

Kentucky Valley Educational Cooperative
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Financial Procedures Manual

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ORGANIZATION

Kentucky Valley Educational Cooperative receives membership dues from participating local school districts for the Cooperatives administration purposes and to provide programs and services in these local districts.

KVEC is also the recipient of federal, state, local and foundation grants. Accordingly, KVEC is subject to statutory and regulatory requirements applicable to these grants.

The KVEC Board of Directors is the entity's overall governing authority. It is fundamentally a policymaking and oversight body. The Board defines policy and practice within the entity. Executing the Board's policy and plans is the function of the staff, under guidance and direction of the Executive Director.

FINANCIAL MANAGEMENT SYSTEM STANDARDS

The Cooperative shall meet the following standards for all of its programs.

- A. Financial Reporting - Accurate, current and complete disclosure of the financial results of each project or program shall be made in accordance with the financial reporting requirements of the grant.
- B. Accounting Records - Records which identify adequately the source and application of funds for grant or supported activities shall be maintained. These records shall contain information pertaining to grant awards, authorizations, obligations, unobligated balance assets, outlays and income. All transactions will be posted in the accounting records in a consistent and timely manner. The automated computer accounting system identifies and segregates costs by program.
- C. Internal Control - Effective control and accountability shall be maintained for all grant cash, real and personal property. A clear separation of duties and responsibilities between individuals will be maintained so that no one person has access to all financial operations, procedures, and records. This separation of duties is an effective tool in the prevention and detection of fraud.
- D. Budgetary Control - The actual and budgeted amounts for each grant shall be compared. Budgetary controls are in place to assure that obligations incurred for a specific Federal program are allocable to that Federal program.
- E. Advance Payments - Cooperative procedures shall be established to minimize the time elapsing between the advance of Federal grant funds and their disbursement.
- F. Allowable Costs - OMB Circular A-87, "Cost Principles for State and Local Governments," shall be used for determining the reasonableness, allowability, and allocability of cost charged to federal grants.
- G. Source Documentation - Accounting records shall be supported by source documentation such as canceled checks, paid bills, payrolls, contracts etc. OMB Circular A-87 or Title 45 CFR Part 74 should be used to determine the reasonableness of certain costs, bids or quotes.
- H. Non-Federal Audits -The Cooperative shall comply with the requirements concerning Non-Federal Audits in OMB Circular A-128, "Audits of State and Local Governments," including any amendments to those requirements published in the Federal Register by OMB.
- I. Audit Resolution -The Cooperative shall follow a systematic method to assure timely and appropriate resolution of audit findings and recommendations in accordance with the requirements of OMB Circular A-128, "Audits of State and Local Governments."

FINANCIAL REPORTING

- A. Internal Reporting -The Cooperative's accounting records are maintained on an automated computer system and fund accounting software which provides on-line financial information to the Executive/Associate Director, Accounting Specialist, and Program Directors. In addition, financial reports are distributed to each Program Director as a management aid in the administration of their programs and to assure that expenses are kept within the budget. These reports show a comparison of budget with actual expenditures for the period-to-date and year-to-date total. A consolidated financial report is submitted to the Board of Directors at each meeting. This report shows the total month-to-date expenditures and revenues for each program. Responsibility for preparing and reviewing financial reports are as follows:
1. The Accounting Specialist is responsible for supervising the preparation of all financial reports including the computer-generated information and reports. The Accounting Specialist will also supervise the preparation of all Federal SF-269 reports to assure that all reports correspond with the accounting records.
 2. Each Program Director is responsible for monitoring and reviewing all financial information including any financial reports which are either computer generated or manually prepared for his or her program. Discrepancies or questions are to be resolved through the Accounting Specialist.
 3. All financial reports which are to be distributed to the Board of Directors or to anyone outside the Cooperative must have the approval of the Executive Director.
- B. Reporting to Funding Sources - The Agency has a variety of funding sources, each unique and requiring a variety of reporting formats and reporting dates. To assure that all reports are timely submitted, the following procedures will be followed:
1. The Accounting Specialist is responsible for supervising the preparation of all financial reports required by funding sources. As part of that responsibility, the Accounting Specialist will maintain a file for each funding source, which contains copies of all reports by program year, blank reports, and reporting instructions.
 2. Each Program Director will receive a copy of each financial report for review and will maintain a report file by year. Discrepancies or questions will be directed to the Accounting Specialist.
 3. The Executive/Associate Director will receive the original of each report for their approval and signature. The Executive/Associate Director is the authorized Official to approve and sign financial reports or in the absence of the Executive/Associate Director, the Accounting Specialist or Program Director.

COMPUTER SYSTEMS

The Cooperative's accounting software is maintained on an automated computer system using

fund accounting software. In addition, the Cooperative has personal computers, which are used for specific purposes within programs or departments. The following procedures apply to all computers and computer systems within the Cooperative.

- A. The Executive/Associate Director must approve all purchases of computers and software. This procedure is to be followed to prevent duplication and to assure that all computer equipment and software are compatible with the Cooperative's goal of a total integrated system.
- B. The Executive/Associate Director is responsible for overseeing the Cooperative's data processing activity related to the automated computer system and related accounting systems. The following procedures apply:
 - 1. The automated computer system and peripheral equipment used by the finance staff will not be used by anyone without prior approval of the Executive/Associate Director.
 - 2. Only the Executive/Associate Director will be permitted to access the computer and input terminals when not in use by the finance staff.
 - 3. The Accounting Specialist and the finance staff are the only personnel authorized to input, change, process, or merge financial data. The Accounting Specialist will assign passwords to permit access to the fund accounting software and system. These passwords will be changed regularly; especially when there are personnel changes, and these passwords must be kept secret.
 - 4. The Executive/Associate Director is responsible for all application software with any subsequent modifications.
 - 5. The following backup and recovery procedures will be followed:
 - a) Data files will be backed up weekly.
 - b) The operating system and application software files will be backed up weekly.
 - c) The Program Directors are responsible for overseeing the personal computers within their respective programs. At a minimum the following procedures will be followed:
 - 1. Individuals authorized to use the computer must be identified and any unauthorized use must be promptly reported to the Executive/Associate Director.
 - 2. The operating system, application software, and data files will be backed up at least weekly.

PROPERTY MANAGEMENT

KVEC definition of "Property" - For the purposes of the Cooperative's Inventory Control and Record System, the following standard shall be employed:

Real Property - Real property means real estate, including land, land improvements, structures (buildings) and appurtenances (attachments, built-in accessories, etc.) thereto, excluding movable equipment.

All real property shall be properly secured by deed and maintained on a current inventory of Cooperative Real Property.

Personal Property - Personal property means cooperative property of any kind except real property. It may be tangible, that is, having a physical existence - or it may be intangible, that is without physical properties, and include such things as copyrights, trademarks, patents, inventions, or any other form of "intellectual property" created by staff or contractors while in the paid employ of the Cooperative.

Cooperative personal property is not usually maintained on a formal inventory, but such property still belongs to the Cooperative and shall not be converted to personal use or ownership.

Employee personal items located in their offices or other cooperative premises are individual private property. These should be labeled by the respective owners so as to prevent later questions arising as to the true ownership of those items.

Non-expendable Personal Property - Non-expendable personal property means at a minimum tangible personal (Cooperative) property having an acquisition cost of \$5,000.00 or more per unit and an expected useful life of one year or more, or an acquisition cost of less than \$5,000.00 but an expected useful life of five (5) years or more. The latter would include items such as desks, credenzas, chairs (office furniture only, not folding chairs, children's chairs, and so forth), file cabinets, fax machines, desk calculators and other minor equipment.

Individual Cooperative programs should have more restrictive definitions than that above as may be required by their respective grantor contracting agencies. Individual program directors must advise the Accounting Specialist when more restrictive than usual/standard definition of property is required by their respective grantors or contracting agencies/entities.

All non-expendable personal property – All program grantor property that meets the above definitions must be maintained on the Program Inventory of Non-expendable Property.

Some programs, Adult Education, for example, may opt to maintain classroom/center-based/ local-operations property on a separate inventory. This is permissible so long as the inventory is monitored/verified regularly- at least every two (2) years - and properly recorded.

The Adult Education inventory will be coordinated by the Adult Education Director and performed in conjunction with his/her designee(s) responsible for Adult Education's respective classroom/center-based/local-operation property inventory.

No items in the inventory of Program Non-expendable Property may be moved from one location to another without first notifying the program director of its planned relocation. All appropriate paperwork must then be submitted to the program director so that the inventory can be updated.

Expendable Personal Property - Expendable personal property refers to all tangible (physical) property of the cooperative other than that which is required to be listed on the inventory of non-expendable property. It includes anything purchased by the Cooperative – other than services, license fees, and such. All expendable personal property of the Cooperative is available for Cooperative use only and shall not in any event or extent be converted for private use.

Property Disposal Procedure - The Executive Director will advise the board when certain properties are no longer needed for the Cooperative purposes. Upon receiving this report, the board may, at such time as it deems proper and after compliance with applicable state regulation, authorize the disposal of properties through closed sealed bids, public auction or online listing. The board reserves the right to reject any and all bids.

To prevent loss, damage, or theft to property, the program property management system for non-expendable personal property including the following procedural requirements applies:

- A. Property records for items having an acquisition cost of \$5,000.00 or more per unit shall be maintained accurately and shall include:
 - 1. A description of the property.
 - 2. Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number.
 - 3. Source of the property.
 - 4. Whether title vests in the recipient or the Federal Government.
 - 5. Acquisition date (or date received, if the property was furnished by the Federal Government) and cost.
 - 6. Percentage (at the end of the Budget year) of Federal participation in the cost of the project or program for which the property was acquired.
 - 7. Location, uses and condition of the property and the date this information was reported.
 - 8. Unit acquisition cost.
 - 9. Ultimate disposition data, including date of disposal and sales price or the method used to determine fair market value when retained by KVEC.

Items having an acquisition cost of less than \$5,000.00 per unit need only meet requirement 1, 5, 7, and 8.

- B. Property owned by Federal Government must be marked to indicate Federal ownership.
- C. Any loss, damage or theft of non-expendable personal property will be investigated and fully documented by the program director.

BUDGETS

A budget will be prepared for each program operated by the Cooperative at least annually. Development of the program budget will require active involvement of the Executive/Associate Director, the Accounting Specialist, the Grant Writer, and the Program Director. The following procedures will be followed:

- A. Authorization -KVEC programs are funded primarily by federal and state grants, which are awarded annually. Therefore, formal notification or permission to proceed with planning will be issued by the funding agency, together with a projected program funding level. This may be in the form of a letter of understanding or some similar document. Also, during the budget preparation process for Federal grants, there will be interaction with Federal staff as needed.
- B. Budget Preparation -The Program Director is primarily responsible for the preparation of the program budget and grant proposal. Consequently, the program budget and grant proposals will be prepared by the Program Director in consultation with members of the program staff and other persons designated by the Executive/Associate Director. Program budgets will be prepared according to individual cost elements (e.g., salaries, supplies, etc.). The individual cost elements will be based on estimated units of cost using current rates. The Program Director, as well as other staff responsible for preparing the budgets, will keep current with all applicable grant policies. This will require budget personnel to attend seminars and other trainings, such as the Grants/Fiscal Management Seminars.
- C. Financial Review -All budgets will be submitted to the Accounting Specialist for review prior to being submitted to the funding agency/entity. The Accounting Specialist will as a minimum do the following:
 - 1. Check the budgets for mathematical accuracy.
 - 2. Ascertain whether each budget is in compliance with financial guidelines.
 - 3. Ascertain whether each budget complies with applicable laws and regulations.
 - 4. Recommend possible changes or improvements, based on personal observations, to the Program Director.
- D. Administrative Review -All budgets must be submitted to the Executive/Associate Director for review and approval before they can be included in funding applications.
- E. Board Approval - The Executive Director will at appropriate times submit proposals to the Board of Directors for consideration and approval. Proposals will include both budgets and work programs.

- F. Budget Amendments -All changes, or requested changes to budgets, must be submitted to the Accounting Specialist. Requests for change which require prior grantor Agency/Entity approval will be submitted by the Program Director to the appropriate Federal grants officer or other authorized grantor official prior to making such changes.
- G. Recordkeeping - The Accounting Specialist will insure that budgets which have been properly approved by funding source are on file for all grants and contracts.

CASH MANAGEMENT

The standard for effective cash management which is discussed in 45 CFR 74.61 (e) states that procedures must be established to minimize the time elapsing between the advance of grant or funds and their disbursement by the recipient. The Cooperatives cash management procedures are as follows:

- A. The Accounting Specialist is responsible for monitoring the request of funds for all federal sponsored programs. The following procedures will be followed:
 - 1. Under Advances by Treasury Check - Under this method, a cash advance will be requested monthly based upon cash needs of the program. The Accounting Specialist in coordination with the Program Director will monitor drawdowns vs. disbursements, and will request adjustments in the schedule of advances, as appropriate.
 - 2. Under Payment Management System (PMS) - Under this method, cash advance will be requested one or two days in advance of the programs cash needs. The cash advance will be requested from PMS. The Accounting Specialist in coordination with the Program Director will request all drawdowns. The Accounting Specialist will make sure that the Federal funds are fully disbursed by the close of the business the next workday after they are received, and immediately return all undisbursed Federal funds to PMS.

GRANTS AND CONTRACTS

The Board of Directors shall approve all grants and proposals submitted to granting agencies/entities. The Executive/Associate Director is the authorized official to sign grant requests, contracts, grants, amendments, or other related documents, unless the Chairman of the Board is directly specified by the respective grantor/contractor.

All grants, contracts, and amendments awarded to the Cooperative for the operation of programs will be processed in accordance with the following procedures:

- A. All grants, contracts, and amendments will immediately upon receipt be forwarded to the Executive/Associate Director to review the grant, contract, or amendment and if acceptable the Executive/Associate Director will distribute copies to the Program Director and Accounting Specialist.

- B. The Accounting Specialist will review the grant, contract, or amendment thereto and will report any possible errors or observations to the Executive/Associate Director. If the award is acceptable, the Accounting Specialist will do the following:
 - 1. Maintain a file for each grant or contract which will contain all awards, amendments, budgets, and special conditions.
 - 2. Record budget or update budget in the Accounting system.
 - 3. Initiate a request for funds if appropriate or, if cost-reimbursement program, arrange for an advance of funds from the unrestricted fund.
- C. The Program Director will review the grant, contract or amendment thereto and report any possible errors or observations to the Executive/Associate Director. If the award is acceptable, the following procedures will be followed.
 - 1. The Program Director will take steps to implement the program in accordance with the terms of the grant or contract.
 - 2. The Program Director will coordinate with the Accounting Specialist concerning budgeting, reporting, and monitoring of the program.

NON-FEDERAL AUDITS

The Agency shall have an annual audit made in accordance with OMB Circular A-128, "Audits of State and Local Government." The audit will be for the fiscal year ended June 30; the Cooperative's adopted fiscal year.

The following procedures will be followed by the Cooperative for all non-federal audits:

- A. A letter of engagement between the Cooperative and the auditor shall be prepared which contains an understanding of the work that needs to be performed to satisfy the Cooperative's OMB Circular A-128 requirements for an audit. The letter shall provide an understanding of the terms, nature, and limitations of the engagements. The letter shall include the reporting, objectives and responsibilities assumed by the auditors. Cooperative responsibilities such as the requirements for a client representation letter will also be included.
- B. The Accounting Specialist is responsible for scheduling the audit fieldwork, providing records and financial information, coordination with program directors and accounting personnel for any needed information, and answering all questions related to the financial audit.
- C. The Program Director in coordination with the Accounting Specialist is responsible for providing information and answering all questions in connection with the audit that are

related to compliance with laws and regulations as it related to his or her program.

- D. The Executive/Associate Director in coordination with the relevant Program Director and Accounting Specialist is responsible for the resolution of any audit findings or questioned costs. These findings will be resolved within six (6) months after the receipt of the audit report.

CASH DEPOSITORIES

The following sets forth the Cooperative's policy and procedures regarding the use of banks and other institutions as depositories of funds:

- A. Depositories will be selected on a competitive basis and will be reviewed periodically as deemed necessary by the Executive/Associate Director.
 - 1. All funds of the KVEC will be deposited in local banks. Such banks will be accessible, capable of handling investment funds, and be able to provide those services needed by the KVEC in the operation of the Cooperative.
 - 2. Depositories must have Federal Deposit Insurance Corporation (FDIC) insurance coverage and any balance exceeding the FDIC insurance must be collaterally secured.

CASH RECEIPTS

The Cooperative has the following procedures to assure that all cash receipts are deposited promptly and recorded accurately as to account, amount, and period.

- A. Incoming Mail - The mail is sorted and routed to the various programs and departments in individual compartments in the KVEC intra-office mail and message Center.
 - 1. All cash, checks, and other forms of legal tender are forwarded to the Executive/Associate Director.
 - 2. Payroll information, Workers' Compensation and Unemployment information are forwarded to the Accounting Specialist.
 - 3. Vendor statements, utility bills, telephone bills, etc. are forwarded to the Accounting Specialist.
 - 4. Personnel information, resumes, and employment applications are forwarded to the Executive Director.
 - 5. Changes of name/address, employment verification, and background checks are forwarded to the Accounting Specialist.

6. Bank statements are forwarded to the Accounting Specialist.
- B. Recording - The Executive/Associate Director will receive all cash, checks, and other forms of legal tender received by the Cooperative. The following procedures are followed:
1. The Executive/Associate Director will record all receipts into a deposit log.
 2. The Executive/Associate Director will stamp all checks with a restricted endorsement as follows, "For Deposit Only KVEC."
 3. The Executive/Associate Director will forward deposit log and checks to the Accounting Specialist.
 4. The Executive/Associate Director will deposit all checks and cash.
 5. The Executive/Associate Director gives a copy of the deposit ticket and the bank deposit verification to the Accounting Specialist.
 6. Accounting Specialist enters receipts into the computer system's receipts program as deposited.
 7. Documentation for all receipts is filed along with the duplicate deposit slip and the validated bank receipt.

PROCUREMENT STANDARDS

The Executive/Associate Director is responsible for administration of the procurement function. Any delegation of purchasing authority shall be made by the Executive/Associate Director. The Executive/Associate Director will establish procedures in accordance with KRS 424.260, state regulations, and accepted business principles, to control the purchase of items by employees.

A. Responsibility and Delegation of Authority

1. The Executive/Associate Director may delegate to a chief purchasing officer and to other such authority as may be appropriate and necessary for the proper performance of the procurement function.
 - a) Any delegations of purchasing authority shall be in writing and shall be included in policies and procedures of the Cooperative.
 - b) Designated employees may be authorized in writing by the Executive/Associate Director to make expenditures in cases of emergency in accordance with approved procedures for subsequent approval by the Board of Directors.

- c) The Executive/Associate Director shall ensure that every procurement by an employee of the KVEC engaged in or responsible for the performance of any procurement activity or function and constituting a final procurement action shall be documented in writing.
 - 2. The Executive/Associate Director shall maintain records of all small purchase contracts, and competitive sealed bidding results.
 - 3. No contract shall be awarded for an amount, which exceeds the sum budgeted and appropriated for the procurement by the Cooperative.
 - 4. The Executive/Associate Director shall establish procedures to verify the receipt of goods purchased by the Cooperative before the payment will be made for the goods ordered.
- B. State Bid Purchasing
- 1. The Executive/Associate Director may purchase supplies and equipment from the State bid price contracts. The Executive/Associate Director shall include the State bid price contract number on all purchase orders or invoices used to purchase from the State price contract.
- C. Cooperative Purchasing
- 1. The Board of Directors may authorize the Executive Director to enter into an agreement, subject to Board ratification, for cooperative purchasing with another public agency/entity.
 - 2. When the Cooperative contracts with another agency/entity for supplies, services or construction pursuant to State laws, all other parties to the agreement must provide evidence to KVEC that they have complied with applicable State-purchasing laws.
- D. Small Purchase Procedures
- 1. Small purchases are hereby authorized for the procurement of necessary supplies, services or construction, the cost and quality of which are of such that any possible savings of public funds realized through the practice of other procurement procedures would not justify the administrative time and expense necessary for the conduct of competitive sealed bidding.
 - 2. Small purchases for construction services costing \$1,500.00 or less and \$500.00 or less for other purchases may be made from any available source of supply without obtaining quotations. Small purchases in excess of the above limits but less than \$40,000.00 may be made only after informally obtaining three or more price quotations from responsible sources. Each determination shall be based on written findings that support the determination and shall be signed by the employee making the determination.

3. Required purchases shall not be fragmented or artificially divided to avoid use of other source selection methods. Categories of supplies, services or construction reasonably anticipated to be required during a fiscal year shall be considered to be one procurement for the purpose of small purchase procedures. The contract may be for any period of time that will provide the most beneficial market price to the Cooperative, provided the time period does not avoid the requirements of competitive sealed bidding. In determining whether supplies, services or construction is normally supplied as a unit, the test is not whether such supplies, services or construction are furnished by a particular vendor, but rather whether supplies, services, or construction are closely related in the same function and use.

E. Competitive Sealed Bidding Procedures

1. The Executive Director shall develop evaluative bid procedures that permit the Board of Directors to select the bid that is in the best interest of the Cooperative.
2. The Kentucky Valley Educational Cooperative shall advertise and bid that which involves an expenditure of more than \$40,000.00 or such other amounts as may be prescribed by statute or regulation during the fiscal year provided that this requirement shall not apply in an emergency. The Cooperative may also bid items of lesser amounts where items are categorical and a savings can be made.
3. If durability of the product, the quality of service or other factors are to be considered in bid selection, such factors shall be stated in the bid documents.
4. Notice for bidding shall state the time and place for receiving and opening of bids, the time and place where specifications may be obtained, and shall be advertised in the newspaper of largest circulation in the local jurisdiction or may be posted on the cooperatives website at least once, and not less than seven (7) days nor more than twenty-one (21) days before the date set for the bid opening.
5. All bids are to be submitted in writing, typewritten or in ink and sealed; opened and read publicly by the Executive Director or Bid Coordinator.
6. No bids may be changed after they are submitted. This in no way prevents the acceptance or rejection of alternates that are specified as a part of the regular bid forms and specification.
7. The contract for the successful bidder shall be deemed as having been awarded when the Board of Directors has taken action at a regular or special meeting. The awarded bidder shall receive formal notice of the awarding of the contract by the Bid Coordinator.
8. In the event the lowest bid is not accepted, the Board of Directors shall record in the minutes the reason for the rejection.

9. All bids submitted shall be recorded in the official minutes.
10. Notification of the awarding of the contract shall be given in writing to all bidders.
The notice shall include a list of all bidders together with their bids.
11. Any bid, which is accepted in non-compliance with any of the above items, shall be considered null and void.

F. Non-Competitive Negotiation Purchases

1. The non-competitive negotiated process may be used instead of advertisement for bids when a written determination is made by the Executive Director showing that competition is not feasible in the following circumstances:
 - a) When an emergency exists that will cause public harm as a result of the delay in competitive processes.
 - b) When there is a single source of the product or service to be procured.
 - c) When the contract is for services of a licensed professional. A professional service is one performed by a licensed professional and an activity for which a license is required.
 - d) When the contract is for the purchase of perishable items purchased on a weekly or more frequent basis, such as fresh fruits, vegetables, or fish.
2. The Board of Directors, upon the Executive Director's recommendation, shall approve all noncompetitive purchases exceeding \$40,000.00 except in a case that the Executive Director may declare an emergency because a delay in making the non-competitive purchase will result in danger to health, safety, or property and submit such determination to the Board of Directors at the next regular meeting.
3. Items for resale are authorized to be purchased by noncompetitive negotiation.

G. Competitive Negotiated Purchase Procedures

1. Competitive negotiated purchasing is authorized for the procurement of necessary supplies and services under the following conditions.
 - a) Bids must have been received and opened
 - b) There are not sufficient budgeted funds to award the contract
 - c) When the best interest of the Cooperative will not permit the delay caused by re-solicitation under revised specifications and quantities.
2. Procedures for competitive negotiated purchases shall be established by the Executive Director and shall be in compliance with State, or where applicable Federal, statutes and regulations governing purchasing procedures by public entities.

H. Maximum Free and Open Competition -It is the clear intention of the Kentucky Valley Educational Cooperative to foster all procurement transactions in a manner to provide, to the maximum extent practicable, open and free competition. (20 U.S.C. 122le--3(a)(l) and 3474, OMB Circular A-110.)

1. All procurement procedures developed and implemented by KVEC shall assure that unnecessary or duplicative items are not purchased. Where appropriate, considerations of lease and purchase alternatives will be made to determine which would be the most economical and practical procurement.
2. All KVEC bids and solicitations for goods and services shall be based upon a clear and accurate description of the technical requirements for the material, product or service to be procured. Such description shall not, in competitive procurements, contain features that unduly restrict competition. Brand name or equal clause may be used as a means to define the performance of other salient requirements of procurement, and when so used the specific features of the named brand that must be met by bidders/offerors must be clearly specified.
3. KVEC shall use procuring instruments such as fixed price contracts, cost reimbursable contracts, purchase orders, and incentive contracts, where appropriate and or required by state or federal law, and that promotes the best interest of KVEC and its programs and services. KVEC shall not use a "cost-plus-a-percentage-of-cost" method of contracting.
4. Contracts will be entered into by KVEC with only responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be made by KVEC for such matters as a contractor's integrity, record of past performance, financial and technical resources or accessibility to other necessary resources. KVEC may be required by federal grants to seek prior approval by the granting agency for purchases of an aggregate amount of \$5,000.00 or more in the event of receiving only one bid or proposal.
5. KVEC shall follow the principles of cost analysis in the review and evaluation of proposals or bids to determine if the offeror meets the requirements of reasonableness, allocability, and allowability.
6. KVEC shall for all purchases that exceed \$40,000.00 maintain procurement files that include the basis for contractor selection; justification for lack of competition when competitive bids or offers were not obtained; basis for award cost or price; and a system for contract administration so as to insure contractor conformance with the terms, conditions and specifications of the contract, and to ensure adequate and timely follow-up of all purchases.
7. KVEC shall follow all laws of the Commonwealth of Kentucky requiring bidding of goods or services in excess of \$40,000.00.

PURCHASING PROCEDURES

For the procurement of equipment, merchandise or services, the following documents and procedures will be used for all Cooperative purchases.

- A. Purchase Orders -A purchase order for goods and services must be completed for all purchases. The purchase order consists of a 3-part NCR form (white, yellow, and pink), which is the primary document used by Cooperative employees for the purchase of goods and services.
 - 1. The purchase order will be completed and signed by the person making the request. The purchase order is then forwarded to the Project Director for approval. After the Project Director has indicated his/her approval, it will be forwarded to the Executive/Associate Director, who will check the purchase order to ensure policies and procedures for purchasing are being followed. After the purchase is approved by the Executive/Associate Director, it is to be returned to the Accounting Specialist for a budget code number based on the particular project.
 - 2. The pink copy of the purchase order will be sent to the vendor and the white copy will be forwarded to the Accounting Specialist for data entry.
 - 3. The yellow copy of the purchase order will be kept by the Program Director until such time as the goods or services are received along with an original copy of the invoice.
- B. Receiving – The purchase order (yellow copy) will be used to document that the goods or services have been received. When goods or services are received, the Program Staff will forward the invoice or packing slip, initialed and dated showing receipt, to the Accounting Specialist.
- C. Review – After the goods or services have been received, the packing list along with the original invoice should be forwarded to the Accounting Specialist. The Accounting Specialist will attach the Bookkeeping copy of the purchase order to the invoice and complete the check request section of the purchase order for payment. The Accounting Specialist will verify that each invoice or packing slip contains an appropriate signature and dated indication that the goods or services have been received. In addition, the designated fiscal staff member will verify that invoice amounts agree with the purchase order prior to payment.

Purchases involving the use of credit cards by employees -The Executive/Associate Director are the only authorized employees who may obtain a corporate credit card for use by employees under the conditions stated herein. The Executive/Associate Director shall select the corporate credit card that offers the Cooperative the best terms and conditions.

The sole purpose of a corporate credit card is for securing and paying of hotel room reservations from in-state and out-of-state hotels where such hotels will not honor a Purchase Order from the Cooperative; and securing or paying for airline reservations or other businesses where a purchase

order is not accepted. Use of a gasoline credit card(s) is limited to purchasing gasoline for KVEC-owned vehicles.

1. Authorization and Payment of Credit Card Expenses -The Accounting Specialist must authorize, in writing and in advance the use of the corporate credit card. The Accounting Specialist shall give prior written authorization to the employee for use of the credit card for payment for hotel room charges, excluding any meals or miscellaneous additional charges, and airline reservations. The designated fiscal staff member shall process the prompt payment of all authorized credit card charges so as to avoid any payment of interest and or penalties.
2. Notification- The Accounting Specialist shall notify the Board of Directors of all requests for payment of credit card charges and the purpose(s) of the expenses when said expenses appear on the Orders of Treasurer.
3. Abuse of Credit Card(s) -The Executive Director shall hold any staff member accountable for all expenses incurred from the unauthorized use of the Cooperative's Corporate Credit Card or gasoline card(s), including any interest or penalties charged by the credit card company. Any employee using the credit card(s) for purposes other than those authorized by this policy shall be accountable by the Executive Director for all expenses incurred from the use of the credit card. Additionally, the Executive Director shall take appropriate disciplinary action as necessary and authorized by the policies of the Cooperative. Use of the gasoline credit card for purchases of gasoline or other products and services for private vehicles shall be considered an abuse of the credit card privilege.

STANDARD INVOICE

The Cooperative uses a standard invoice system for the payment of utilities, payroll and insurance bills, travel reimbursement, contracts, subscriptions, and other instances where a vendor invoice is unavailable. The standard invoice system require that a Standard Invoice/Check Request form be prepared for every payment not purchased using a Purchase Order.

To make a payment, it is necessary to complete a standard invoice giving the facts about the amount to be paid and showing proper budgetary coding of the expense. Standard invoices are to be approved by the Executive/Associate Director.

There will be no personal reimbursement for purchases other than monthly travel expenses. Any exceptions must have prior approval by the Accounting Specialist.

The payment of standard invoices will be in accordance with the Cooperative's regular cash disbursement procedures. The Accounting Specialist is responsible for designating which expenses will use the standard invoice for payments and which special situations warrant the use of the standard invoice versus Purchase Order.

CASH DISBURSEMENTS

The Accounting Specialist is responsible for the preparation of checks for payment of all invoices and related payables for goods and services. The process of check preparation, which is primarily computer generated, involves the records of expenses to the various programs operated by the Cooperative. The following procedures shall be followed:

- A. Vendor invoices, utility bills, telephone bills, contracts, leases, etc., along with completed purchase orders, should be forwarded to the Accounting Specialist. The Accounting Specialist will pay bills as follows:
 - 1. Utilities, telephone, payroll withholding etc. will be prepared using a Standard Invoice/Check Request form and will process for payment on the next payables run (check preparation).
 - 2. Vendor invoices etc., travel, and standard invoices submitted and received by the Accounting Specialist on or before the last working day of the month will be paid on the day of the monthly board meeting (4th Wednesday of the month), generally within thirty (30) days.
 - 3. Leases, etc. which are paid monthly will be prepared for payment as provided by the lease terms.
- B. The Accounting Specialist will verify that all bills are properly supported by documentation, properly approved and properly coded by the Program Directors or designated persons. Bills not properly supported in accordance with the above will be sent back to the Program Directors. Bills properly supported will be entered into the computer for payment.
- C. The Accounting Specialist will enter bills into the computer from appropriate documents.

Computer checks are generally written once a month on the fourth Wednesday of each month. Checks are printed by the computer and this process involves the posting of the expenses to the various programs and accounts. Consequently, various edits will be performed prior to the printing of the checks and the posting of the expenses. The Cooperative authorizes the Accounting Specialist to issue checks on the depository bank for all legal claims under the following conditions:

- A. Following approval of the Orders of Treasurer (check register) by the Board at a regular or special meeting of the Board.
- B. Checks will also be released between meetings of the Board for:
 - 1. Payroll and payroll related expenses;
 - 2. Payment to take advantage of discounts;

3. Payment to avoid penalties or disruption of services; and
 4. Partial payments to contractors on construction contracts previously approved by the Board.
- C. The Board shall give subsequent approval for all disbursements made between Board meetings in accordance with this policy.

Check Signing - The following procedures apply to all check signing:

- A. Check Signers for both Accounts Payable and Payroll checks will consist of:
1. The Executive/Associate Director and the Accounting Specialist.
 2. Check numbers of all signed checks are recorded sequentially in a log controlled by the Accounting Specialist.
- B. Signing blank checks is forbidden.
- C. Blank check stock will be locked in the Bookkeeping Office to prevent unauthorized use.
- D. Custody of checks after signature and before mailing will be controlled by the Accounting Specialist, who will supervise the mailing.
- E. The vendor's invoice, purchase order and check request are filed in vendor number order in the regular paid invoice file.

PAYROLL

The Cooperative's "Personnel Handbook" contains the procedures and authority for all employee actions. These policies provide that the Executive Director is the authorized person for executing and signing personnel actions. The following procedures apply to all personnel actions:

- A. The Human Resources Coordinator (HR) is responsible for conducting new employee orientation. As part of the orientation, the HR Coordinator obtains the following which are kept in the employee's personnel file:
1. W-4
 2. K-4
 3. Employment Eligibility Verification (1-9)
 4. Health Insurance Application
 5. Elective Benefits Form
 6. Drug Free Form
 7. Criminal Records Check Release
 8. A letter from the Cabinet for Health and Family Services (Cabinet) documenting that the individual does not have an administrative finding of the child abuse or neglect in

records maintained by the Cabinet.

9. KVEC Policy Manual Acknowledgement Form

- B. For new employees, an employment contract is completed and signed by the Executive Director. It is then forwarded to Human Resources/Accounting. The following will be done:
 - 1. The HR Coordinator will prepare an Employee Personnel File with the necessary paperwork for orientation.
 - 2. The HR Coordinator will file the original and one copy of the employment contract in the employee's personnel file.
- C. The Accounting Specialist will use information contained in the employee's personnel file to set-up employee information in the computer payroll system. Data entry of new employees and payroll changes to existing employees are calculated and checked by the Executive/Associate Director for accuracy. Once the data is entered, the HR Coordinator will maintain the original employment contract alphabetically in a contract book in the HR Coordinator's office. The employee's personnel file will be filed alphabetically.
- D. Program Directors will arrange for a new employee orientation training by the HR Coordinator.

The following personnel actions will be handled in the same manner:

- A. Payroll Status Change
- B. Transfer/Promotion
- C. Separation/Suspension/Leave of Absence

The Cooperative's employees will be paid on a semi-monthly basis. Payroll checks and direct deposits are issued on the 1st and 15th day of each month. If payday occurs on a weekend, then the payroll checks are issued the Monday after. If it occurs on a holiday the payroll checks are issued the day after. The following shall apply to the Cooperative's payroll procedures:

- A. Time sheets - time and attendance reports, showing hours worked, signed by the supervisor and properly dated, are required to be completed by all the Cooperative's non-exempt employees. The following procedures apply to time sheets:
 - 1. The Program Director or Supervisor is responsible for the correctness of the time sheets of his/her staff. Accordingly, time sheets are reviewed by the Program Director or Supervisor, and each time sheet signed and dated indicating that the review has been performed.
 - 2. Designated program staff shall receive employee time sheets no later than 6

workdays prior to pay date.

3. The Program Directors are responsible for assuring that time sheets are submitted in a timely manner by their staff. A check-off procedure should be used to expedite this process, and the completed check-off sheet, with the original time sheets attached, should be maintained.
 4. Designated program staff members will compare time sheets with the check-off lists to determine whether any time sheets are missing. In addition, time sheets will be reviewed to determine if they are properly prepared, reviewed, and that hours appear to be accurate.
- B. Payroll Checks and Register - During the processing of payroll checks, direct deposits and the various payroll registers, edits will be made prior to running payroll to assure that no errors have been made. KVEC utilizes a payroll service provider with direct deposit being the primary source of payment. The procedures for payroll checks and direct deposits are as follows:

Direct deposit procedures:

1. A direct deposit file is created and transmitted electronically to the bank representative/payroll processing service at least three (3) days prior to the pay date for deposit into the employees' accounts on payday.
2. A printout of the above transaction is forwarded to the Executive/Associate Director for approval by signature.
3. The Accounting Specialist mails non-negotiable direct deposit checks/statements to field staff one day prior to payday. The Accounting Specialist will distribute KVEC office non-negotiable direct deposit checks/statements on payday.

Printed check procedures:

1. Payroll checks are printed and prenumbered, blank stocks are controlled, and used in numerical sequence. Payroll check stubs contain details of gross pay and deductions.
2. Secondary check stubs are detached from checks and non-negotiable direct deposit checks and attached to time sheets, where applicable. Time sheet hours and hours recorded on the stubs are compared for accuracy. These time sheets and stubs are maintained by pay date in a secure filing system by the accounting specialist.
3. The payroll checks are signed by the Executive/Associate Director and one other authorized KVEC signatory.
4. The Accounting Specialist will mail checks to field staff one day prior to payday. The Accounting Specialist will distribute KVEC office checks on payday.

INDIRECT COST

The following procedures will be followed relative to indirect costs as applicable.

- A. Indirect Cost Proposal - Within six (6) months after the close of the fiscal year, the Cooperative shall submit a new Indirect Cost Proposal covering the new fiscal year to the cognizant federal agency. The following procedures will be followed:
 - 1. Audited financial statements will be used to prepare the Indirect Cost Proposal.
 - 2. The Executive/Associate Director is responsible for the preparation of the Indirect Cost Proposal. As part of this process, the Accounting Specialist will provide assistance.
 - 3. The Executive/Associate Director will approve the Indirect Cost Proposal and sign the certification related to lobbying activities. The Executive/Associate Director is the authorized person to negotiate an indirect cost rate with the cognizant federal agency.
- B. Indirect Costs - The Indirect Cost Rate Agreement identifies the salaries and expenses that are to be treated as indirect cost. These expenses (administrative costs) will be accounted for in a separate fund. In lieu of charging administrative cost direct to the various programs, the following procedures will be followed:
 - 1. Monthly, the Accounting Specialist will charge the various programs through the process of multiplying the indirect cost rate by the allowable direct cost (Direct Salaries and Wages).
 - 2. The Accounting Specialist shall:
 - a) Follow the additional procedures required by programs sponsored by federally funded programs.
 - b) Monitor the administrative requirements to assure that administrative costs do not exceed the negotiated allowable rate.
 - c) Monitor the budget to assure that funds are available for payment of the administrative costs.

CONSULTANT AND CONTRACT SERVICE

The Cooperative shall use formal contracts for all projects involving professional or technical services. The Executive/Associate Director must approve all professional and technical services.

- A. Selection - Note: By law, a worker may be determined to be an employee even if he has willingly entered into a contract to work as an independent contractor. To be considered a contract employee, the individual must provide a service outside the normal realm of responsibility and the individual is not under direct control of the employer. Therefore, the following must be considered before contracting for

professional or technical service:

1. Can in-house staff from any program provide the service?
 2. Will this be a consultant position or a KVEC employee? To make this determination, the following must be answered:
 - a) Is the individual in business for himself and offers services to the public?
 - b) Is the service provided in the normal line of KVEC business for the client for whom the service is provided?
 - c) Does the individual possess a special skill or ability?
 - d) Are the services being provided for a limited time (a single job)? Is the individual being paid by the job rather than by the hour?
 3. Is the cost provided for in the program budget, and if applicable, is it an allowable program expense?
 4. The qualifications of the consultant and the reasonableness of the fee.
- B. Payment - Consultant services will be paid following cash disbursements guidelines and as specified in the contract.
- C. Requirements of Contractors Doing Business with the Cooperative
1. Any contract between KVEC and a business or individual that calls for supplying KVEC with goods or services shall be governed in all respects as to validity, construction, capacity, performance, or otherwise by the laws of the Commonwealth of Kentucky.
 2. All contractors providing goods or services to KVEC will assure KVEC that they are conforming to the provisions of the Civil Rights Act of 1964 as amended; and the Copeland Act (18 U.S.C. 784 as supplemented in the Department of Labor regulation (29 CFR part 3).
 3. Contractors shall comply with all applicable federal, state, and local laws, regulations, and ordinances pertaining to wages, hours, and conditions of employment. Included in this provision is the compliance of contractors with the Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et. Seq. and all applicable sections of the act of the Department of Labor's supplemental regulations (29 CFR parts 5 and 1926).
 4. In connection with the contractor's performance of work under any bid award offered by KVEC, the contractor(s) shall agree not to discriminate against any employee(s) or applicant(s) for employment because of race, religion, color, national origin, sex, sexual

orientation, gender identity, age, or disability.

5. Finally, contractors holding contracts from KVEC in excess of \$100,000.00 shall comply with all applicable standards, orders, or requirements issued under Section 306 of the Clean Air Act (42 U.S.C.) 187 [h], and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251 et. Seq.); and, Executive Order 11738 and Environmental Protection Agency (EPA) regulations (40 CFR Part 15), which prohibits the use of non-exempt federal contracts, grants, or loans of facilities included in the EPA list of violated facilities.
6. Contracts with KVEC shall include the provision granting KVEC employees the right to access to the contractor's records.

TRAVEL

- A. Authorization: Official travel shall be authorized in advance. The responsibility for approving travel shall be that of the Executive/Associate Director. *Blanket Authorization: Established field travel in the Cooperative area may be covered by blanket authorization for definite periods of time as prescribed by the Executive/Associate Director.*
- B. Use of Automobiles: Automobile transportation shall be used when common carrier transportation cannot be satisfactorily scheduled. Employees traveling in private automobiles shall be reimbursed at the rate for State employees and approved by the Commonwealth of Kentucky. If two or more employees travel together, mileage reimbursement will be made to only one employee. Car-pooling should be used whenever possible.
 1. Mileage for commuting between home and workstation shall not be paid.
 2. If an employee's point of origin for travel is the employee's residence, mileage shall be paid for the shorter of mileage between: (a) Residence and travel destination: or (b) Office Workstation and travel destination.
 3. Employees who work at more than one workstation in a day will be reimbursed for mileage from one workstation to the other. However, mileage from their home and their first workstation as well as mileage from their last workstation to their home is not reimbursable.
- C. Lodging: An employee shall be reimbursed for the actual cost of lodging if the lodging is determined to be the most economical and the employee provides the establishment's receipt to be reimbursed for travel expenses. Reimbursement for lodging shall not exceed the cost of a single room rate, except that if employees share lodging, each employee shall be reimbursed the lesser of the single rate or one-half the double rate.
- D. Subsistence: Subsistence shall be reimbursed at a rate matching the rate for state employees and approved by the Commonwealth of Kentucky with the exception that non-high-rate areas will be

defined as in-state and high-rate areas will be defined as out-of-state. Current rates may be found here:

<https://finance.ky.gov/office-of-the-controller/office-of-statewide-accounting-services/Pages/state-employee-travel.aspx>

An employee shall be eligible for reimbursement for subsistence for breakfast, lunch or dinner expenses while traveling if the authorized work requires an overnight absence during the hours established below.

Breakfast: authorized travel before 6:30 a.m.

Lunch: authorized travel before 11:00 a.m.

Dinner: authorized travel before 5:00 p.m.

For example, to be eligible for breakfast reimbursement, an employee shall leave at or before 6:30 a.m. and stay overnight. If that employee arrived back at their point of origin before 5 p.m. following the overnight absence – that employee would be eligible for reimbursement for the following meals: Day One – breakfast, lunch, and dinner. Day Two – breakfast and lunch.

Daily subsistence reimbursement amounts may be combined but will not exceed the maximum approved daily rate. In addition to the daily subsistence reimbursement amount, tips will be reimbursed as outlined below.

- E. Tips, etc.: Tips should not exceed 15% of the daily subsistence reimbursement amount, but may exceed 15% when charged as an automatic gratuity/service charge. Regulations imposed by funding agents will be honored.
- F. Ticket: A copy of the traveler's ticket(s) obtained for travel (air, train, bus, etc.,) shall be submitted with the monthly travel expense voucher.
- G. Taxis: Limousine service and taxi fares necessary for the transport of travelers will be paid according to actual cost, excluding tips. A receipt for this expense is required, and each fare must be listed separately on the expense account.
- H. Monthly Travel Expense Requests/Reimbursement: Expenses will be recorded on the Travel Expense Voucher form, supported by receipts, and submitted by the fifth (5th) day of the month. The supervisor will check for accuracy of computation and allowable expenses and forward to the Executive/Associate Director for approval before payment is made.

CONTRIBUTIONS AND DONATIONS

The Cooperative will accept all contributions or donations, which can be used effectively in the operation of the Cooperative or its programs. These contributions or donations may be in cash or in-kind.

- A. Cash Donations - The Executive/Associate Director and Program Directors are authorized to accept cash donations on behalf of the Cooperative or its programs. The following

procedures shall be followed for all cash donations:

1. Cash donations designated for a specific purpose or program will be recorded clearly identifying its restrictions and purpose.
 2. Cash donations, which are unrestricted, will be deposited in the Cooperative's unrestricted fund.
 3. All cash donations will be forwarded to the Accounting Specialist for deposit and recording in accordance with the Cooperatives cash receipts procedures.
- B. In-Kind Contributions - In-Kind contributions usually fall into the following categories: (a) Services; (b) Supplies; (c) Loaned equipment or space; or (d) Equipment, building or land. The following procedures shall be followed for all in-kind donations.
1. Program Directors are responsible for collecting, recording, and summarizing in-kind contributions for their respective programs.
 2. An in-kind contribution voucher will be prepared by the Program Director or designated person, and the voucher will be signed by the donor. The voucher will also be signed by the Program Director or employee, signifying approval.
 3. Valuation of in-kind donation will be as follows:
 - a) Volunteer services will be based on rates consistent with that paid for similar work plus a reasonable amount for fringe benefits.
 - b) Supplies and materials will be valued based on market value at date of donation.
 4. Should the Granting Agency/Entity require the market value or fair rental rate to be established by a certified real property appraiser, the Program Director should arrange and obtain such appraisals and retain copies for at least five (5) years.

NON-FEDERAL SHARE OR MATCHING

The Cooperative has Federally- sponsored programs which require cost sharing and matching. In general, cost sharing and matching represent that portion of project or program costs not borne by the Federal Government. Cost sharing or matching may consist of:

- A. Charges incurred by the Cooperative as project costs.
- B. Project costs financed with cash contributed or donated to the Cooperative by other non-federal public agencies and institutions, private organizations, or individuals.
- C. Project costs represented by services and real and personal property, our use thereof,

donated by other non-federal public agencies and institutions, private organizations, or individuals.

All contributions, both cash and in-kind, shall be accepted as part of the Cooperative cost sharing and matching when such contributions meet all of the following criteria:

- A. Are verifiable by the Cooperative's records.
- B. Are not included as contributions for any other federally assisted program.
- C. Are necessary and reasonable for proper and efficient accomplishment of project objectives.
- D. Are types of charges that would be allowable under the applicable cost principles?
- E. Are not paid by the Federal Government under another assistance Agreement (unless the Agreement is authorized by Federal law to be used for cost sharing or matching.)
- F. Are provided for in approved budget when required by the federal agency.
- G. Are not provided by Cooperative's employees.

In-kind services will be valued in accordance with procedures on contribution and donations. In addition, the accounting for cost sharing and matching will be in accordance with procedures on contributions and donations.

Program Directors are responsible for cost sharing and matching requirements for their respective programs. Accordingly, cost sharing and matching requirements will be reviewed by Program Directors during the budgeting process, and also as part of their review of cost reports.

The Accounting Specialist will review cost sharing and matching as part of the budgeting, reporting, and closeout process for the Cooperative's programs.

FEDERAL GRANT - RELATED INCOME

Grant-related income refers to: (1) interest and other investment income earned on grant funds, and (2) program income.

Except where exempted by Federal law, the Cooperative shall remit to the Federal sponsoring agency any interest or other investment income earned on grant funds. The following procedures shall apply to interest and investment income.

- A. The Accounting Specialist in consultation with the Program Director will develop a chart of accounts that will provide for separate accounts for recording interest and investment income earned.
- B. Unless the Cooperative has received other remittance instructions from the sponsoring

federal agency, the Accounting Specialist through the Cooperative's disbursement procedures, shall remit the amount due by check to the sponsoring Federal Agency.

Program income generally means gross income earned by the Cooperative from activities, part or all of the cost of which is either borne as a direct cost by a grant or counted as a direct cost towards meeting a cost-sharing or matching requirement of a grant.

A. Examples of Program Income

- Fees for services provided
- Sales of products/commodities/assets
- Usage of rental fees for space and equipment
- Copyright or patent royalties
- Publication sales
- License fees or permits

B. Program income will be retained by the Cooperative unless the granting agency/grantor requires alternate procedures. Program income will be used for allowable costs of the program and/or current costs unless the granting agency/grantor has authorized deferral to a later period. If there is a cost-sharing or matching requirement, costs borne by the program income may not count toward satisfying that requirement or as otherwise allowed by the granting agency/grantor.

The following procedures shall be used by the cooperative when program income is generated by a federally sponsored project or program.

- A. The Program Director is responsible for anticipating program income, and for negotiation with responsible Federal officials during the funding or refunding stage of the grant a method for the use of program income, which would benefit both the project and the Cooperative.
- B. The Accounting Specialist in consultation with the Program Director will develop a chart of accounts, which will provide for separate accounts for recording program income on the grant program.
- C. Program income will be reported on the SF-272 in accordance with the SF-272 specific instructions by the Accounting Specialist.

TAXES

Income Taxes - The Cooperative is exempt from income taxes under Section 115 of the Internal Revenue Code of 1986. However, the Cooperative may be subject to income tax if it has income from operation of a business enterprise not related to the purpose for which it received its exemption. KVEC utilizes a payroll service provider that withholds applicable taxes.

Sales and Use Taxes - The Cooperative is exempt from Kentucky Sales and Use Tax on property

used for its exempt purpose.

State and County Property Taxes - The Cooperative is exempt from tangible and intangible property taxes on property used for its exempt purpose.

Federal Unemployment Taxes - The Cooperative is exempt from federal unemployment taxes as a result of it being exempt under Internal Revenue Code of 1986 Section 115.

The Cooperative is responsible for the following federal and state taxes:

Federal Withholding Tax-The Cooperative will withhold federal income taxes from employees wages based on Form W-4 (Withholding Allowance Certificate) and applicable withholding tables. Taxes withheld will be deposited in an authorized institution or Federal Reserve Bank within three (3) days after they have been withheld.

Social Security and Medicare Taxes -The Cooperative will withhold Social Security and Medicare taxes from employee wages based on applicable rates prescribed by the Internal Revenue Service. Social Security and Medicare taxes withheld will be matched by the Cooperative and deposited in an authorized institution or Federal Reserve Bank within three (3) days after they were withheld.

State Income Taxes -The Cooperative will withhold state income taxes from employees wages based on withholding allowance certificates and applicable withholding tables. Taxes withheld will be remitted to the states based on their requirements.

Local Income Taxes - The Cooperative will withhold local income taxes from employees wages based on withholding allowance certificates and applicable withholding tables. Taxes withheld will be remitted to the local governments based on their requirements.

State Unemployment Taxes - The Cooperative is responsible for unemployment taxes, which are based on employee earnings multiplied by an assigned rate. Unemployment taxes will be paid quarterly to the appropriate state unemployment commission.

The Accounting Specialist is responsible for preparing all payroll tax reports for the Cooperative. The Accounting Specialist is also responsible for preparing all checks for payment of payroll taxes.

The Accounting Specialist will review all payroll tax reports. The Executive/Associate Director will review and sign payroll reports for approval.

TELEPHONE

The Cooperative's telephones have been installed based on need and for the benefit of its programs. Each telephone is assigned to a particular program and should be used only to conduct business related to that program, except as set out below. Program Directors are responsible for their telephones and should annually review their needs. The following procedures relate to Cooperative's telephones:

- A. Collect calls are prohibited except for calls from known staff members.
- B. Personal Calls - Because personal calls may tie up the lines and delay important business matters, personal calls should be limited to cases of real need or emergency.
- C. Long Distance - The following procedures should be followed for all long distance calls:
 - 1. Do not make person-to-person calls without specific approval from the Executive/Associate Director or a Program Director.
 - 2. Direct distance dialing should be used and operator-assisted calls should be avoided.
 - 3. Keep telephone calls to necessary minimum.
- D. Telephone Bills -The following procedures will be used for monthly telephone bills:
 - 1. Questionable telephone calls and charges will be routed to the respective program directors for their review.
 - a) Charges which appear to be in error or incorrect should be resolved with the telephone company. Any unresolved discrepancy should be reported to the Executive/Associate Director.
 - b) Bills, which have been approved for payment and properly coded, will be routed to the Accounting Specialist for payment.
 - 2. Telephone bills will be paid in accordance with the Cooperative's disbursements procedures.
- F. Any additional features such as *69 and call return should not be used.

BONDING AND INSURANCE

The Cooperative will maintain adequate insurance to attempt to protect itself against possible claims or damages resulting from fire and theft, property damage, personal injury, and liability.

- A. Insurance Policies - The Accounting Specialist will maintain an insurance file, which contains all of the insurance policies maintained by the Cooperative.
- B. Adequacy of Insurance -Annually the Executive/Associate Director and Accounting Specialist will review the adequacy of coverage before renewal.
- C. Types of Insurance - The Cooperative will maintain insurance coverage in the following general areas, subject to budgetary limitations and other considerations:
 - 1. Fire and Theft- The Cooperative will provide fire and theft coverage for all property and equipment at all locations.

2. General Liability -The Cooperative will provide commercial general liability insurance and excess liability coverage to protect against personal injury and property damage.
 3. Errors and Omissions -The Cooperative will provide errors and omissions insurance to provide for all losses due to a wrongful act.
 4. Automobile Liability -The Cooperative will provide insurance protection for all of its owned automobiles to include the following coverage: (a) comprehensive; (b) collision; (c) liability; (d) medical and bodily injury; and (e) uninsured motorist.
 5. Fidelity Bond -The Cooperative may choose to maintain a fidelity bond to protect against employee dishonesty.
 6. Workers' Compensation - Workers' Compensation insurance will be provided to all employees in the amount of statutory limits.
- D. Private Insurance - In addition to the insurance carried by the Cooperative, every employee who uses his or her personal car for any purpose related to his or her position with the Cooperative must have liability insurance coverage as required by Kentucky Statue.

PETTY CASH

KVEC will not utilize a petty cash fund nor keep cash on hand.

LOANS

Restricted funds such as federal, state, or private grants, endowments, and donor-restricted funds cannot be used for purposes other than the purpose for which they were designated. Consequently, restricted funds cannot be loaned to other programs within the Cooperative. It is the combined responsibility of the Executive/Associate Director, Accounting Specialist, and Program Directors to monitor restricted funds to assure that violations do not occur.

Unrestricted funds represent resources over which the Board of Directors has discretionary control and are used to carry out operations of KVEC in accordance with its bylaws.

RETENTION AND ACCESS REQUIREMENTS FOR RECORDS

Each program or department is responsible for his or her own records and files. The following applies to all financial and programmatic records, supporting documents, statistical records and other records, which are:

- A. Required to be maintained by the terms of a grant or contract.

- B. Required to be maintained by the Internal Revenue Code or other Federal law.
- C. Required to be maintained by laws of the Commonwealth of Kentucky.

The following retention periods will be used by the Cooperative:

- A. Records shall be retained five (5) years from the date the Cooperative's fiscal year ends which is on the last day of June, except as follows:
 - 1. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 5-year period, the records shall be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 5-year period, whichever is later.
 - 2. If a grantor retention period is for longer than a 5-year retention period, the records that pertain to that grant will be retained for the longer period.
 - 3. The retention period for equipment records, where the equipment was purchased in whole or in part with Federal funds, will be three (3) years and the retention period will begin on the date of the equipment's disposition, replacement or transfer at the direction of the awarding party.
 - 4. The retention period for income transactions on Federally sponsored programs will be three (3) years and will begin at the end of the Cooperative's fiscal year in which the income was applied to reduce the allowable cost to the program.
 - 5. Indirect cost rate proposal retention period is three (3) years and will begin on the date of such submission.

Copies made by microfilming, photocopying, or similar methods may be substituted for the original records in keeping with rules of the Kentucky Department for Libraries and Archives.

Access to Cooperative records will be as follows:

- A. Access to records of any Federally sponsored programs will be as follows:
 - 1. The Federal sponsoring agency and the Comptroller General of the United States, or any other authorized representatives, shall have the right of access to any books, documents, papers or other records of the Cooperative which are pertinent to the sponsored program, in order to make an audit, examination, excerpts, and transcripts.
 - 2. Access will not be limited to the required retention period but shall last as long as the records are retained.
- B. Access by the Internal Revenue Service and the Commonwealth of Kentucky regulators will be in accordance with the applicable law.

- C. Access to all non-federal grants will be in accordance with contract or grant terms.
- D. Access by the general public in accordance with Chapter 65 and Chapter 424 of the Kentucky revised Statutes.

The Executive/Associate Director in coordination with the Accounting Specialist and the HR Coordinator will designate and coordinate the storage of all Cooperative records.

The Executive/Associate Director in coordination with the Accounting Specialist and, if appropriate, Program Director will direct and provide access to any Cooperative records.

COMMITTEES AND BOARD EXPENSES

The Cooperative By-Laws provide that the Directors of the Cooperative shall serve as such without compensation.

CLOSE-OUT OF GRANTS OR PROGRAMS

Each grant or program shall be closed out as promptly as is feasible after expiration or termination. In closing out grants or programs, the following procedures shall be observed:

- A. Request for payment should first be filed for any allowable reimbursable costs not covered by previous payments.
- B. The Cooperative will immediately refund or otherwise dispose of, in accordance with instructions from the grantor, any unobligated balance or cash advanced.
- C. The Cooperative will submit, within ninety (90) days of the date of the expiration or termination, all financial, performance, and other reports required by the terms of the grant.
- D. The Cooperative shall make a settlement for any upward or downward adjustment of the Federal share of costs, to the extent called for by the terms of the grant.

Close-out will require the combined effort of the Program Director, the Executive/Associate Director, and the Accounting Specialist. Reports should be prepared and approved in accordance with the Cooperative's financial reporting requirements.

BANK RECONCILIATIONS

The bank accounts of the Cooperative will be reconciled promptly after the end of each month. The following procedures will be used:

- A. The Accounting Specialist is the person designated to prepare all bank reconciliations.

- B. The Accounting Specialist receives all digital bank statements (with canceled checks, debit and credit advances, etc.).
- C. The Accounting Specialist's procedures for all bank accounts include the following with respect to disbursements:
 - 1. Accounting for the sequence of check numbers.
 - 2. Examination of canceled checks on a test basis for authorized signatures.
 - 3. Examination of canceled checks on a test basis for irregular endorsements.
 - 4. Examination of canceled checks on a test basis for alterations.
 - 5. Comparison of canceled checks with the check register (payable checks and payroll checks) as to number, date, payee, and amount.
- D. The Executive/Associate Director reviews and signs completed bank reconciliations and returns them to the Accounting Specialist to maintain in a binder.

OCCUPANCY

The Cooperative's procedures for occupancy costs are as follows:

- A. If the Cooperative rents facilities used for a program, documentation will be obtained to show that charges are reasonable.
- B. If the Cooperative is using occupancy costs as Non-Federal share, values will be calculated as follows:
 - 1. If the Cooperative does not own the building and rental costs are being donated, documentation will be obtained to show that charges are reasonable.
- C. All contracts or agreements will be legally sound and will be in the best interest of the Cooperative.
- D. If building/area renovations are included under the grant, such renovation will qualify as renovation and not construction and will be charged in accordance with those cost principles and if appropriate, regulatory guidance.

Attachments

Kentucky Valley Educational Cooperative, Inc.

Phone: (606) 436-3161

Fax: (606) 439-1322



Purchase Order Number

Vendor _____


Vendor Address _____

Vendor Phone _____ Vendor Fax _____

Department _____

Budget Code	Amount

Shipped To

 **Kentucky Valley Educational Cooperative, Inc.**
412 Roy Campbell Dr.
Hazard, KY 41701

☐ Other Address: _____

[illegible]

Total:	
---------------	--

Purpose

--

Vendor's Certification

I hereby certify that the above is a correct statement of amount due from the above named cooperative for articles furnished or services rendered as itemized.

Signed _____

Person Making Request _____

Date _____

Program Director _____

Date _____

Associate or Executive Director _____

Date _____

--	--	--

Check Number

Amount Paid

Date Paid

White - Finance Office

Yellow - Program Director

Pink - Vendor

Press Firmly To Insure Proper Signatures On All Copies.

PURCHASE ORDER CREDIT / DEBIT

Kentucky Valley Educational Cooperative, Inc.

Phone: (606) 436-3161

Fax: (606) 439-1322



Purchase Order Number

Vendor _____

Department _____

Vendor Address _____

Budget Code	Amount

Vendor Phone _____ Vendor Fax _____

Last 4 Digits of Card _____

Shipped To

☐

Kentucky Valley Educational Cooperative, Inc.

412 Roy Campbell Dr.

Hazard, KY 41701

☐

Other Address: _____

Quantity	Item No.	Description	Unit Price	Subtotal
			Total:	

Purpose

Vendor's Certification

I hereby certify that the above is a correct statement of amount due from the above named cooperative for articles furnished or services rendered as itemized.

Signed _____

Person Making Request _____

Date _____

Program Director _____

Date _____

Associate or Executive Director _____

Date _____

--	--	--

Check Number

Amount Paid

Date Paid

Green - Finance Office

Yellow - Program Director

Pink - Vendor

Press Firmly To Insure Proper Signatures On All Copies.

STANDARD INVOICE



**KENTUCKY VALLEY
EDUCATIONAL COOPERATIVE, INC**
412 ROY CAMPBELL DRIVE
HAZARD, KENTUCKY 41701

Name of Vendor: _____ Date: _____

Address: _____

(All invoices must be promptly made out in required form and filed with the Cooperative be itemized and verified according to law. A properly prepared invoice shows exact kind of service, where, when and by whom performed, time and rate per day or hour and is signed by the vendor or authorized representative.)

Qty	Item No.	Item Description	Budget Code	Unit Price	Subtotal
Total					
Vendor Signature			Check Number		
Program Director Signature			Amount Paid		
Associate/Executive Director Approval Signature			Date Paid		

This invoice should be sent directly to the Kentucky Valley Educational Cooperative office for payment.

KENTUCKY VALLEY EDUCATIONAL COOPERATIVE

Travel Expense Voucher

Day		Work Days	Name: Name		Purpose	# Participants	# Miles	Month/Year: July 2023	Change	Parking	Toll	Breakfast	Lunch	Dinner	Tip	Room	Total	
1	Weekend								\$0.53								\$0.00	
2	Weekend								\$0.53								\$0.00	
3	0								\$0.53								\$0.00	
4	0								\$0.53								\$0.00	
5	0								\$0.53								\$0.00	
6	0								\$0.53								\$0.00	
7	0								\$0.53								\$0.00	
8	Weekend								\$0.53								\$0.00	
9	Weekend								\$0.53								\$0.00	
10	0								\$0.53								\$0.00	
11	0								\$0.53								\$0.00	
12	0								\$0.53								\$0.00	
13	0								\$0.53								\$0.00	
14	0								\$0.53								\$0.00	
15	Weekend								\$0.53								\$0.00	
16	Weekend								\$0.53								\$0.00	
17	0								\$0.53								\$0.00	
18	0								\$0.53								\$0.00	
19	0								\$0.53								\$0.00	
20	0								\$0.53								\$0.00	
21	0								\$0.53								\$0.00	
22	Weekend								\$0.53								\$0.00	
23	Weekend								\$0.53								\$0.00	
24	0								\$0.53								\$0.00	
25	0								\$0.53								\$0.00	
26	0								\$0.53								\$0.00	
27	0								\$0.53								\$0.00	
28	0								\$0.53								\$0.00	
29	Weekend								\$0.53								\$0.00	
30	Weekend								\$0.53								\$0.00	
31	0								\$0.53								\$0.00	
Home Address: --																		Grand Total: \$0.00

Contract: 0 Days		Vendor's Certification		Vendors Leave Blank:	
Days Worked:	0	I hereby certify that the work hours were provided at or for each listed location and that these hours are not being submitted for payment from any other agency or program.		Check Number _____	
Holidays used:	0	I hereby certify that the above is the correct amount due from the Kentucky Valley Educational Cooperative for services rendered as itemized.		Amount Paid _____	
Sick days used:	0	Signed _____		Date Paid _____	
Personal used:	0	Approved for Payment _____ (Assoc.) Director			
NC used:	0	Supervisor _____			
Worked to Date:	0	*Please have signed by the 5th day of the following month.			

Summary of CORE Financial Services

CORE Financial Services are provided to each KVEC Project and designed to insure transparency, accuracy, timeliness, and responsiveness to project needs.

Payroll

- Maintain Payroll arrangement with ADP
- Maintain records necessary for Direct Deposit Process
- Payroll Deduction Confirmations (Payroll by ADP)
 - FICA
 - Unemployment
 - Medicare
 - Insurance
 - 401 K Accounts
 - o Cafeteria Plan
 - o Modem Woodmen

Credit Union Contributions and Loan amounts (not paid by ADP)

Employee and Organizational Insurance

- Health Insurance - ADP
- Life Insurance - ADP
- Flex Account -ADP
- Kentucky Health Insurance Remittance File - KVEC
- Unemployment Insurance - KVEC
- General Liability Insurance - KVEC

Taxes

- 941 payroll Tax -ADP
- Kentucky State employment tax - ADP
- City/Local Tax - ADP

Vendor Checks/Bills

- Receive Purchase Orders and Standard Invoices from Project Directors
 - o By 2nd Friday of each Month
- Generate checks based on accurate P.O.'s and S.I.'s
- Maintain up to date and accurate records including all necessary documentation

Reimbursement Requests

- In conjunction with each Project develop a regular timetable for the submission of Reimbursement requests.

Travel Reimbursement

- Employees will submit Travel Reimbursement Forms to their Project Director

Project Director's will review forms, authorize by signature, and present to Accounting Specialist by the 5th of each month.

Travel Reimbursement Checks will be available after Board Approval

Monthly Board Reports

KVEC Board Financial Reports will be generated and presented to the Executive Director by noon on the Friday prior to KVEC's Monthly Board Meeting (The 4th Wednesday of each month).