

Early Learning Coalition of Florida's Heartland, Inc.

Attachment 1.1.2

Subject: Compliance and Reporting for Internal Controls	Policy/Procedure # FM-2
Page: 1 of 6	Adoption Date: 8.22.07 Revision Date: 04.02.08
Approved by: ELCFH Board	Title: Andrew Bible, Chair
Distribution: Upper Administrative staff; Finance staff	Authority References: Executive Director, Associate Director: Finance

The Early Learning Coalition of Florida's Heartland, Inc. shall ensure that funds provided should be expended for School Readiness and Voluntary Pre-kindergarten programs and services as prescribed in the Coalition's approved Plan. The Coalition will comply with all applicable state and federal laws, rules, regulations and restrictions in the expenditure of the funds in the delivery of School Readiness and VPK program services to eligible children and families as provided by section 411.01, 1002.71, Florida Statutes, and as described in the approved Coalition plan.

Fiscal Year

The Coalition's fiscal year will be the first day of July to the last day of June.

Definitions

Control Environment: The attitude toward internal control and control consciousness established and maintained by the management and employees of an organization. It is product of management's governance, that is, its philosophy, style and supportive attitude, as well as the competence, ethical values, integrity and morale of the people of the organization.

Internal Control: The integration of the activities, plan, attitudes, policies, and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its objectives and mission. The strength of the system of internal control is dependent on people's attitude toward internal control and their attention to it. Executive Management needs to set the organization's "tone at the top", regarding internal control. Management must set strong, clearly stated support for internal control and the organization will most likely practice good internal control.

Purpose

Coalition management shall establish and maintain a cost effective system of accounting and administrative internal controls to provide the following reasonable assurances that:

1. All obligations and costs are in compliance with terms contained in grant agreements and applicable law;
2. All funds, property and other assets are safeguarded against waste, loss or unauthorized use;
3. All revenue and expenditures applicable to the Coalition operations are properly recorded and

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accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over the assets, and ;

4. All program and administrative activities are managed efficiently to fulfill the mission of the Coalition.

The establishment and maintenance of the Coalition's internal control system shall be executed in accordance with the Board's direction, the requirements of the Agency for Workforce Innovation, and guidelines set forth in applicable state and federal regulations.

Financial Management

The Board of Directors of the Coalition is responsible for the financial resources of the Coalition and their management. The Coalition's Finance Committee is responsible for the development of the Coalition's annual budget, monitoring of the budget and recommending budget and financial policy solutions to the Coalition.

The Coalition shall:

- Ensure compliance with laws, regulations, and other compliance requirements of the grant and contract agreements.
- Ensure that all transactions are properly recorded and accounted for.
- Ensure the preparation of reliable financial statements and Federal and State reports.
- Ensure that transactions are executed in compliance with laws, regulations, and the provisions of grant agreements.
- Ensure that all funds, property, and other assets are safeguarded against loss from unauthorized use and disposition.
- Provide direction for management and allocation of financial resources to achieve the highest possible level of School Readiness and Voluntary Pre-kindergarten for children in the ELCFH service area.
- Monitor and evaluate the financial activity to ensure the financial integrity of the Coalition.

Budget

An annual operating budget will be prepared by the Fiscal Officer and Executive Director and presented to the Coalition Board for approval at least 30 days prior to the beginning of the next fiscal year. The budget will reflect the cost of carrying out the programs and services of the Coalition for the next fiscal year, in accordance with the AWI/OEL guidelines. This budget will reflect the anticipated grant funds from the AWI/OEL for the purposes of achieving the Coalition's plan.

The budget will be viewed as the financial plan for the Coalition, and approval of the budget will be authority for the Executive Director to manage the Coalition's finances according to the ELC Plan without seeking further approval of the Committee. However, the Executive Director will keep the Coalition Board well informed of the ongoing status of the financial plan and will not make expenditures outside of the budget plan without seeking the Committee's consideration and the Coalition Board's approval to amend the budget. All financial transactions not included in the approved operating budget must be reviewed by the Finance Committee and approved by the Coalition Board.

Accounting

The Coalition's accounting records are maintained in accordance with generally accepted accounting principles and practices, on an accrual basis with the revenues being recorded when earned and expenditures being recorded when services or goods are received and liabilities incurred. All internal controls evaluate adequate safeguarding of assets and provide reasonable assurance of proper recording of financial records. The Coalition uses Quick Books Enterprise Solutions for Non-profits (2007 version) on the accrual method. This system maintains Coalition's Chart of Accounts, General Ledger, Accounts Payable, Budgets, Fixed Assets, and Account Receivable and produces financial reports. The Chart of Accounts is set up according to GAAP.

The accounting practices and procedures used by the Coalition will allow for adequate management of the Coalition's revenues and expenses, and will provide adequate monitoring systems by the Finance Committee as well as outside auditors.

The objective of the internal accounting controls for the manual and the computer system is to provide reasonable assurance that (1) assets are safeguarded from unauthorized use or disposition and (2) financial records are sufficiently reliable to permit the preparation of financial statements. Financial records are safeguarded by producing nightly, computer system backup tapes which are stored in an on-site safe. Monthly back-up tapes are stored off premises in a safe and rotated. Daily back-up tapes are taken off-site in the event of an elevated risk of disaster. There is segregation of duties throughout all fiscal procedures to safeguard the assets and provide reliable financial information.

Financial Reports

Reports reflecting the financial condition of the Coalition will be presented to the Finance Committee and the Coalition Board monthly:

Finance Committee reports will include:

- School Readiness Roll-up Report
- VPK Roll-up Report
- Utilization and Expenditure Summary
- Match Report
- Highlands Hospital Grant Report
- Fiscal Year to Date Utilization report
- Utilization Trends (graphs)
- Balance Sheet
- Cash Flows
- School Readiness Program Expenses
- OCA Report
- Expenditures by County
- HIPPY Expenditure Report

Coalition Board Reports will include:

- School Readiness Roll-up Report
- VPK Roll-up Report
- Utilization and Expenditure Summary
- Match Report
- Highlands Hospital Grant report
- Utilization report (showing prior two months only)

- Utilization Trends (graphs)
- Balance Sheet
- Cash Flows

Audits

The Federal Single Audit Act of 1984, the Federal Single Audit Act Amendments of 1996 and the Office of Management and Budget (OMB) require an independent financial and compliance audit annually. An annual audit plan must be submitted no later than August 15, to the AWI, Inspector's General Office.

An independent auditor, approved by the Coalition, will conduct an annual audit of the Coalition's finances. The audit must be completed and an audit report issued within nine months after the end of the audit period. The procedures used in procuring the audit firm shall follow the approved Coalition procurement policy and procedures.

The Coalition shall assure all records shall be subject at all reasonable times to inspection, review, copying, or audit by federal, state, or other personnel duly authorized by the AWI/OEL.

Signers on Bank Accounts

Authorized signatories for all bank accounts for the Coalition are the Executive Director, Associate Director- Human Resources and Facilities, and the Chair (and/ or Board designee). In accordance with the cash disbursement policy and procedure, check signers are to ensure cash disbursed is appropriate use of Coalition funds when validating payments. Coalition uses live signatures to endorse the checks.

It is the responsibility of the Executive Director to ensure that signatures can be gained from appropriate signatories so that payment can be made on time at no obligation to the Coalition.

It is the responsibility of the Finance Committee to ensure that adequate controls and safeguards have been established for proper purposes of disbursement of funds.

The Executive Director will be authorized to provide signature for checks up to \$5000 for expenditures allowable within the approved budget. Expenditures exceeding \$5000 that are not regularly occurring (such as lease or employee health insurance benefit payments) must have written approval from an ELCFH Board member. The Executive Director will be authorized to provide signature for checks up to \$20,000 for those expenditures that are regularly occurring and within the approved budget. Regularly occurring expenditures exceeding \$20,000 must have written approval from an ELCFH Board member.

Use of Corporate Credit Card

A Corporate credit card will be provided to the Executive Director, the Associate Director- Human Resources and Facilities, and the Area Associate Director- Highlands and Hardee Counties for the sole purpose of conducting official Coalition business.

No personal items and/or expenses are to be billed to the Coalition.

The Executive Director is charged with the responsibility to safeguard the credit card and ensure proper use.

Record Retention

Pursuant to Chapter 119, Florida Statutes and applicable OMB Circulars, the Coalition shall retain all client records, financial records, supporting documents, statistical records, and any other documents (including electronic storage media) pertinent to the School Readiness and VPK programs for a period of five years. All records are safeguarded by producing nightly, computer system backup tapes. If an audit has been initiated and audit findings have not been resolved at the end of five years, the records shall be retained until resolution of the audit findings or completion of litigation, whichever occurs last.

Insurance

The Coalition shall provide adequate liability insurance coverage on a comprehensive basis and shall hold such liability insurance at all times during the Coalition's existence, as required by law. The Coalition shall from time-to-time, determine what constitutes "adequate" coverage. The Coalition accepts full responsibility for securing insurance coverage as follows:

- General liability coverage
- Directors and Officers coverage
- Fidelity coverage for all personnel with access to managing Coalition funds.

Contracts

Contractors agree to comply with all applicable state and federal laws, rules, regulations and restrictions in the expenditure of the funds in the delivery of school readiness program services to eligible children and families as provided by section 411.01, Florida Statutes, and as described in the approved Coalition plan.

The Coalition shall take actions as may be necessary to ensure that each contractor of the Coalition will be deemed to be an independent contractor and will not be considered or permitted to be an agent, servant, joint venture, employee, or partner of the State of Florida. In accordance with section 287.133, Florida Statutes, the Coalition certifies that no contractor has been convicted of a "public entity crime."

The Coalition shall be responsible for all contractors' performance and expenditures incurred under the Plan in accordance with the AWI/OEL agreement.

Internal Controls

Each year, the Coalition will perform a self-assessment of the Internal Controls within the organization. The self assessment form will be provided by AWI beginning grant period 2007-08. The self assessment form will help document the achievement of primary control objectives as defined in OMB Circular A-133, section 105. These objectives pertain to the compliance requirements for federal programs. In addition, the Coalition will submit an annual internal control certification form that attests to the self-assessment, no later than September 30th of each year.

The Coalition has established the following to comply with the internal controls requirements:

1. All ledgers are posted timely
2. All financial reports are posted by the fifteenth (15th) day after the month ends
3. Accrual basis ledgers are maintained consisting of general ledgers; journals cash receipts, general journals, cash receipts, payroll journals, purchase journals, and cash disbursements.
4. Payroll data, sick time, personal leave, vacation and leave without pay is recorded by Associate Director of Finance & Client Services.
5. Expenditures are charged to proper accounts.

6. Taxes are paid in a timely manner through the payroll service.
7. Checks are prepared and issued with approval of Executive Director after receipt of bill and matching with purchase order.
8. A trial balance is extracted each month.
9. Required/Monthly & Quarterly reports are prepared.
10. Books are closed and accounts are balanced at the end of each month.
11. A monthly financial report which includes a year to date accounting is completed by the Associate Director of Finance & Client Services and submitted to the Executive Director, Finance Committee and the ELCFH Board.
12. Bank statements are reconciled on a monthly basis and canceled checks filed accordingly.
13. Required yearly reports are prepared.
14. Books and records are kept up-to-date and available for annual audit.
15. All funds received and disbursements made are allocated as to source of funds (i.e. School Readiness and VPK) and recorded in ledgers when received or disbursed.
16. Adequate records are maintained to ensure an effective system of control for accountability of funds and a detailed running inventory is maintained for all equipment purchase.
17. Executive Director, Finance Committee and Board receive a monthly report showing budget expended to date and balance in each line item category. At beginning of program year, areas of the program will be advised as to total budgeted amount and amount to be expended for program operation on a monthly basis.
18. Upon receipt of funds from AWI, all obligations are liquidated within thirty (30) days.
19. All required Federal and State payroll tax deposits are paid within three (3) working days of the payroll period.
20. All deposits are made the same day funds are received.
21. All invoices - checks are prepared and issued with approval of Executive Director and checks are signed by the Executive Director or designated signer.
22. All supplies and equipment are made on the purchase order (PO) system.
23. All requests to purchase supplies or equipment are entered into the Purchase Order (PO) system to determine availability of funds; then submitted to Executive Director with justification for expenditures and determination of needs. Purchase orders are generated within the software systems and are distributed:

- copy for vendor to process
- copy for Department Associate Director & copy to check against delivery