, including the name of the PEACE, Inc. person to whom proposals should be sent.

7. The date by which proposals are due.
8. Required delivery or performance dates/schedules.
9. Clear indications of the quantity(ies) requested and unit(s) of measure.

79. Evaluation of Alternative Vendor Contractors for Proposals (1/6/09)

PEACE, Inc.'s choice of vendor contractors is based on open and free competition. We chose the vendor contractor most responsive to the solicitation and advantageous to the agency.

Alternative vendor contractors shall be evaluated on a weighted scale that considers the following criteria:

1. Adequacy of the proposed methodology of the vendor contractor
2. Skill and experience of key personnel
3. Demonstrated company experience
4. Other technical specifications (designated by department requesting proposals)
5. Compliance with administrative requirements of the request for proposal (format, due date, etc.)
6. Vendor contractor's financial stability
7. Vendor contractor's demonstrated commitment to the nonprofit sector
8. Results of communications with references supplied by vendor contractor
9. Ability/commitment to meeting time deadlines
10. Cost
11. Minority- or women-owned business status of vendor contractors
12. Other criteria (to be specified by department requesting proposal)

Not all of the preceding criteria may apply in each purchasing scenario. However, in each situation requiring consideration of alternative vendor contractors, the department responsible for the purchase shall establish the relative importance of each criterion prior to requesting proposals and shall evaluate each proposal on the basis of the criteria and weighting that have been determined.

80. Affirmative Consideration of Minority, Small Business and Women-Owned Businesses

Positive efforts shall be made by PEACE, Inc. to utilize small businesses, minority-owned firms, and women's business enterprises, whenever possible. The following steps shall be taken in furtherance of this goal:

1. Ensure that small business, minority-owned firms, and women's business enterprises are used to the fullest extent practicable.

2. Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small business, minority-owned firms and women's business enterprises.
3. Consider in the contract process whether firms competing for larger contracts tend to subcontract with small businesses, minority-owned firms and women's business enterprises.
4. Encourage contracting with consortiums of small businesses, minority owned firms and women's business enterprises when a contract is too large for one of these firms to handle individually.
5. Use the services and assistance, as appropriate, of such Agencies as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the minority-owned firms and women's business enterprises.

81. Special Purchasing Conditions (7/16)

Emergencies:

Where equipment, materials, parts, and/or services are needed in an emergency, quotes/bids will not be necessary if the health, welfare, safety, etc., of staff and protection of Agency property is involved, or if the emergency relates to the health and safety of our constituents. These purchases are to be signed by the Executive Director or CFO. There will be vendor contractors listed by purchasing for emergency situations for areas such as plumbing, fencing, electrical.

If an emergency does occur, Purchasing will later review the charges for reasonableness and annual bids. At that time, a vendor contractor could then be identified as reasonable or eliminated from future procurement.

Renewal Invoices:

Annual renewal invoices can generate a purchase order or a cash disbursement. This invoice may be dated prior to the Purchase Order date or the director's signature. This is due to the vendor contractor initiating the renewal invoice. We are not obligated to pay this invoice unless we opt to renew.

Single Distributor/Source:

Sole source purchases will be made only when solicitation of multiple vendor contractors is not feasible and one of the following conditions applies:

- The items or service is only available from one source
- The situation is an emergency

- The awarding agency approves the purchase.

A completed sole source form is required.

Federally-Funded Programs:

Purchases that will be charged to programs funded with federal awards will be subject to additional policies. These policies are described in a separate section, "Policies Associated With Federal Awards."

Cash Advances:

There are instances when programs submit cash disbursement requests for an advance to purchase items such as food/snacks, movie tickets, bus fare, arts & crafts, school supplies, program activities, prizes, etc. PEACE, Inc. will provide the advance if the items requested are in the normal course of the programs purpose. The program then purchases the items, completes an Advance Reconciliation form to reconcile back to the original advance if appropriate and submits the receipts for review by the Program Director, purchasing and the accountants. If the requested advance is for specialty items not in the normal course of operations for the program, then a detail of the items to be purchased would be attached along with the required quotes/bids before the advance is issued.

82. Vendor Contractor Required Documentation (11/10)

The Accounting Department or Accounts Payable Specialist shall mail a blank Form W-9 to all new vendor contractors, along with a request for the vendor contractor to complete and sign the W-9 or provide equivalent, substitute information and return it to the Agency. Completed, signed Forms W-9 or substitute documentation shall be filed in the Accounting Department. Vendor contractors who do not return a completed, signed Form W-9 or provide equivalent documentation shall be issued a Form 1099 at the end of each calendar year in accordance with the policies described in the section of this manual on "Government Returns." The Accounts Payable Specialist will send out a letter annually to all current vendor contractors specifying that PEACE, Inc. does not allow personal accounts with PEACE, Inc. name connected. Also, all contracts must be signed by Executive Director.

84. Ethical Conduct in Purchasing

Ethical conduct in managing the Agency's purchasing activities is an absolute essential. Staff must always be mindful that they represent the Board of Directors and share a professional trust with other staff and the general membership.

Staff shall discourage the offer of, and decline, individual gifts or gratuities of value (over \$25) in any way that might influence the purchase of supplies, equipment, and/or services. Staff shall notify their immediate supervisor if they are offered such gifts. If candy, flowers or other items of small value (up to

approximately \$25) are delivered unannounced to the office (such as at holidays), the items will be shared with the staff.

84.1 Competition (8/15)

In order to promote open and free full competition, purchasers will:

1. Be alert to any internal potential conflicts of interest
2. Be alert to any noncompetitive practices among contractors that may restrict, eliminate or restrain trade.
3. Not permit contractors who develop specifications, requirements or proposals to bid on such procurements.
4. Award contracts to bidders whose product/service is most advantageous in terms of price, quality and other factors.
5. Issue solicitations that clearly set forth all requirements to be evaluated.
6. Reserve the right to reject any and all bids when it is in the Agency's best interest.
7. Not give preference to state or local geographical areas unless such preference is mandated by Federal statute.
8. "Name brand or equivalent" description may be used as a means to define the performance or requirements.+

85. Conflicts of Interest Prohibited (11/10)

No officer, board member, employee, or agent of PEACE., Inc. shall participate in the selection or administration of a vendor contractor if a real or apparent conflict of interest would be involved (see below). Such a conflict would arise if an officer, board member, employee or agent, or any member of his/her immediate family, his/her spouse/partner, or an Agency that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor contractor selected.

In addition, no employee, officer, Board member or agent of PEACE, Inc. shall participate solely in the selection, award, or administration of a contract involving PEACE, Inc. if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, or any member of her or his immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected. The officers, employees, and agents of the PEACE, Inc. shall neither solicit nor accept gratuities, favors, or anything of monetary value (over \$25) from contractors, or parties to subagreements. If there is such a conflict, full disclosure must be made to the Executive Director, who must sign an authorization, and deem that the financial interest is not substantial. The HR department will ensure all staff and Board members sign a conflict of interest disclosure statement.

Officers, board members, employees and agents of PEACE, Inc. shall neither solicit nor accept gratuities, favors, or anything of monetary value (over \$25) from vendor contractors or parties to sub-agreements.

86. Receipt and Acceptance of Goods (11/13)

It is the policy of PEACE, Inc. that all ordered goods be inspected immediately upon receipt, and that the Purchasing Department and vendor contractor be notified of any discrepancies immediately. Included in the purchase package, a program person must sign their name and date items or service received. This can be handled in a few ways.

All packing slips, if applicable, should be forwarded to the purchasing department for attachment to the PO and should include a signature and date received.

In the absence of a packing slip, the pink copy of the P.O. should be forwarded with a signature and date received.

If neither are available, the program person is to sign the invoice to indicate receipt, and indicate date received.

An email confirmation of receipt of goods including a date items were received is also acceptable in the absence of the packing slip.

87. Excluded Parties

The Accounts Payable Specialist in conjunction with the Purchasing Department shall review current vendor contractors annually and any new vendor contractors to ensure they are not listed on the excluded parties list or a U.S. Government Debarment listing.

All credit applications must be forwarded to the Purchaser for completion, and the Purchaser will review the Federal Excluded Parties List and Debarment list.

88. Corporate Credit Cards/Procurement Cards (8/14) (12/14) (1/16), (9/16)

PEACE, Inc. currently has the following credit cards:

1. Home Depot – procurement card
 - a. The cards are housed in the main office safe, and one card is held in Maintenance. The cards are issued in the names of: Energy & Housing Purchasing Agent, Energy and Housing Office Manager, Facilities Director, Maintenance Supervisor, and Purchasing Director.
 - b. Only the Facilities Director and the Maintenance Supervisor hold Home Depot Cards.
 - c. Energy & Housing has been set up as a Proxy Account whereby any of the Energy & Housing Employees can sign for any purchase as long as they are in uniform and can produce ID. The signature must be legible. Home Depot contacts the Energy & Housing Purchasing Agent immediately if the process is not followed or if they have a question at any time about a purchase.
 - d. Purchases on the Home Depot cards are authorized by the Program Directors of the employees who hold those cards
 - e. The Home Depot card is not a credit card and does not have any finance fees associated with it (but may incur late payment fee). It is authorization to procure items at New York State bid pricing.
 - f. The credit limit on this card is \$12,500 for Weatherization Department cards and \$5,000 for the Maintenance Department cards
2. Wegmans
 - a. The cards are assigned to various staff including Head Start & Early Head Start employees, and Food Services Director and various other employees on an “as needed”

- basis. The cards are not issued in an individual name, but associated with a pin. The cards are locked in lock boxes or at the agency's main office safe. Examples of staff utilizing these cards can be: Nutrition Coordinator, Food Production Manager, etc.
- b. A Senior Accountant maintains a current listing of who holds the Wegmans cards
 - c. Purchases on the Wegmans cards are authorized by the Program Directors of the employees who hold those cards
 - d. Purchases on the Wegmans cards are reconciled to a monthly billing statement from Wegmans by Senior Accountant
 - e. The monthly reconciliations are forwarded to the CFO for review and approval
 - f. Credit limit - \$500 per account – for 1 account, \$1,000 for 3 accounts, \$1,500 for 4 accounts, \$3,000 for 1 account, \$5,000 for 1 account, 1 account is used for gift cards by the purchasing department
3. Valvoline Fleet Service
- a. The cards are assigned to various Head Start & Early Head Start employees, Weatherization employees, maintenance employees, Food Service Director, Big Brothers Big Sisters employees, the Executive Director and Family Resource Center employees (the cards are associated with the vehicle) The cards are kept in the locked vehicle. Each card is associated to a specific numbered vehicle and they are utilized by that vehicle's driver.
 - b. The Accounts Payable Specialist along with the Transportation Director maintains a current listing of who holds the Valvoline Fleet Service cards.
 - c. Purchases on the Valvoline Fleet Services cards are reconciled to a monthly billing statement from Valvoline Fleet Services by the Accounts Payable Specialist
 - d. Purchases on the Valvoline Fleet Services cards are authorized by the Program Managers of the employees who hold those cards
 - e. The monthly reconciliations are forwarded to the CFO for review and approval
 - f. Credit limit - \$3,500
4. Key Bank Agency Credit Card (11/12)(9/16)
- a. The Key Bank credit card is maintained by a Senior Accountant in the safe in the fiscal office. This card is issued in the CFO's name. The card is utilized by the CFO as well as Senior Accountants, and Purchasing Director with the CFO's approval.
 - b. Purchases on the Key Bank Agency credit cards are authorized by the Senior Accountant with the properly completed Purchase Order or Cash Disbursement Request forms that have already been approved by the Program Directors.
 - c. Purchases on the Key Bank Agency credit card are reconciled to a monthly billing statement from Key Bank by the Senior Accountant.
 - d. The monthly reconciliations are forwarded to the CFO for review and approval
 - e. Credit limit \$15,000
5. Key Bank DMV Credit Card (11/12)(9/16)(11/16)
- a. The Key Bank credit card used to do on-line vehicle registrations is maintained by the Transportation Director. The card is housed in a locked petty cash box in a locked desk at the Transportation Department, assigned only to the Transportation Director.
 - b. Purchases on the Key Bank credit card are authorized by the Transportation Director as DMV registrations come due

- c. Purchases on the **Key Bank** credit card are reconciled by a Senior Accountant to a monthly billing statement from **Key Bank**.
 - d. The monthly reconciliations are forwarded to the CFO for review and approval
 - e. Credit limit - \$3,000
6. **Key Bank** Travel Card (9/16)
This card is temporarily suspended.
7. **Key Bank** American Red Cross Card (9/16)
- a. The **Key Bank** credit card is used to pay for American Red Cross CPR/First Aid cards and is maintained by a **Head Start employee**. The card is housed in a locked petty cash box in a locked cabinet.
 - b. Purchases on the **Key Bank** card are authorized by the **designated Head Start employee**.
 - c. Purchases on the **Key Bank** credit card are reconciled by a Senior Accountant to a monthly billing statement from **Key Bank**.
 - d. The monthly reconciliations are forwarded to the CFO for review and approval.
 - e. Credit limit - **\$2,500**

89. Personal Use of Vendor Contractor Accounts, Credit Cards and Member Cards

Personal use of any corporate vendor contractor accounts, credit cards, member cards or similar items is prohibited. This would include PEACE, Inc. used in the name of the account in any way. No one is to obtain personal vendor contractor accounts, credit cards, member cards or similar items with the inclusion of PEACE, Inc. as the holder, or listed in any way on the account. All business vendor contractor accounts, credit cards and member cards are to be opened through the Purchaser.

Personal account statements are not to be mailed to a PEACE, Inc. address.

Noncompliance to this policy may be terms for termination of employment.

89.1 Inclusion of Costs in Appropriate Grant/Fiscal Year (12/12)

At year end all items related to the correct grant year/fiscal year are accrued or encumbered to the proper grant and proper time period. (This may be done through a yearend project to capture accruals for grants on a cash basis).

All grants have their own project number in our accounting system and charges are coded to each project to ensure only that funder pays for their exact expenses.

Charges are posted to the correct project number to coincide with the correct grant year for inclusion. (Each new year of a grant has a unique project number).

90. POLITICAL INTERVENTION & LOBBYING (2/11/08)

91.00 Prohibited Expenditures

Consistent with its tax-exempt status under the Internal Revenue Code, it is the policy of PEACE, Inc. that the Agency shall not incur any expenditure for political intervention. For purposes of this policy, political intervention shall be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the federal, state or local level. Examples of prohibited political expenditures include, but are not limited to, the following:

1. Contributions to political action committees
2. Contributions to the campaigns of individual candidates for public office
3. Contributions to political parties
4. Expenditures to produce printed materials (including materials included in periodicals) that support or oppose candidates for public office
5. Expenditures for the placement of political advertisements in periodicals

92. Endorsements of Candidates

It is the policy of PEACE, Inc. not to endorse any candidates for public office in any manner, either verbally or in writing. This policy extends to the actions of management and other representatives of PEACE, Inc., when these individuals are acting on behalf of, or are otherwise representing, the Agency.

92.1 Prohibited Use of Organization Assets and Resources (2/11/08)

No assets or human resources of the Agency shall be utilized for political activities, as defined above. This prohibition extends to the use of Agency assets or human resources in support of political activities that are engaged in personally by board members, members of management, employees, or any other representatives of the Agency. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing the Agency), these individuals must at all times be aware that the Agency resources cannot at any time be utilized in support of political activities.

92.2 Lobbying (2/11/08)

92.3 Lobbying Introduction (2/11/08)

Unlike political intervention, described in the preceding section, expenditures by a section 501(c)(3) public charity for lobbying activities are allowable under the Internal Revenue Code. However, **no** lobbying expenditures may be charged directly or indirectly to any Federal award (i.e. the charity must have a non-Federal source of income to which such lobbying costs can be cited as the source of the activity).

92.4 Definition of Lobbying Activities (2/11/08)

Lobbying activities conducted by the Agency may be either direct or indirect. Direct lobbying activities consist of attempts to influence legislation through communication with any member or employee of a legislative body (Federal, state, or local levels) or, if the principal purpose of the communication is lobbying, with any government official or employee who may participate in the formulation of the legislation. Direct lobbying occurs when employees of the Agency or paid lobbyists communicate directly in attempts to influence legislation. Lobbying is distinguishable from advocacy activities, which involve efforts to advocate certain positions which may have legislative implications, as long as a nonpartisan analysis of the relevant facts is performed.

Lobbying occurs only when there is a specific piece of legislation or legislative proposal pending that the Agency is attempting to influence. Therefore, lobbying is considered to have taken place only if both of the following elements are present.

1. The communication refers to specific legislation (legislation that has been introduced or a specific legislative proposal that the Agency supports or opposes), and
2. The communication reflects a view on the legislation (supporting or opposing it).

Indirect lobbying involves communications with the general public (rather than directly with legislators, etc) where the communication includes the same two preceding characteristics, plus it encourages the recipient of the communication to take action with respect to the specific legislation (by contacting legislators, etc.).

92.5 Segregation of Lobbying Expenditures (11/12)

Lobbying expenditures are allowable for charities under the Internal Revenue Code. However, lobbying may not represent a substantial portion of the Agency's overall activities. The Agency's tax exemption would be at risk if lobbying becomes a substantial portion of the Agency's activities.

Accordingly, the Agency segregates all direct and indirect lobbying expenditures in a separate section of the chart of accounts in the general ledger, cost center #151, "Lobbying". Where appropriate, lobbying expenditures shall also be allocated their fair and reasonable share of employee benefits and other indirect costs in accordance with cost allocation policies described elsewhere in this manual.

93. ACCOUNTS PAYABLE MANAGEMENT

94. Overview

PEACE, Inc. strives to maintain efficient business practices and good cost control. A well managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

It is the policy of PEACE, Inc. that the recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the vendor contractor invoice for the related goods or services. The vendor contractor invoice should be supported by an approved purchase order where necessary. Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized
2. Invoices are processed in a timely manner
3. Vendor contractor credit terms and operating cash are managed for maximum benefits

95. Recording of Accounts Payable

All valid accounts payable transactions, properly supported with the required documentation, shall be processed in a timely manner.

Accounts payable are processed on a daily basis.

Accounts payable items are posted to the general ledger when cash disbursements checks are cut.

It is the policy of PEACE, Inc. that only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor contractor records. No vendor contractor statements shall be processed for payment, unless they are used by the vendor contractor as the sole invoice.

96. Accounts Payable Cut-Off (11/13)

We currently accrue invoices on those projects that are not on cash basis, based on a report generated by the accounts payable specialist in accordance with the month end closing schedule. Examples of these projects are indirect pool, rental properties, fee for service programs etc. This entry to accrue invoices is set up as an auto-reversing entry, so is reversed in the subsequent month. We have many projects that are on the accrual basis during the year, and many (including most grants) that are on a cash basis. Invoices still under the "Encumbrance" category are not included in this accrual.

Unpaid invoices for which we have received the goods or service are accrued at year end, taking into account the invoice limit determined with the auditors. For selected projects all unpaid invoices for which we have received goods or service at year end are accrued (Head Start grants that end at January 31). At year end Head Start may have invoices for which we have not received the goods by the year end, but we need to include on the grant. A credit is prepared to offset this accrual, so the net effect is \$0. The offsetting credit is made to a project for the year end accruals.

97. Establishment of Control Devices (11/10), (1/16)(11/16)

Control of invoices is established by the Accounts Payable Specialist as soon as invoices are received. Vendor contractors will be instructed to mail all invoices directly to the accounts payable department.

Upon receipt of invoices the invoices are "date received" stamped and matched to the applicable purchase order by the Accounts Payable Specialist or Purchasing Department. The Accounts Payable Specialist or Purchasing Department will verify that the invoice amount matches the purchase order amount and if any discrepancies are found the Accounts Payable Specialist will forward to the Purchasing Director for resolution. For recurring/standard monthly invoices such as electric bills, telephone bills, etc the invoices are forwarded to the Accountant of that program for processing.

The Senior Accountant will ensure that vendor statements are researched/reconciled with the aid of the Purchasing Director and Accounts Payable Specialist. If the Accounts Payable Specialist, Senior Accountant and Purchasing Director are unable to resolve the discrepancy in a timely manner it will be brought to the CFO's attention.

The Accounts Payable Specialist in conjunction with the Purchasing Department will ensure any new vendor contractor is not listed on any Excluded Parties List or any Federal debarment listing prior to setting up a new vendor contractor.

We contact applicable vendor contractors to state our corporate policy that the vendor contractor must receive a PO to authorize purchase.

Program staff is to forward all questions and concerns from vendor contractors to the Purchasing Director.

98. Head Start Draw Down Procedures (11/12)(9/16)(11/16)

The following procedures will be followed regarding draws for Head Start/Early Head Start from the Payment Management System. PEACE, Inc. will strive to minimize the time between receipt and disbursement of grant funds by issuing payments within 24 hours of receipt of such funds. It is prohibited to use Head Start (DHHS Grant) funds to cover costs of other funding sources and grants, unless approved by grantor.

Funds are drawn and received into the Key Bank operating account. If the disbursements the drawn funds pertain to are disbursed from the M&T operating account, a check is issued on the Key Bank operating account and deposited into the M&T operating account for the appropriate amount.

Payroll – draw set up to be within a reasonable time of the disbursement. For example, a normal pay cycle would have a draw requested on Wednesday, and we receive funds on Thursday. ADP pulls the payroll and taxes on Thursday of that pay week.

Accounts Payable – The checks are cut, and sent to the approved signors for signature. A draw is set up to match the disbursement. Checks are released within 24 hours of the draw.

Disbursements from Key Bank and other journal entries – the draw will be made upon determination of other costs charged to Head Start/Early Head Start.

If a draw down is overestimated within a grant year, the actual difference is to be determined, and incorporated to reduce the next draw. If there are overdrawn funds from a previous year, the Agency will issue a check to “U.S. Treasury”, and remit with a letter to the Payment Management System to explain the situation. The grantor fiscal representative will be notified as appropriate.

99. Payment Discounts

To the extent practical, it is the policy of PEACE, Inc. to take advantage of all prompt payment discounts offered by vendor contractors. When availability of such discounts is noted, all required documentation in support of payment is available, and the availability of cash permits, payments will be scheduled so as to take full advantage of the discounts.

100. Employee Expense Reports (See also section #103, Travel Advances) (12/14), (1/16)

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed cash disbursements request form or travel authorization form. All required receipts must be attached, and a brief description of the business purpose of trip or meeting must be noted on the form. Cash disbursements request forms will be processed for payment.

If an expense advance is distributed, the responsible accountant will ensure all applicable receipts are subsequently attached.

The Executive Director’s expense reports will be reviewed by a senior Board Member and the CFO or Controller.

No New York State sales tax amounts will be allowable, as PEACE, Inc. is exempt from New York State sales tax. The New York State “Exempt Organization Exempt Purchase Certificate” , ST119.1, will be provided upon request.

101. Reconciliation of A/P Subsidiary Ledger to General Ledger (10/13)

At the end of each monthly accounting period, the total amount due to vendor contractors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general

ledger account (control account). All differences are investigated and adjustments are made as necessary. The monthly accounts payable balance should be zero as the Agency operates on the cash basis of accounting.

The account Accrued Liabilities, #2010, will normally include auto reversing entries to accrue invoices at month end, which will be reversed automatically during the subsequent month. These balances will be reviewed by the CFO prior to month end closing.

102. TRAVEL AND BUSINESS ENTERTAINMENT

103. Travel Advances (12/14)

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved travel authorization voucher form. The Agency follows the IRS policies for per diem rates for meals and incidentals based on the number of days the travel will cover. When the per diem rate is used for travel advances for meals and incidentals, the Agency does not require the return of receipts. In instances where the employee will not be staying over-night they are required to keep receipts for meals and incidentals in order to get reimbursed for these expenses. In instances where the employee incurs (or has received an advance for) gas/mileage (as appropriate), parking or toll expenses they will be reimbursed for these expenses upon return of the actual receipts that specify the dollar amount to be reimbursed, or complete an Advance Reconciliation form or mileage form to reconcile back to the original advance if appropriate. The receipts will be attached to the original approved travel authorization form, if an advance was given. If there was no advance, the receipts will be attached to the reimbursement request form (cash disbursement form, travel form, petty cash etc).

PEACE, Inc. follows the IRS reimbursement rate for mileage. The first and last day of travel are valued at 75% of the per diem rate, unless travel is before 7am or after 7pm and then 100% of the daily rate is given for the first and/or last day.

103.1 Tips (12/5/08)

The maximum standard tip amount is 15% for federal grants. Tips required by restaurants or providers above this will be handled in the following manner:

The overage must be approved by either the Executive Director/CFO/or Controller

The amount over 15% will not be charged onto a federal grant

103.2 Entertainment (11/16)

Costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals, lodging, rentals, transportation and gratuities are unallowable. (Subpart E Cost Principles, sec 200.438)

103.3 Travel Emergencies (for Weatherization Jobs)

Where emergency work-related travel is unplanned and could not be foreseen, the travel authorization form must indicate "EMERGENCY". The form must be signed by the Traveler and Supervisor prior to traveling. The remaining required signatures must be obtained upon returning and prior to reimbursement of expenditures. Receipts are still required for all expenses except when the per diem rate is used for meal and incidentals.

104. CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

105. Check Preparation (11/12), (1/16)(9/16)(11/16)

It is the policy of PEACE, Inc. to print vendor contractor checks and expense reimbursement checks on a weekly basis, as funds permit. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

The check signing sequence of events is as follows

The CFO or Controller will notify the Accounts Payable Specialist of the amount of available funds.

The Accounts Payable Specialist forwards an "Aged Accounts Payable Report" to the CFO, and indicates those items that require payment (including priority vendor contractors).

CFO signs and returns the aged accounts payable to the Accounts Payable Specialist with any adjustments and total of payments to be issued. The CFO will ask any questions needed to complete this review.

Accounts Payable Specialist accumulates the required invoices and support in a stack for review, along with the Open Invoice Report and the Aged Account Payable Reports and forwards them to the Senior Accountant for review.

The Senior Accountant reviews the stack of proposed payments to ensure all documentation is attached including:

- Original invoice or appropriate substitute
- Required signatures
- Completed Checklist of controls
- Required quotes
- Dates included: PO, Receiving and Invoice are in appropriate sequence
- Identification of any fixed assets

The Senior Accountant signs the Open Invoice Report and Aged Accounts Payable Report for approval, and returns to the Accounts Payable Specialist.

The Accounts Payable Specialist cuts the checks, and forwards the following to the CFO:

- Aged Accounts Payable (signed by CFO)
- Open Invoice Report (signed by Senior Accountant)
- Project Distribution Reports
- Stack of checks with attached support

CFO reviews the payment support and signs the "Open Invoice Report". There is a separate set of reports for each operating cash account:

- M & T Bank – 100% Head Start (with credits solely for Head Start)
- Key Bank – other and Head Start mix, and credits

Any adjustments to the original signed Aged Accounts Payable will be signed by the CFO.

CFO signs and forwards the cut checks with support to the Executive Director or alternate signor for his signature. The operating account checks require two signers (Executive Director, CFO, Human Resources Director, or specified Board Members).

Signed checks with support are returned to the CFO or Senior Accountant. The Senior Accountant sets up the Head Start draw if appropriate, which is received the following day. The Senior Accountant disburses the checks after the CFO confirms we have received the draw. DHHS checks are to be disbursed within 24 hours of check issuance. For checks issued from the M&T operating account, a draw is received into the Key Bank operating account. A check is then drawn on the Key Bank operating account and deposited into the M&T operating account.

All vendor contractor and expense reimbursement checks shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment policies described in this manual
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendor contractors, as available funds allow
3. Generally, all vendor contractors shall be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services, available funds permitting
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the issuance of any checks
5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer
6. Checks shall be utilized in numerical order (unused checks are stored in a locked cabinet in the accounting department)
7. Checks shall never be made payable to "bearer" or "cash"
8. Checks shall never be signed prior to being prepared
9. Upon the preparation of a check, vendor contractor invoices shall immediately be stamped "PAID" to prevent subsequent reuse.
10. Checks are released after being signed. Checks are not to be held, except as stated below. If a problem arises and the check will not be sent out, the check is to be voided. Some checks are held for office personnel or predetermined pick up by payee. The person picking up the check signs a log when pick up is complete.
11. Checks to be voided are signed by the CFO, and entered into the general ledger daily as they occur.

106. Check Signing (1/6/09)

Refer to section 121 – Cash Accounts for the list of signers for each bank account.

Check signers will be presented with all original supporting documentation to ensure that each item has been properly checked prior to signing a check. Checks should not be signed if supporting documentation appears to be missing or there are any questions about a disbursement.

107. Mailing of Checks (11/10), (1/16)

After signature, checks are returned to the Senior Accountant, who then prepares the checks for mailing. Checks shall not be mailed by individuals who authorize expenditures.

108. Voided Checks and Stop Payments (11/10)

Checks may be voided due to processing errors by making proper entries in the general ledger and in the CFO's daily reconciliation worksheet, and defacing the check by clearly marking it as "VOID". All voided checks shall be retained to aid in preparation of bank reconciliations. All "VOID" checks are to be approved by the CFO.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction and written authorization to the bank by accounting personnel with this authority. A journal entry is made to record the stop payment and any related bank fees. All stop payments are authorized by the CFO.

109. Record-Keeping Associated with Independent Contractors (See section 82 – Vendor Contractor Required Documentation (11/12)

PEACE, Inc. shall obtain a completed Form W-9 or equivalent substitute documentation from all vendor contractors to whom payments are made. A record shall be maintained of all vendor contractors to whom a Form 1099 is required to be issued at year-end. Payments to such vendor contractors shall be accumulated over the course of a calendar year.

110. Policy Council, Policy Committee and Parent Committee Reimbursements (11/13), (1/16)

The program enables low-income members to participate fully in group responsibilities by providing, if necessary, reimbursements for reasonable expenses incurred by the members.

Parent Committee Reimbursement – The Head Start / Early Head Start program of PEACE, Inc. provides childcare, transportation and occasional refreshments for parents attending Parent Meetings. This enables parents to be able to participate in their group responsibilities.

Policy Council Reimbursement Vouchers Procedure – The Head Start / Early Head Start program of PEACE, Inc. offers a reimbursement to Policy Council members to offset expenses incurred to attend meetings, interviews and training.

If a Policy Council member has attended an event, the member must complete the "Childcare & Travel Reimbursement Voucher" to receive the reimbursement.

The requested information must be completed and the member must sign the form to receive their reimbursement.

The reimbursement covers the following types of expenses:

Mileage to and from meetings/interviews
Childcare during meetings/interviews

The Policy Council Budget and Planning Committee will review this procedure and make any recommendations if necessary to the Policy Council.

111. PAYROLL AND RELATED POLICIES

112. Payroll Administration (12/14)

PEACE, Inc. operates bi-weekly payrolls. For all PEACE, Inc. employees, a personnel file is established and maintained with current documentation, as described throughout this section and more fully described in PEACE, Inc.'s Employee Handbook.

The following forms, documents and information shall be obtained and maintained in the Human Resources or Payroll department as listed below:

Document	Where filed
PEACE, Inc. Employment Application (and resume, if applicable)	HR Personnel file
Applicant references (work & personal); confirmed and written	HR Personnel file
Form W-4 Employee Federal Withholding Certificate	HR file
Form NY State Withholding Certificate IT-2104	HR file
Form I-9 Employment Eligibility	HR file
Copy of signed job description	HR Personnel file
Signed offer letter indicating job title, starting date, salary, scheduled hours, and whether position is exempt or non-exempt.	HR Personnel file
Authorization for direct deposit of paycheck, along with a voided check or deposit slip, if applicable.	Payroll File
Status change form, signed by the Program Coordinator and/or Program Director, HR Director, Accountant and CFO and Executive Director (<i>Exception: For Centro Drivers, a letter/memo from the Operations manager serves as the authorized copy of any changes. HR generates and signs the Status Change forms and attaches a copy of the letter/memo authorizing the change.</i>)	HR Personnel file & Payroll File
Copy of background check information (for Head Start staff and other personnel as defined in the HR Policies and Procedures)	HR Personnel file
SCR Clearance Letter from Office of Children and Family Services (Head Start staff only)	HR Personnel file
Copies of transcripts and degrees if (applicable for position)	HR Personnel file
Pre-employment physicals (specified positions)	Medical file
Code of Conduct	HR Personnel file
Conflict of Interest form	HR Personnel file
Notice of receipt of handbook	HR Personnel file
Declaration of Criminal History (Head Start staff only)	HR Personnel file
Fingerprint clearance letter from Office of Children & Family Services (Head Start staff as applicable)	HR Personnel file

113. Changes in Payroll Data (11/12)(11/16)

It is the policy of PEACE, Inc. that all of the following changes in payroll data are to be authorized in writing:

Action	Type of Document	Who Sets Up
1. New hires	Personnel status change form	HR sets up data in payroll system
2. Terminations	Personnel status change form	HR inputs term date in payroll system
3. Changes in salaries, pay rates, departments, and positions	Personnel status change form	HR inputs data into payroll system
4. Voluntary payroll deductions	Designated Form	HR inputs data into payroll system
5. Changes in income tax withholding status	W-4, IT-2104, or other federally approved form	HR inputs data into payroll system
6. Address changes –	Email, typed, or written correspondence from employee	HR inputs data into payroll system
7. Court-ordered payroll deductions	(* processed in accordance with local, state and federal guidelines) – documents from courts	Payroll sets up data in system. PEACE utilizes the ADP wage garnishment payment service

New hires and changes in salaries, pay rates, departments and positions shall be completed on approved form and signed by the appropriate program director, policy council representative if applicable, Accountant, CFO, Executive Director and Human Resources Director. Head Start Policy Council must approve all new Head Start hires and involuntary terminations. All terminations, voluntary and involuntary, are approved by the Supervisor and/or program directors, HR and Executive Director.

Salary changes and bonuses/incentive compensation for the Executive Director are at the direction of the Board of Directors. The Board meets with the Executive Director at least annually to review performance and set goals for the upcoming year. Based upon performance and meeting the set goals, the Board of Directors will determine the amount of the salary change and bonuses/incentive compensation. The timing of these changes is at the discretion of the Board. Implementation of these changes will be made with consideration to the Executive Level 2 cap. A buffer of total salary compared to Executive Level 2 cap may be made to ensure the Executive Director's salary does not exceed the cap amount.

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee.

Documentation of all changes in payroll data shall be maintained in employee's personnel file or separate file kept in Human Resources or Payroll as appropriate.

Court ordered payroll deductions are maintained only in the payroll files.

Changes are processed by the Human Resources Department or Payroll.

114. Payroll Taxes (9/11)

The Accounting Department via ADP Services is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. ADP processes our payroll tax forms. The Accounting Department may utilize the services of an outside payroll service center for the processing of payroll. The Agency utilizes the services of ADP for payroll processing.

115. Preparation of Timesheets and Activity Sheets (11/13), (1/16)(11/16)

Each PEACE, Inc. employee must submit to the Accounting Department a signed and approved timesheet no later 1:00 pm on Friday before the next pay date. Timesheets shall be prepared in accordance with the following guidelines:

1. Each timesheet for hourly staff shall reflect all hours worked during the pay period
2. Timesheets shall be prepared in ink or printed from the computer
3. Errors shall be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's or supervisor's initials next to the change (i.e. employees shall not use "white out" or correction tape)
4. Employees shall identify and record hours worked based on the nature of the work performed;
5. Compensated absences (Personal Time Off, holiday, sick leave from sick bank, etc.) should be clearly identified as such.
6. Timesheets shall be signed by the employee and supervisor prior to submission to payroll. (The supervisor may sign for the employee if the employee is absent when the timesheets are due in to payroll.)
7. Employees will certify the work they are engaged in with the following:
 - If an employee's work is 100% for one specific project/cost center, the verbal description of the project and account number to charge the salary to will be indicated at the top right of the time sheet.

If an employee's work is split between projects, it will be indicated on the face of the timesheet or there will be an attached "salary" allocation sheet with columns at the top for each project, and hours indicated. The account number will be indicated at the top of the column to be charged. The employee will sign both the time sheet and allocation sheets.

This procedure will be effective for the pay period covering 11/7 – 11/18/05.

An Activity Report for exempt employees (**employees exempt from overtime**) whose salaries are in part or directly charged to a Federal Grant will be attached to the time sheet or included on the allocation sheet reflecting the distribution of activity percentage. For some exempt employees, the timesheets will reflect the activity of the job.

Non-exempt employees (**employees eligible for overtime pay**) whose salaries are in part or directly charged to a Federal Grant will reflect the activity of the job on the timesheet or will have an activity statement.

After preparation, timesheets shall be approved by the Supervisors or their designees, prior to submission to the accounting department. Corrections identified by an employee's supervisor shall be authorized by the employee initializing next to the change. In the absence of the employee, the supervisor may authorize the correction and initial next to the change. Timesheets for terminated employees or those out on disability can be signed by the supervisor or the Human Resources Director.

116. Processing of Timesheets (11/12)

Processing of timesheets in the accounting department is performed by the Payroll Specialist and the Senior Accountant. The Payroll Specialist and the Senior Accountant check all timesheets for mathematical accuracy, then inputs all timesheets into an excel spreadsheet by company code and in alphabetical order. Then the Payroll Specialist and the Senior Accountant input the payroll data into the ADP payroll system.

The individual payrolls submitted to ADP are:

KQ7 – Executive and top management payroll

PL9 – Head Start and Early Head Start

P6G – Foster Grandparent stipends, mileage/transportation & meal reimbursement

PL5 – All other

G3M – DEHS

The Payroll Specialist or Senior Accountant may not change or correct timesheets. When errors are noted, if a corrected and approved timesheet is not re-submitted in time to the Payroll Specialist or Senior Accountant, the employee may not receive a pay check until the next pay period (or via a manual check if so approved by the CFO). In the event that a corrected timesheet will not reach the Accounting Department in time for payroll processing, the designated supervisor may authorize the necessary corrections via e-mail. The e-mail will be attached to the timesheet as back-up for the correction.

Tampering with, altering, or falsifying time records, recording time on another employee's time record, or willfully violating any other timesheet policy or procedure may result in disciplinary action, up to and including discharge.

117. Review of Payroll (11/12)

Upon return of payroll reports and checks from the payroll service center (ADP) the Payroll Specialist and/or Senior Accountant review all reports for completeness before distribution to employees.

118. Distribution of Payroll (11/12)

Paychecks are delivered to the Main Office. Human Resources compares the paychecks to the employee listing. Employees that have “live” checks can pick up checks on each Friday pay date at the main office from Human Resources. Checks not picked up by 4:00 pm on Friday pay date are mailed. All pay vouchers for direct deposits are mailed to the employees’ home address on file.

119. Employee Loans and Payroll Advances (9/11)

Loan advances and advances in pay are not permitted. Employees will not be able to “cash in” on their Accrued Time Off prior to termination.

119.1 Accrued ETO (12/12)(11/16)

Annually for the audited financial statements the accrued ETO is recalculated and adjusted. **If an employee eligible for payment of accrued time leaves,** and it is allowable under the grant and there are funds available, the accrual would be paid with grant funds. If it is not allowable, unrestricted income would be used to pay the accrued ETO.

POLICIES PERTAINING TO SPECIFIC ASSET AND LIABILITY ACCOUNTS

120. CASH AND CASH MANAGEMENT (8/15)

121. Cash Accounts (8/14), (1/16)(9/16) (10/16)(11/16)

General Checking Account (operating account):

There are 2 operating accounts maintained – **Key Bank** and M & T Bank (for Head Start and Early Head Start). The operating accounts provide for routine business check disbursements. ACH payments from DHHS will be made directly to the **Key Bank** account.

We have two operating accounts:

Key Bank Existing account used for all cash transactions other than Head Start and Early Head Start federal grant activity. If a disbursement is split between Head Start and other, it will be issued with a **Key Bank** check.

This account is a checking account, with a layer of insurance as follows:

First \$250,000 – covered by FDIC insurance

Over \$250,000 – covered by a 3rd party collateralized agreement

Note: \$250,000 in effect until 12/31/13, and then reverts to \$100,000

M&T Bank The M&T Bank account is used for cash transactions related to Head Start and Early Head Start federal grant activity. This account will ensure accountability for all funds drawn for Head Start and Early Head Start through DHHS, and that the funds are used for authorized purposes. **Draws for Head Start and Early Head Start will be made into the Key Bank operating account, and then deposited by Key Bank check into this M&T bank account.**

This account is a checking account, with a layer of insurance as follows:

First \$250,000 – covered by FDIC insurance

Over \$250,000 – covered by a 3rd party collateralized agreement

Note: \$250,000 in effect until 12/31/13, and then reverts to \$100,000

Note: Accounts payable payments for an item that is a combination of Head Start/Early Head Start, and other responsibility centers will be made from the **Key Bank** account. Draw for Head Start/Early Head Start will be based on the direct charges and indirect rate charges to the grant, including cash disbursements, payroll and journal entries.

The Key Bank checking account (320-9000-674-24) is used exclusively for Weatherization Landlord Contributions as required by the grantor. Upon completion of the job, contributions may be transferred to our operating account. This account is also used for HCR bid deposits. A separate account is not required by HCR. However, HCR approves of us using this account.

Bank	Bank Account #	G/L Account #	Description
Key Bank	204-86465-8	01-1000-00000	<p>This account is the Agency's main operation account. There is a third party collateralized agreement.</p> <p>TYPE: Checking PROGRAM: Agency RECONCILED BY: HR Benefits Administrator SIGNORS: Any 2 of: President Treasurer Executive Director HR Director CFO</p> <p>TELEPHONE INTERNAL TRF AUTHORIZATION: Signors above INTERNET ACCESS – VIEW ONLY: CFO Controller</p>
M&T	842-922-1149	01-1002-00000	<p>This account is used to pay the mortgage on the Tully property. Transfers are made from First Niagara acct #204-86465-8 and M&T Real Estate Department automatically deducts the mortgage payments.</p> <p>TYPE: Checking PROGRAM: Agency RECONCILED BY: Payroll Specialist SIGNORS (1): President Treasurer Executive Director CFO</p> <p>NOTE: CLOSED 8/18/15</p>

Key Bank	320-9000-674-24	01-1004-00000	HCR landlord contributions and bid and performance bond deposits are deposited into this account. TYPE: Checking PROGRAM: Energy & Housing RECONCILED BY: Payroll Specialist SIGNORS (1) Executive Director CFO
Syracuse Credit Union	'1/8049.0	01-1007-00000	This account was set up for the IDA program (Individual Development Account). The Agency deposit funds matching participating individual's deposits into their saving a/c to be used for home ownership and repairs, small business start up and education. Grant funds and donations are the source for matching funds. TYPE: Checking PROGRAM: Family & Community Development RECONCILED BY: Payroll Specialist SIGNORS (1) President Treasurer Executive Director CFO

M&T	9836896200	01-1010-00000	<p>This operating account is set up to accept deposits from the federal Payment Management System. It is used to issue checks exclusively for DHHS and related grants. There is a third party collateralized agreement.</p> <p>TYPE: Checking PROGRAM: Head Start RECONCILED BY: HR Benefits Administrator SIGNORS (2 OF) President Treasurer Executive Director HR Director CFO TELEPHONE INTERNAL TRF AUTHORIZATION: Signors above INTERNET ACCESS – VIEW ONLY: CFO Controller</p>
Key Bank	790087 4988	01-1012-00000	<p>This account is for Capital Improvements/Repairs, under the Executive Director's direction. It is being used to separate funds each month as funds are available for "nest egg". The current contribution is \$10,000 per month, funds being available. This account is covered by the third party collateralized agreement. It is an interest bearing account.</p> <p>PROGRAM: Agency RECONCILED BY: Payroll Specialist SIGNORS (1): Executive Director CFO HR Director</p>
M&T	9847324069	01-1013-00000	Closed as of 8/14.
M&T	15004220951485	01-1014-00000	Closed as of 8/14.

Key Bank	7900987178	01-1015-00000	To hold health care premiums until transmitted to MVP. Disbursements made by check and ACH Type: Checking Program: Corporate Reconciled by: Controller or Payroll Specialist Signors: (2 of) Executive Director HR Director CFO

MVP holds an account with Chase that pays the individual health insurance claims. PEACE, Inc. does not have access to this account.

If a crisis occurred, we would be able to verbally draw funds on our Key Bank line of credit, and follow up with appropriate paperwork as soon as possible so we would be able to meet payroll or other immediate needs.

Bank Statements- will be opened by the Human Resources Director. The HR Director will open the envelope with the bank statements, review the statements, sign the statement and ask any questions.

Bank Reconciliations are to be completed by staff who are not involved with either cash receipts or disbursements. There is no separate payroll account.

The operating accounts (Key Bank and M&T) will be reviewed daily by the CFO through on-line capabilities to ensure cash is flowing smoothly and timely.

The Controller is the backup for the CFO for cash functions.

122. Payroll Account (11/12)

The Agency does not maintain a separate payroll account. The Agency is normally notified Wednesday of the pay week by the ADP payroll service provider of the amount that will be deducted from the Agency’s operating account for that week’s payroll. The normal payday is Friday. When the payday is a holiday, the sequence of days is backed up for the holiday. All payrolls are biweekly.

123. Bank Reconciliations (11/13), (1/16)(9/16)

Bank account statements are received each month by the Payroll Specialist, who forwards the statements unopened to the Human Resources Director for review and signature. The CFO maintains a daily reconciliation of the **Key Bank** and M & T operating cash accounts of the Agency via online banking technology (M & T effective 10/05).

The bank reconciliations for these accounts will be prepared by an employee who does not record deposits or withdrawals from the accounts. The reconciliations are forwarded to the CFO for review, signature and filing. These two operating bank reconciliations will be available for review by the Finance Committee at the monthly Finance Committee meetings.

These two accounts will be reconciled before the current month closes for financial statements. A formal reconciliation will be completed by the end of the subsequent month.

To complete the bank reconciliations for **Key Bank** and M & T operating in a timely manner (as we receive the bank statements mid month), the following information will be used.

- Copy of the checkbook balance (showing also the bank and general ledger balances and activity)

- Copy of the bank activity from a printout from the bank's internet site, or bank statement, if available

- Copy of the general ledger

The cash reconciliations will be prepared showing ending balance in separate columns for checkbook (if applicable), bank and general ledger. Deposits in transit and outstanding checks will be listed, and each individual reconciling item identified. There will be an indication of the status of the individual reconciling items.

A reconciliation will be completed for the **Key Bank** and M&T Bank operating accounts reconciling the checkbook, bank, and general ledger. Copies of the above will be attached to the reconciliation.

Other cash account reconciliations will reconcile the general ledger to the bank statement, with a copy of the bank statement and general ledger attached. These reconciliations are due before the subsequent month closing. The reconciliation for Syracuse Credit Union is prepared quarterly, as we receive quarterly bank statements.

All other bank reconciliations are prepared by the accounting staff, reviewed and signed by the CFO and filed.

Bank reconciliations and copies of resulting journal entries are filed in the current year's accounting files. The **Key Bank** canceled checks are returned to the Agency on a CD with the monthly bank statements. M&T operating account cancelled checks (image copy) are returned with the bank statement.

The CFO will ensure that the bank reconciliation reflects the general ledger ending balance.

124. Cash Flow Management & Cash Forecast (9/11)

The CFO monitors cash flow needs on a daily basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis under the direction of the CFO. This includes a reconciliation for the two operating cash accounts of the balances of the bank vs. general ledger vs. “checkbook”.

CFO maintains a revolving cash flow projection as needed, that compares budget cash to actual by month.

125. Stale Checks (11/12)

It is the policy of PEACE, Inc. to review checks that are 6 months old that have not cleared the Agency’s bank. We will determine if the checks need to be remitted to New York State.

Write-offs will credit the original responsibility center or grant.

126. Petty Cash (11/13)

It is the policy of PEACE, Inc. to provide for imprest funds only for valid transactions and to periodically replenish these funds up to its authorized balance as previously established by the Accounting Department and Program Managers.

Petty cash is to be maintained in a locked environment, under sole access by the petty cash custodian, and backup, if applicable.

All disbursements from the petty cash fund must be accompanied by adequate receipts. The disbursement may have a limit of \$50.00 per receipt for petty cash funds, excluding the petty cash fund maintained by the Senior Accountant. The petty cash fund maintained by the Senior Accountant can be used upon the direction of the CFO, Executive Director, or Controller. The Controller and another accountant are the backup for the main office petty cash fund. We do not require 3 bids for petty cash disbursements of \$50 or less for sites, and \$500 or less for the main office. We have open and free competition as a variety of vendor contractors are used.

The petty cash custodian shall prepare a cash disbursement form for reimbursement of the petty cash account and attach all supporting receipts and forward to the Accounting Department. The responsible Senior Accountant will review the cash disbursement form for accuracy. The Accounting Department may also perform periodic surprise cash counts and reconciliations.

The Purchasing Director is responsible to review any requests for new petty cash accounts or changes in imprest amount. These changes are to be approved by the CFO. Because some sites close temporarily and reopen, petty cash accounts are closed during that time and reopened when the site reopens, in that instance, there is no need for CFO to re-approve the reopening of a petty cash account.

There is one Petty Cash account maintained in the Controller's office by the Senior Accountant. The cash disbursement form payable to the Senior Accountant must be signed by another member of the Accounting staff.

127. Bank Transfers (1/6/09)

The Executive Director or CFO shall be the only PEACE, Inc. employees authorized to approve bank transfers between PEACE, Inc. bank accounts. Written authorization is presented to the bank to transfer funds, signed by the Executive Director or CFO.

127.1 Line of Credit (11/12)(9/16)(10/16)

The Line of Credit is maintained at Key Bank Bank. The line of credit is accessed by a written letter to the bank to draw on the line of credit with indication of the receivables supporting the request. The repayment on the line is completed with another letter from the CFO to the bank. In an emergency, the line of credit may be accessed verbally by the signors, with appropriate paperwork completed as soon as possible.

Two signors are required for a draw from the following list: Board President, Second Vice President, Treasurer, Secretary, or Specified Board Member. Also, the Executive Director must sign (CFO in his absence). In an emergency, a verbal communication can be used to draw funds, followed up with appropriate paperwork as soon as possible.

128. INVENTORY

129. Description of Inventory (11/12)

PEACE, Inc. maintains an inventory of goods for future use. Specifically, items that are held in inventory include:

1. Food service supplies
2. transportation department supplies/fuel/bulk oil
3. maintenance department supplies
4. DEHS
5. DEHS – Oswego County – includes “new” inventory as well as carried forward inventory

130. Physical Counts (11/10)

It is the policy of PEACE, Inc. to perform a physical count of inventory at minimum on an annual basis. Any inventory items that appear damaged, obsolete or otherwise unable to be sold shall be excluded

from the counts, and written off as appropriate. A detailed record of the physical count shall be kept by the individuals involved in taking the inventory.

At the conclusion of the physical count, the inventory count sheets shall be extended. The general ledger balance shall be adjusted to reflect the total inventory on hand as determined by the physical count.

131. FIXED ASSET MANAGEMENT

132. Capitalization Policy

Physical assets acquired with a unit cost of \$5,000 or more are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased. The acquisition cost is the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which acquired. Company policy is also to include the cost of installation, transportation, any required taxes, duty, in-transit insurance in the acquisition cost amount.

Capitalized fixed assets are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives, as described later.

133. Contributed Assets

Assets with fair market values of \$5,000 or more (per unit) that are contributed to PEACE, Inc. shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land, are subject to depreciation over their estimated useful lives, as described later.

If the intent is to sell the contributed asset within a year, PEACE will not apply depreciation procedures. If the asset is not sold within the year, retroactive depreciation adjustments may be prepared upon review by the CFO.

134. Establishment and Maintenance of a Fixed Asset Listing (8/15

)

All capitalized fixed assets shall be recorded in a property log. This log shall include at least the following information with respect to each asset:

1. Date of acquisition
2. Acquisition cost
3. Description
4. Depreciation method
5. Estimated useful life
6. The fund origin to purchase asset (example grant)
7. PEACE, Inc. tag ID# /Serial # / vehicle #
8. Condition of asset
9. Location and
10. Title Vesting

11. Physical Inventory and date
12. Utilization
13. Ultimate disposition data including the date of disposal and sale price

A physical inventory of all assets capitalized under the preceding policies will be taken on a bi-annual basis by PEACE, Inc. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the CFO. The physical inventory of fixed assets will be completed by fiscal staff who are not in the purchasing department or involved in recording and maintaining fixed asset records.

135. Receipt of Newly-Purchased Equipment and Furniture (1/6/09)

At the time of arrival, all newly-purchased equipment and furniture shall be “eyeballed” for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the vendor contractor immediately.

In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the vendor contractor immediately.

The IT Director maintains a listing of computer hardware for items under the fixed asset threshold. The IT Director will supervise a periodic comparison of the list to physical items (may be accomplished electronically in some cases).

135.1 Construction In Progress (11/13), (1/16)(11/16)

Construction in Progress is reconciled to the general ledger monthly by a Senior Accountant. Copies of the invoices and support are to be forwarded to the Senior Accountant by Purchasing, Accounts Payable Specialist or the Accountants, as soon as it is recognized there is a purchase for Construction In Progress.

The **Senior Accountant** will list all charges, meet with the originators to determine the estimated time for completion, and indicate such on the reconciliation. When we reach the indicated month of completion, the **Senior Accountant** should contact the originator and the Accountants involved to determine if the item is ready to move to Fixed Assets or other accounts.

136. Depreciation and Useful Lives

All capitalized assets are maintained in the special fixed assets account group and are not to be included as an operating expense. Fixed assets are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th

day of the fifth month shall have 8 full months of depreciation (eight-twelfths of one year) recorded for that year.

Estimated useful lives of capitalized assets shall be determined by the Accounting Department in conjunction with the department or employee that shall utilize the asset.

For accounting and interim financial reporting purposes, depreciation expense will be recorded on a monthly basis.

137. Repairs of Fixed Assets

The program managers responsible for the equipment shall periodically inspect the equipment and ensure there are adequate maintenance procedures to keep the equipment in good condition. They shall maintain controls to prevent loss, damage or theft.

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

138. Dispositions of Fixed Assets (2/16)

There are specific procedures that must be followed to dispose or transfer a fixed asset having a fair market value of \$5,000 or more.

We must receive a written statement from the grantor permitting disposal or transfer of a fixed asset with a fair market value of \$5,000 or more. Also refer to (2CFR Part 200.313(e)). If the item was purchased with grant money, we must report program income.

No employee is authorized to take or buy any item from PEACE, Inc.

The Program Manager is to complete a fixed asset disposal form which will identify the funding source and enable accounting to locate the item in the fixed asset records. The fair market value will be determined using the blue book for vehicles.

If the item is sold outside the company, determination will be made for the possible program income. If the item was purchased with grant money, we must report program income. If an item is not scrap, but is disposed, we must receive 3 quotes when applicable to receive the maximum price for the item. If the item is a vehicle, we will obtain the "blue book" value to use as a guide. If the item is scrapped as junk, we will receive either a written receipt at the trash site where disposed, or a written statement signed by the Executive Director or CFO.

Write off's and dispositions of fixed assets must be approved by the CFO and Executive Director, with supporting documents attached.

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss if the money received is less than the book value and a gain if the money received is more than the book value.

Grantors will be notified of intent to dispose of or transfer use of fixed asset (fair market value \$5000 or more) purchased with grant funds, for the grantors written permission.

139. Write-Offs of Fixed Assets

The CFO and Executive Director approve the disposal of all capitalized fixed assets that may be worn-out, obsolete, lost, damaged or stolen. Property that is discovered to be missing or stolen will be reported immediately to the CFO. If not located, this property will be written off the books with the proper notation specifying the reason.

140. LEASES

141. Classification of Leases

It is the policy of PEACE, Inc. to classify all leases in which the Agency is a lessee as either capital or operating leases. PEACE, Inc. 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 PEACE, Inc. 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 property (using, as the interest rate, the lesser of PEACE, Inc.'s incremental borrowing rate or, if known, the lessor's implicit rate).

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.

The CFO is to review all new leases. An analysis will be completed by the CFO or designee to determine if a lease is an operating or capital lease.

142. Accounting for Leases

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses.

All leases that are classified as capital leases shall be treated as fixed asset additions of PEACE, Inc. As such, upon the inception of a capital lease, PEACE, Inc. shall record a fixed asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the asset, if it is less than the present value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The fixed asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.

PEACE, Inc. shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms.

143. ACCRUED LIABILITIES

144. Identification of Liabilities(9/11), (1/16)

The accounting department shall establish a list of commonly incurred expenses that may have to be accrued at the end of the fiscal year. Some of the expenses that shall be accrued by PEACE, Inc. at the end of a fiscal year are:

- Salaries and wages
- Payroll taxes and related fringe benefits
- Time Off Policy (ETO) - see policy below
- Health self insured reserves
- Rent (if applicable)
- Unpaid Interest expense
- Accrued Invoices

In addition, PEACE, Inc. shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual. Adjustments to deferred revenue accounts shall be made monthly as appropriate.

145. Accrued Leave (9/11)(11/16)

See the Agency approved Time [Off policy for details](#) on accrued leave balances and the corresponding criteria to be used by the Accounting Department for fiscal year end Time Off accruals. The policy was revised in June 2011 with amendments as needed.

146. NOTES PAYABLE

147. Record-Keeping

It is the policy of PEACE, Inc. to maintain an account analysis of all notes payable, mortgage obligations and lines of credit. The account analysis would detail the account principal balance and all related payments made on the obligation and related interest expense.

148. Accounting and Classification

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due within the next year shall be classified as a current liability in the statement of financial position of PEACE, Inc. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position.

Demand notes and any other notes without established repayment dates shall always be classified as current liabilities.

Unpaid interest expense shall be accrued as a liability at the end of the fiscal year.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

149. FINANCIAL STATEMENTS

150. Standard Financial Statements of the Agency (5/15) (8/16)

Preparing financial statements and communicating key financial information under the direction of the CFO is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the Agency. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

The basic financial statements of PEACE, Inc. that are maintained on an Agency-wide basis shall include:

1. **Statement of Financial Position (Balance Sheet)** - reflects assets, liabilities and net assets of the Agency and classifies assets and liabilities as current or non-current/long-term
2. **Statement of Activities** - presents support, revenues, expenses, and other changes in net assets of the Agency,. This presentation will include the approved budget.
3. **Current Ratio Analysis**
4. **Comments**
5. **Captive Health Care Premiums and Expenditures analysis**
6. **Comparative Information By Program**
7. **Other Supplemental Information** – includes items such as Aged Accounts Payables and Receivables, Bank account reconciliation status, unrelated business income, etc. It also includes a recap regarding: Required Tax **and Audit Reports** – Other Filings, Grant Vouchers, and non-grant vouchers.

Items 1 – 4 above are presented to both the Finance Committee and the Board of Directors. Item 7 above is presented to the Finance Committee.

All cost center reports of Statement of Activities, which includes by line item revenue and expenses with budgets vs. actual is prepared monthly and is available at each Finance Committee and Board meeting.

151. Frequency of Preparation (8/14)

The objective of the accounting department is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

A standard set of financial statements described in the preceding section shall be produced on a monthly basis and delivered and presented to the Finance Committee and Board for each scheduled monthly meeting date. During the months of July and August there are no Finance Committee or Board meetings, so the monthly financial statements are mailed to the Finance Committee and Board. The following information is available at both the Finance Committee and Board meetings:

Individual statements of activities on a departmental and functional basis (and/or program/grant basis), with comparison of budget to actual

152. Review and Distribution (11/13), (1/16)

All financial statements and supporting schedules shall be reviewed and approved by the CFO and Executive Director prior to being issued.

After approval by the Executive Director and CFO a complete set of monthly financial statements with supplemental information shall be distributed to the following individuals:

1. Treasurer and all members of the Finance Committee (the financial statements are presented to the full board of directors as part of the monthly finance committee package)
2. Executive Director
3. One file copy for the accounting department

Financial statements may include an additional supplemental schedule prepared or compiled by the CFO. The purpose of this schedule is to provide known explanations for material budget variances in accordance with PEACE, Inc.'s budget monitoring policies.

The Program Directors have access to their grants and responsibility centers through the Blackbaud software. Files are located on their home page, for their review and printing requirements. As information is constantly updated in the general ledger, the Program Directors can obtain updates at any time. When a month is closed, the CFO will issue an email to Comprehensive Leadership and the Fiscal Department of such, so they can print/view final copies.

Accountants are responsible for providing program managers with "budget summaries" and detail on a monthly basis. These budget summaries identify the expenses of the program by grantor and show actual versus budget amounts. Program Directors have the "view only" option of the Blackbaud software. With this, the director can view and print their "budget summaries" and detail at any time.

The accountants meet with the Program Directors to review their Budget Summaries (Statement of Activities) and detail. The Program Directors and accountant sign a copy, which is returned to the

Payroll Specialist for filing. This includes a comparison of budget to actual review to ensure we do not exceed appropriate budgets.

153. Annual Financial Statements (9/11)

The draft of the audited financial statements is presented to the Finance Committee by the independent auditors. The Finance Committee will vote to approve or dis-approve the audited financials on behalf of the Board. After the approval, a formal presentation of the Agency's final version of the annual audited financial statements is also provided by the Independent Auditor to the full Board of Directors at the Agency's Annual Meeting.

154. GOVERNMENT RETURNS

155. Overview

To legitimately conduct business, PEACE, Inc. must be aware of its tax and information return filing obligations and comply with all such requirements of federal, state and local jurisdictions. Filing requirements of PEACE, Inc. include, but are not limited to, filing annual information returns with the IRS, information returns for retirement plans and payroll tax withholding returns.

156. Filing of Returns (11/12)(11/16)

It is the policy of PEACE, Inc. to become familiar with the obligations in each jurisdiction and to comply with all known filing requirements. The CFO shall be responsible for identifying all financial filing requirements and assuring that PEACE, Inc. is in compliance with all such requirements. The CFO maintains a list of required tax filings and other key financial reports.

It is also the policy of PEACE, Inc. to file complete and accurate returns with all authorities. PEACE, Inc. shall make all efforts to avoid filing misleading, inaccurate or incomplete returns.

Filings made by PEACE, Inc. include, but are not limited to, the following returns:

1. **Form 990** - Annual information return of tax-exempt Agencies, filed with IRS. Form 990 for PEACE, Inc. is due on the fifteenth day of the fifth month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained by filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 868.
2. **Form 5500** - Annual return for PEACE, Inc.'s employee benefit plans. Forms 5500 is **due the last day of the seventh month following the end of the plan year**, but a request for extension of time to file may be filed. These returns are handled by the Human Resources Department.
3. **W-2's and 1099's** - Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to federal government by February 28.
4. **Form 941** - Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter. (Prepared and filed by ADP).

PEACE, Inc.'s fiscal and corporate tax year-end is January 31. All annual tax and information returns of PEACE, Inc. (Form 990) are filed on the accrual basis of reporting.

Federal and all applicable state payroll tax returns are prepared by the Agency's external Payroll Administrator (ADP), and reviewed by PEACE staff.

It is the policy of PEACE, Inc. to comply with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each PEACE, Inc. employee.

157. Public Access to Information Returns

Under regulations that became effective in 1999, PEACE, Inc. is subject to federal requirements to make the following forms "widely available" to all members of the general public:

1. The three most recent annual information returns (Form 990) and
2. PEACE, Inc.'s original application for recognition of its tax-exempt status filed with IRS, and all accompanying schedules and attachments.

It is the policy of PEACE, Inc. to adhere to the following guidelines in order to comply with the preceding public disclosure requirements:

1. Anyone appearing in person at the offices of PEACE, Inc. during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The Controller and Receptionist shall be responsible for maintaining this copy of each form and for making it available to all requesters.
2. All requested copies shall be shipped to requesters within 30 days. Making of all copies and shipping within the 30-day time period shall be the responsibility of the accounting department.
3. For requests for copies made in person during normal business hours, copies shall be provided while the requester waits.

FINANCIAL MANAGEMENT POLICIES

158. BUDGETING

159. Overview

Budgeting is an integral part of managing any Agency in that it is concerned with the translation of Agency goals and objectives into financial and human resource terms. A budget should be designed and prepared to direct the most efficient and prudent use of the Agency's financial and human resources. A budget is a management commitment of a plan for present and future Agency activities that will ensure survival. It provides an opportunity to examine the composition and viability of the Agency's programs and activities simultaneously in light of the available resources.

160. Preparation and Adoption (5/15)

There are two types of budgets used by PEACE, Inc.:

Annual Corporate Budget – prepared by year end for the next fiscal year. A separate budget is prepared for each cost center (each grant and other cost centers), grouped by program, and then programs combined to result in one corporate budget.

Individual grant budgets - prepared for each new grant as the grant proposals are submitted, and revised. These grant budgets may not be the same as the corporate budget for the grant, as grant years do not coincide with the corporate fiscal year.

It is the policy of PEACE., Inc. to prepare an annual corporate budget. To prepare the Agency budget, the CFO may gather proposed budget information as required from all Department Directors, accountants and others with budgetary responsibilities, and prepares the first draft of the budget. Any budgets proposed and submitted by each department should be accompanied by a narrative explaining all material fluctuations in budgeted amounts from prior years. Grant budgets are normally based on the most recent approved grant budget. The CFO or accountants may complete the budgets, so the company budget is complete on time. Also, the CFO may highlight significant questioned fluctuations to budget, and the accountants will discuss with the Program Directors.

After appropriate revisions and a compilation of all department budgets by the CFO, a draft of the Agency-wide budget, as well as individual department budgets (reflecting each cost center), is presented to the Executive Director for discussion, revision, and initial approval.

The revised corporate budget draft is then submitted to the Finance Committee of the Board of Directors, and finally to the entire Board of Directors for approval reflected in the board minutes.

161. Monitoring Performance (9/11)(11/16)

It is the policy of PEACE, Inc. to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the accounting department and distributed to or made available to each employee with budgetary responsibilities. Project "Budget Summaries" are to be signed by the Program Director, highlighting questioned items, and filed in accounting.

To determine the course of action when expenses exceed budget, the requirements of the grant and federal regulations must be determined. We must comply with the most stringent regulations for the specific grant, along with federal requirements (OMB Uniform Guidance).

The accountant and Program Director meet to determine a plan of action, what has caused the problem and how to correct. It will be determined if the grantor or Board of Directors should be notified. The CFO will be notified of the problem and plan to solve. If the overage is unallowable, the cost would be transferred to another allowable cost center, or if not available to unrestricted.

162. FINANCIAL AUDIT

163. Role of the Independent Auditor (5/15)

It is the policy of PEACE, Inc. to arrange for an annual audit of the Agency's financial statements to be conducted by an Independent Certified Public Accounting firm on time in accordance with Title 2 of the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirement (if applicable) and/or State audit threshold requirements. The independent accounting firm selected by the governing body of PEACE, Inc. will be required to communicate directly with the Agency's Finance Committee upon the completion of their audit. In addition, members of the Finance and Executive Committee are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Finance Committee by the independent accounting firm, and will be reflected in the Committee minutes. After the financial statements have been reviewed and approved by the Finance Committee, the independent accounting firm will present the audited financial statements to the Board of Directors at an annual meeting for the Board to receive and accept the audit, and will be reflected in the Board minutes.

164. How Often to Review the Selection of the Auditor (5/15)

PEACE, Inc.'s governing body 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 5 years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every five years; simply to re-evaluate the selection)

165. Selecting an Auditor (9/11)

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 PEACE, Inc.'s governing body 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
3. The firm's demonstrated ability to provide the services requested in a timely manner
4. The ability of firm personnel to communicate with Agency personnel in a professional and congenial manner

166. Preparation for the Annual Audit

PEACE, Inc. shall be actively involved in planning for and assisting with the Agency'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 CFO and Controller are responsible for delegating the assignments and responsibilities to accounting 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 - Agency 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 Agency's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Agency staff will do as much as possible in order to provide requested schedules and documents and to otherwise assist the auditors during any interim audit fieldwork that is performed.

Throughout the audit process, it shall be the policy of PEACE, Inc. to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

167. Concluding the Audit (11/10) (8/16)

The financial statements and accompanying footnotes are prepared internally by the Controller and reviewed by the CFO. They are handed to the independent auditors the first day of field work. Upon completion of the audit, any necessary changes are made to the audited financial statements and accompanying notes, and reviewed one final time by the CFO and Controller before delivered in draft form to the Finance Committee. The independent auditors present the draft audited financial statements to the Finance Committee for approval. The final bound copies of the audited financial statements are then presented to the full Board of Directors at the annual meeting.

167.1 Audit Findings (5/15)

All findings (not the Management Letter) from the annual audit are assessed by the fiscal department, and recommendations presented to the Board for review. Discussion of the findings will be documented in the Board minutes.

168. INSURANCE

169. Overview (9/11) (10/16)

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of PEACE, Inc.

It is the policy of PEACE, Inc. to maintain adequate insurance against general liability and professional liability, commercial crime, umbrella coverage, Director's and Officers, as well as coverage for buildings, contents, computers, fine arts, vehicles, equipment, machinery and other items of value. PEACE, Inc. might also be required to obtain specialized insurance for certain grants (ie. HCR pollution insurance, **pollution insurance for transportation** and student accident for HS/EHS program).

170. Insurance Definitions

Workers' Compensation and Employer's Liability

Contractors are required to comply with applicable Federal and State workers' compensation and occupational disease statutes. If occupation diseases are not compensated under those statutes, they shall be covered under the employer's liability insurance policy except when contract operations are so commingled that it would not be practical to require this coverage.

Commercial Crime Coverage

For all personnel handling cash, preparing or signing checks, PEACE, Inc. shall obtain insurance for Commercial Crime Coverage. The specific needs of the Agency will determine the dollar limit of this coverage.

Comprehensive Liability

This type of coverage may include directors, officers and employee general liability insurance, buildings, contents, computers, fine arts, boilers and machinery.

171. RECORD RETENTION

172. Policy (5/15), 1/16

Also refer to CFR D200.333

It is the policy of PEACE, Inc. to retain records (both electronic and physical) as required by law and to destroy them when appropriate. The destruction of records must be approved by the Controller or CFO. The formal records retention policy of PEACE, Inc. is as follows:

Accident reports/claims (settled Cases)	7 Years
Accounts payable ledgers and schedules	7 Years
Accounts receivable ledgers and schedules	7 Years
Audit reports	Permanently
Bank reconciliations	7 Years
Bank Statements	7 Years
Chart of Accounts	Permanently
Cancelled Checks	7 Years
Contracts, mortgages, notes and leases:	
Expired	7 Years
Still in effect	Permanently
Correspondence:	
General	7 Years
Legal and important matters only	Permanently
Routine with customers and/or vendor contractors	7 Years
Deeds, mortgages and bills of sales	Permanently
Depreciation schedules	Permanently
Duplicate deposit slips	7 Years
Employment applications	7 Years
Expense analyses/expense distribution schedule	7 Years
Financial statements:	
Year end	Permanently
Other	Optional
Garnishments	7 Years
General ledgers/year end trial balance	Permanently
Insurance policies (expired)	7 Years
Insurance records (policies, claims, etc.)	Permanently
Internal reports	7 Years
Inventories of products, materials and supplies	7 Years
Invoices (to customers, from vendor contractors)	7 Years
Journal Entries	10 Years
Journals	Permanently
Minute books of directors, bylaws and charters	Permanently
Notes receivable ledgers and schedules	7 Years
Payroll records and summaries	7 Years
Personnel records (terminated)	7 Years
Petty cash vouchers	7 Years
Property records (incl. depreciation schedules)	Permanently
Purchase orders:	

Purchasing department copy	7 Years
Other copies	7 Years
Retirement and pension records	Permanently
Requisitions	7 Years
Sales records	7 Years
Subsidiary ledgers	7 Years
Tax returns and worksheets, examination reports and other documents relating to determination of income tax liability	Permanently
Time sheets/cards	7 Years
Trademark registrations and copyrights	Permanently
Training manuals	Permanently
Voucher register and schedules	7 Years
Withholding tax statements	7 Years
Workers' Compensation	30 Years

173. FUNCTIONAL EXPENSE ALLOCATIONS

174. Overview (11/13)

As one of its financial management objectives, PEACE, Inc. strives to determine the actual costs of carrying out each of its program service and supporting activities. In this regard, it is the policy of PEACE, Inc. to charge expenses to the appropriate category of program service or supporting activity. Expenses that serve multiple functions or are not readily identifiable with one function shall be allocated between functions whenever possible.

Program and supporting service functions of PEACE, Inc. are:

Programs:

1. Head Start and Early Head Start
2. Family and Community Development
3. Big Brothers Big Sisters
4. Department of Energy and Housing
5. Foster Grandparent Program
6. Senior Nutrition
7. Others including Eastwood Community Center

Supporting Services: (8/14) (12/14) (8/16) (11/16)

1. Indirect administrative departments including (Executive Dept, Fiscal Office, Human Resources, MIS Department, Supplemental Costs (if needed), Main Office, Community Engagement Department, and Board of Directors.

175. Direct Charging of Costs (11/13)

Certain internal costs shall be directly charged to the appropriate PEACE, Inc. function (projects and jobs) based upon underlying documentation. The following costs shall be directly charged based on the documentation or factor listed next to each:

<u>Cost</u>	<u>Basis For Charge</u>
Salaries	Timesheets and salary allocation worksheets
Occupancy (facilities) costs	Actual square footage used by each function
Transportation	Actual based on monthly work log summaries
Maintenance	Actual based on timesheets/allocation sheets
Insurance	Based on insurance policy and programs benefited
Food Service	Based on production records and mileage

With the exception of salaries, which are recorded with each payroll cycle, all other costs identified above may be initially charged to one account when incurred, then allocated and recorded to the appropriate functions via monthly journal entries.

176. Allocation of Overhead Costs (11/10)

On a monthly basis, the Agency’s administrative department costs are allocated to the various programs/grants based an approved indirect cost plan approved by the Department of Health and Human Services. The rate used is the lower of either actual or the approved rate.

176.1 Other Cost Allocations (11/13)

The Controller will maintain cost allocation documentation for items such as: maintenance, transportation, insurance and food service. A fiscal accountant will maintain documentation for salaries and fringe benefits. These allocations are reviewed and updated annually as needed.

177. Contracts

The following procedures pertain to all legal agreements entered on behalf of PEACE, Inc.:

TYPE:	Grant Contracts, Agreements, MOU’s Proposals, etc.	Vendor contractor Contracts and Agreements
SIGNOR:	Executive Director	Executive Director

POLICIES PERTAINING TO FEDERAL AWARDS

178. ADMINISTRATION OF FEDERAL AWARDS

179. Definitions

There are several types of agreements through which PEACE, Inc. may receive financial assistance from a donor/grantor agency:

Grant: A financial assistance award given to the Agency to carry out its programmatic purpose.

Contract: A mutually binding legal agreement where the Agency agrees to provide supplies and/or services and the grantor agrees to pay for them.

Cooperative Agreement: A legal agreement where the Agency implements a program with the direct involvement of the donor.

Throughout this manual, federal assistance received in any of these forms will be referred to as a federal "award."

180. Preparation and Review of Proposals (2/11/08)

The individual departments are responsible for preparing proposals for projects that the department intends to pursue.

However, all proposals shall be reviewed by the Executive Director, CFO, and program director prior to submission to government agencies or other funding sources. Final proposals shall be reviewed and approved in writing by the aforementioned individuals.

Any fiscal revisions submitted to the grantor are to be approved by the Executive Director, CFO, and program director prior to submission.

181. Post-Award Procedures (11/12)

After an award has been made, the following steps shall be taken:

1. Verify the specifications of the grant or contract. The Grant Coordinator, program director and Accountant may meet to review grant awards if applicable, including items such as terms, time periods, award amounts and expected expenditures associated with the award and other as appropriate. A CFDA (*Catalog of Federal Domestic Assistance*) number shall be determined for each federal award where applicable.

2. Create new general ledger account numbers and project #. New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.
3. Gather documentation. A file is established for each grant or contract. The file contains the proposal, applicable correspondence regarding the grant or contract, the final signed award document.

182. Compliance with Laws, Regulations and Provisions of Awards (12/09)

PEACE, Inc. recognizes that as a recipient of Federal funds, the Agency is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. Along with the Fiscal Policies and Procedures presented in this manual, all policies and procedures required by the grantor will be followed. To ensure that the Agency meets this responsibility, the following policies apply with respect to every grant or contract received directly or indirectly from a Federal agency:

1. For each Federal award, the PEACE, Inc. program director of that award is responsible for administering the award.
2. An Accounting Department employee is assigned the financial duties of the new award based on the program and the award benefits

The financial data is to be related to the performance data to develop unit cost information whenever practical.

182.1 Special Provisions Regarding HHS (12/12)

The Federal government has an interest in all real property and equipment acquired or upon which major renovations have been undertaken with grant funds for use as a Head Start Facility.

Facilities acquired with grant funds may not be mortgaged or used as collateral, or sold or otherwise transferred to another party, without the written permission of the responsible HHS official.

Use of the facility for other than the purpose for which the facility was funded, without the express written approval of the responsible HHS official, is prohibited.

183. Billing and Financial Reporting (11/12)

PEACE, Inc. strives to provide management, staff and funding sources with timely and accurate financial reports applicable to federal awards. These reports include monthly and cumulative expenditures, a project budget, and a balance remaining column.

PEACE, Inc. shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of the Accountant, subject to review and approval by CFO.

The following policies shall apply to the preparation and submission of billings to federal agencies under awards made to PEACE, Inc.:

1. It is the policy of PEACE, Inc. to request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. Each award normally specifies a particular billing cycle; therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other financial reporting that is required in addition to the financial reports.
3. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts, unless otherwise stated by grantor.

PEACE, Inc. shall maintain separate billing records in addition to the official general ledger accounting records. Billing records shall be reconciled to the general ledger on a monthly basis.

If a federal award authorizes the payment of cash advances to PEACE, Inc., the CFO may request that a request for such an advance be made. Upon receipt of a cash advance from a federal agency, PEACE, Inc. shall reflect a liability equal to the advance. As part of the monthly close-out and invoicing process, the liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period.

184. Procurement under Federal (11/12)

Procurement of goods and services whose costs are charged to federal awards received by PEACE, Inc. are subject to all of the specific PEACE, Inc. purchasing policies described earlier, under "Purchasing Policies and Procedures." (Section 71) Purchasing will be completed in accordance with the requirements of the grants. In addition, procurements associated with Federal awards are subject to the following supplemental policies:

1. PEACE, Inc. shall avoid purchasing items that are not necessary for the performance of the activities required by a Federal award.
2. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal government.
3. Documentation of the cost and price analysis associated with each procurement decision shall be retained with the purchasing package or in the procurement files pertaining to each Federal award.

4. For all procurements in excess of the small purchase acquisition threshold (currently \$100,000), procurement records and files shall be maintained to include all of the following:
 - a. The basis for contractor selection.
 - b. Justification for lack of competition when competitive bids or offers are not obtained.
 - c. The basis for award cost or price.
5. PEACE, Inc. shall make all procurement files available for inspection upon request by a Federal Awarding Agency.

If an award is to be made to a vendor contractor who is a relative of a PEACE, Inc. employee who is involved in the procurement decisions, a letter describing the relationship to the vendor contractor must be written, approved by the Executive Director and attached to the purchasing package along with justification showing why we are utilizing this specific vendor contractor such as price, delivery, etc.

Also you must refer to “Additional Information and Grantor Regulations Regarding Procurement” for specific grant related regulations in addition to those described herein.

All facility construction and major renovation transactions must comply with the procurement procedure in 45 CFR parts 74 or 92, and must be conducted in a manner to provide to the maximum extent practical, open and free competition.

All contracts for construction or major renovation of a facility to be paid for in whole or in part with Head Start funds require the prior, written approval of the responsible HHS official and shall be on a lump sum fixed-price basis.

Prior written approval of the responsible HHS official is required for unsolicited modifications that would change the scope or objective of the project or would materially alter the costs of the project by increasing the amount of grant funds needed to complete the project.

All construction and major renovation contracts for facilities acquired with grant funds shall contain a clause stating that the responsible HHS official or his or her designee shall have access at all reasonable times to the work being performed pursuant to the contract, at any stage of preparation or progress, and require that the contractor shall facilitate such access and inspection.

185. Solicitations of Bids from Vendor Contractors (11/13)(2/16)

Purchases (unless discussed in other sections of this manual – example Section 76), will be supported by quotes as required by Levels of Spending Chart (Section 77). These quotes can be in the form of either bids per purchase (documented by the Vendor Contractor Quote Verification), or an annualized bid. (Refer to section 78.)

All purchases of at least \$5,000 but less than \$100,000, shall be made by obtaining written quotations from at least three responsible vendor contractors, unless listed on an approved New York State bid list.

All purchases of \$100,000 or more shall be made by obtaining competitive proposals from at least three responsible vendor contractors. Sealed bids shall be utilized when required by the Federal awarding agency.

Also refer to CFR D200.320

PEACE, Inc. shall not utilize the “cost-plus-a-percentage-of-cost” method of contracting with vendor contractors.

All other policies and procedures associated with procurement under Federal awards shall be governed by the policies applicable to all purchases of PEACE, Inc., described in the section of this manual on “Policies Associated With Expenditures and Disbursements.”

186. Provisions Included in all Contracts (2/11)

It is the policy of PEACE, Inc. to consider all of the following provisions, as applicable, in all contracts (including small purchases) with vendor contractors and sub-grants to grantees:

1. **Equal Employment Opportunity:** All contracts shall contain a provision requiring compliance with E.O. 11246, “Equal Employment Opportunity,” as amended by E.O. 11375, “Amending Executive Order 11246 Relating to Equal Employment Opportunity,” and as supplemented by regulations at 41 CFR part 60, “Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor.”
2. **Copeland “Anti-Kickback” Act (18 U.S.C. 874 and 40 U.S.C. 276c):** All contracts and subgrants in excess of \$2,000 for construction or repair awarded by PEACE, Inc. and its subrecipients shall contain a provision for compliance with the Copeland “Anti-Kickback” Act (18 U.S.C. 874), as supplemented by Department of Labor regulations 29 CFR part 3, “Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States.” This Act provides that each contractor or subrecipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. It is the policy of PEACE, Inc. to report all suspected or reported violations to the Federal awarding agency.
3. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7):** If included in the federal agency’s grant program legislation, all construction contracts of more than \$2,000 awarded by PEACE, Inc. and its subrecipients shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). Under this Act, contractors are required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. It is the policy of PEACE, Inc. to place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a

contract shall be conditioned upon the acceptance of the wage determination. PEACE, Inc. may also obtain reports from contractors on a weekly basis, or as required by the grantor, in order to monitor compliance with the Davis-Bacon Act. PEACE, Inc. shall report all suspected or reported violations to the Federal awarding agency.

4. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333):** [Where applicable] All contracts awarded by PEACE, Inc. in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Works Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5). Under Section 102 of the Act, each contractor is required to compute wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in the work week. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.
5. **Rights to Inventions Made Under a Contract or Agreement:** Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and PEACE, Inc. in any resulting invention in accordance with 37 CFR part 401, "Rights to Inventions Made by Nonprofit Agencies and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.
6. **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended:** Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
7. **Access to Records:** All negotiated contracts (except those for less than the small purchase threshold) awarded by recipients shall include a provision to the effect that the recipient, the Federal awarding agency, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts and transcriptions. (2/11)
8. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or sub-grants of \$100,000 or more, PEACE, Inc. shall obtain from the contractor or sub-grantee a certification that it will not and has not used Federal appropriated funds to pay any person or Agency for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in

connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Likewise, since each tier provides such certifications to the tier above it, PEACE, Inc. shall provide such certifications in all situations in which it acts as a sub-recipient of a sub-grant of \$100,000 or more.

9. **Debarment and Suspension (E.O.s 12549 and 12689):** For all contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000), PEACE, Inc. shall obtain from the contractor a certification that neither the contractor nor any of its principal employees are listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs.
10. **Remedies:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000) shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms.
11. **Termination:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000) shall contain suitable provisions for termination by PEACE, Inc., including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated due to circumstances beyond the control of the contractor.

187. Equipment and Furniture Purchased With Federal Funds (11/13)

PEACE, Inc. may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a Federal agency. In addition to those policies on Asset Management described earlier (Section 131), equipment and furniture charged to Federal awards will be subject to certain additional policies as described below.

For purposes of Federal award accounting and administration, "equipment" shall include all assets with a unit cost equal to \$5,000 or more. (The grantor may have their own requirements for how the amount of expenditures are categorized as "equipment" for their reports, but does not affect the general ledger posting to the fixed asset threshold.)

All purchases of "equipment" (\$25,000 or more, or as required by grantor) with federal funds shall be approved in advance in writing by the federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

1. Any equipment that is owned by the Federal government and given to PEACE, Inc. for use in a program shall be marked as such.
2. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.

3. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of less than \$5,000 at the conclusion of the award, PEACE, Inc. shall retain the equipment without any requirement for notifying the federal agency. If the remaining per unit fair market value is \$5,000 or more, PEACE, Inc. shall gain a written understanding with the federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the federal agency.
4. PEACE, Inc. shall determine whether a specific award with a Federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of and federal reports filed by PEACE, Inc.

188. Standards for Financial Management Systems (8/14)(9/16)

It is the policy of PEACE, Inc. to maintain a financial management system that provides for the following:

1. Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements of Circular A-110 and/or the award.
2. Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
3. Effective control over and accountability for all funds, property and other assets. PEACE, Inc. shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
4. Comparison of outlays with budget amounts for each award. Whenever possible, financial information shall be related to performance and unit cost data.
5. The Agency will strive to minimize the time between receipt and disbursement of grant funds by issuing payments within 24 hours of receipt of such funds where appropriate.
6. Procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
7. Accounting records including cost accounting records that are supported by source documentation.

189. Budget and Program Revisions (11/13) (10/16)

It is the policy of PEACE, Inc. to request prior approval from Federal awarding agencies for any of the following program or budget revisions if required:

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (project director, etc.) specified in the application or award document.
3. The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
4. The need for additional Federal funding.
5. The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the Federal awarding agency.
6. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with **Uniform Guidance**.
7. Unless described in the application and funded in the approved awards, the subaward, transfer or contracting out of any work under an award (However, this provision does not apply to purchases of supplies, materials, equipment or general support services).

190. Close Out of Federal Awards (6/12/07) (10/16)

PEACE, Inc. shall follow the close out procedures described in **Uniform Guidance** and in the grant agreements as specified by the granting agency. When a grant is ready to close, the "Grant Closing Procedure Form" will be completed by the assigned accountant, and forwarded to the CFO for processing on the Blackbaud general ledger software. (11/07)

PEACE, Inc. and all subrecipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement, or according to the grant.

191. CHARGING OF COSTS TO FEDERAL AWARDS

192. Overview

It is the policy of PEACE, Inc. that only costs that are reasonable, allowable and allocable to a Federal award shall be charged to that 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.

193. Segregating Unallowable From Allowable Costs (5/15)

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. Grant managers and accounting personnel shall be familiar with the allowability of costs provisions of 2 CFR Part 230 (OMB Circular A-122), "Cost Principles for Non-Profit Organizations," 2 CFR Part 200.400 – 475, Cost Principles, particularly:
 - a. The list of specifically unallowable costs found in Attachment B 200.421-475 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 Attachment B 2 CFR Part 200.407, Prior Written Approval, such as foreign travel participant support costs, 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 OMB Circular A-122 2 CFR Part 200.400-475, Cost Principles.
4. For each Federal award, an appropriate set of general ledger accounts shall be established in the chart of accounts of PEACE, Inc. 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.)

194. Criteria for Allowability and Allocability (5/15) (8/16)

All costs must meet the following criteria from 2 CFR Part 230, Attachment A 2 CFR Part 200.402 – 406, Basic Considerations, in order to be treated as allowable direct or indirect costs under a federal award:

It is the policy of PEACE, Inc. that all costs must meet the following criteria 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 Agency 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 Agency, 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 Agency, but, 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 Part 230 2CFR Part 200 Subpart E Cost Principles, 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 Agency.
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.

195. Direct Costs (8/15)

Direct costs include those costs that are incurred specifically for one award or non-Federal function. Also refer to (2 CFR Part 200.413(a)). PEACE, Inc. identifies and charges these costs exclusively to each award or program.

Each Purchase Order/Cash Disbursements Request shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. The account coding is reviewed by the accountants. Invoices are matched to the approved purchase order by the Accounts Payable Specialist or Purchasing representative. The account codes are spot checked by the CFO in review of cash disbursements.

Time sheets or personnel activity reports, described earlier, 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.

196. Indirect Costs (10/13), (1/16) (8/16) (11/16)

Indirect costs are those costs that either benefit more than one award (overhead costs) or non-federal function or that are necessary for the overall operation of PEACE, Inc. (management and general costs).

PEACE, Inc. maintains an annual indirect cost budget. Each year a new indirect cost budget is prepared and submitted to PEACE, Inc.'s Cognizant Agency for approval. The indirect cost rate approved is used as a limit when determining the overhead applied to each federal award.

Examples of the types of expenditures normally included in the indirect cost pool are those associated with the admin departments (Executive Dept, HR Dept, Fiscal Dept, MIS (IT) Dept, Community Engagement Dept, Main Office, Supplemental Costs (if used), and Board of Directors)

These rates are submitted to PEACE, Inc.'s Oversight Agency and will be binding on all other federal agencies and their contracting officers unless specifically prohibited by statute.

197. Accounting for Specific Elements of Cost (8/15), (1/16) (8/16) (10/16)

PEACE, Inc. shall utilize the following methods of charging specific elements of cost to federal awards as direct or indirect costs:

Salaries and Wages – Salaries and wages shall be charged directly and indirectly based on the functions performed by each employee, as documented on each employee’s timesheet, as follows:

Direct costs – The majority of the employees of PEACE, Inc. charge their time directly since their work is specifically identifiable to specific grants or other (non-federal) programs or functions of the Agency.

Indirect costs (Fundraising costs are not included in the indirect pool) – The following staff charge their salary costs indirectly:

1. Executive Department
2. Human Resources Department
3. Fiscal Department
4. Community Engagement Department
5. MIS (IT) Department

Earned Time Off (ETO) and holiday pay are considered part of salary costs. The accounting system of PEACE, Inc. records salaries associated with compensated absences as a direct or indirect cost in the same manner that salary costs are recorded.

Employee Benefits – PEACE, Inc. incurs costs for the following statutory and non-statutory employee benefits:

- FICA
- Unemployment insurance
- Worker’s compensation
- Health insurance
- Dental insurance
- Life Insurance
- Long-term disability insurance
- Short-term disability insurance
- Retirement (401K) contributions

Since the Agency’s accounting system tracks employee benefit costs by individual employee, each such benefit cost shall be charged directly and indirectly in the same proportion as each individual’s salary.

Occupancy Expenses – Monthly rent expense and utility costs are directly charged to the programs that utilize that space. The maintenance department charges are provided to the Agency as a whole and are allocated directly to the programs based on approximate square footage of space utilized, and time allocations of the maintenance department. The methods are identified in section #49.

Utilities – Utilities costs incurred by PEACE, Inc. include electricity and water. Such utilities costs shall be charged directly and indirectly in the same proportion as occupancy costs.

Supplies and Materials – To the maximum extent possible, office supplies and materials are charged directly to the grant or program/function that uses the supplies or materials. All supplies and materials used by staff who are engaged in indirect activities shall be charged indirectly.

Outside Services – PEACE, Inc. incurs outside service costs for its annual audit, legal fees, and for staff development specialists. Outside service costs shall be charged as follows:

Audit fees – Cost of the financial statement audit and preparation of Form 990 shall be charged as an indirect cost. Additional audit costs associated with that portion of the audit associated with **Uniform Guidance** shall be charged directly to the audited programs, based on estimates received from the independent CPA firm.

Legal fees – Legal fees shall be charged directly to the program/function that benefits from the services. Legal fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

Staff Development Specialists – Costs associated with staff development specialists shall be charged directly to the program/function that benefits from the services. Fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

Insurance – To the extent that insurance premiums are associated with insurance coverage for specific grants or programs, those premium costs shall be charged directly. All insurance costs that are not identifiable with specific direct grants or programs shall be charged indirectly.

Credits – The applicable portion of any credits resulting from cash discounts, volume discounts, refunds, write-off of stale outstanding checks, trade-ins, scrap sales or similar credits shall be credited directly or indirectly in the same manner as the purchase that resulted in the credit.

Fund-raising costs – for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency.

198. Cost Sharing and Matching (11/12)(11/16)

It is the policy of PEACE, Inc. to value contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or Federal agency regulations identify specific values to be used.

PEACE, Inc. shall claim contributions as meeting a cost sharing or matching requirement of a Federal award only if all of the following criteria are met:

1. They are verifiable from PEACE, Inc. records
2. They are not included as contributions for any other federally-assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under **Uniform Guidance**.
5. They are not paid by the Federal government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the Federal awarding agency.
7. They conform to all provisions of **Uniform Guidance**.
8. In the case of donated space, the space is subject to an independent appraisal if necessary to establish its value. We also use the market amount from a third party publication if appropriate.

Contributed services used for cost sharing or matching purposes shall be valued at rates consistent with those rates paid for similar work in the Agency (match up experience and skill level), including an estimate of reasonable fringe benefits. In cases in which the required skills are not found in the Agency, rates used shall be consistent with those paid for similar work in the labor market in which PEACE, Inc. competes.

It is the policy of PEACE, Inc. to require volunteers to document and account for their contributed time in a manner similar to the time-keeping system followed by PEACE, Inc. employees.