

State of West Virginia

Department of Commerce



Accounting & Financial Policies and Procedures Manual

This *Manual* governs all financial management activities by the Administrative Services Division (ASD) for the West Virginia Office of Community Advancement and Development (WVCAD), a division of the West Virginia Development Office (WVDO) and all programs administered by the WVCAD.

Effective Date(s) of Accounting Policies

The effective date of all accounting policies described in this manual is January 15, 2015. Updated November 2020.

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INTRODUCTION

The following fiscal manual is intended to provide an overview of the accounting policies and procedures for the West Virginia Office of Community Advancement and Development, which shall be referred to as “WVCAD” or “the Agency” throughout this manual and includes only Federal and Matching funds.

The WVCAD is an agency of the State of West Virginia, located within the WVDO. It is primarily a pass-through agency and re-grants and disburses federal, state, and private funds. WVCAD’s mission is:

***To provide resources and support for a community of partners
working to improve the lives of West Virginians.***

This manual shall document the financial operations of the Agency. Its primary purpose is to formalize accounting policies and selected procedures for all staff who have a role in accounting processes and to document internal controls.

If a particular grant or award has provisions that are more restrictive than those in this manual, the more restrictive provisions will be followed only for that grant or award.

The contents of this manual were approved as official policy of the Agency by the Director, ASD Director, and Chief Financial Officer. All WVCAD and ASD staff members are bound by the policies herein, and any deviation from established policy is prohibited.

wvOASIS (Our Advanced Solution with Integrated Systems) is the state’s accounting and bill paying system and all financial transactions (invoice payments, deposit of funds, fund transfers, etc.) are processed through it. The interface between the Auditor’s and Treasurer’s offices provides nearly a “real time” information on the status of transactions.

GENERAL POLICIES

Organizational Structure

As a state Agency, WVCAD is bound by the financial and administrative policies of the State of West Virginia, including but not limited to the policies of the Auditor's Office, the Department of Administration, the Treasurer's Office, the Purchasing Division, and the West Virginia Legislature. As an agency within the Department of Commerce, WVCAD must also comply with any directives from the Governor.

The Roles of the ASD, the WVCAD Director and Staff

The Department of Commerce hires the ASD Director, who reports directly to the Commerce Secretary. The WVCAD Director, along with the Department of Commerce, is responsible for hiring and evaluating staff for each of the Agency's programs.

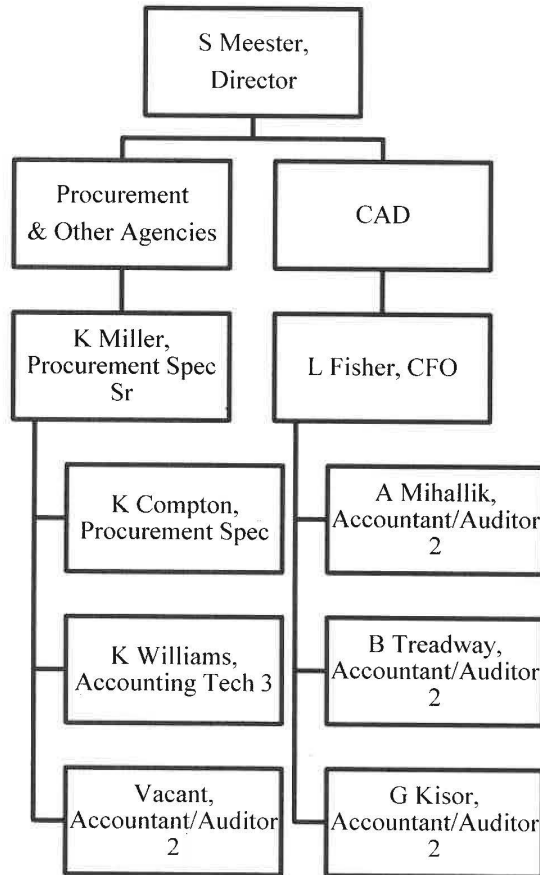
The WVCAD Director is responsible for the day-to-day oversight and management of the Agency.

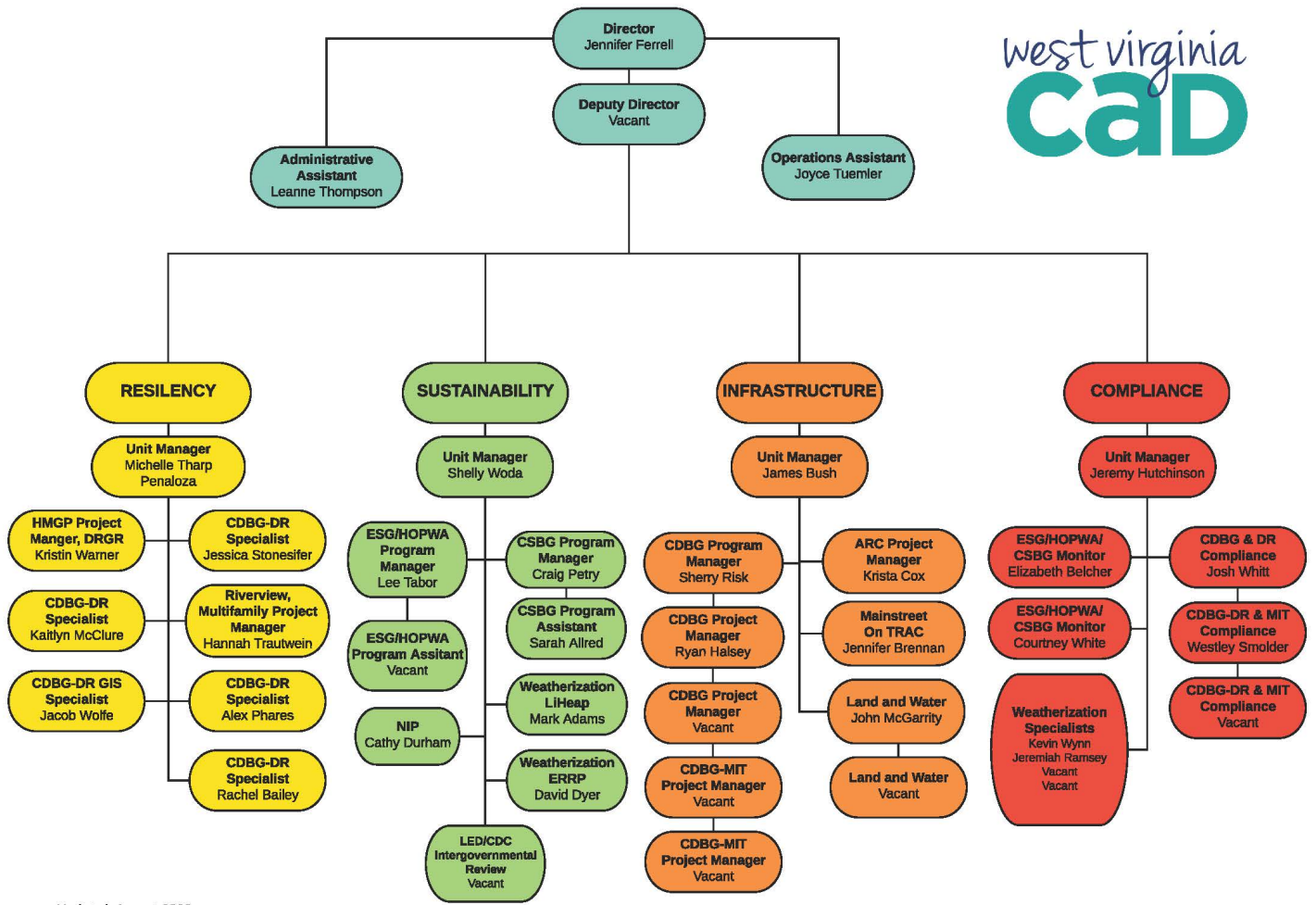
Approval for expenditures has been delegated by the Department of Commerce to WVCAD's Director or designee. Invoice payment is made by the Treasurer's Office after the Auditor's Office has determined that the invoice and documentation meet state requirements.

ASD and WVCAD Organization Charts

Commerce Administrative Services Division (ASD)

Finance Section August 19, 2020





Updated: August 2020

| | | | | | |
|----------------|------------------------------|--------------------------|-----------------------------|------------------------------|-----------------------|
| LEGEND: | TEAL Admin/Management | YELLOW Resiliency | GREEN Sustainability | ORANGE Infrastructure | RED Compliance |
|----------------|------------------------------|--------------------------|-----------------------------|------------------------------|-----------------------|

ADMINISTRATIVE SERVICES DIVISION OVERVIEW

Organization Structure

The fiscal department consists of 9 staff members who manage and process financial information for the Agency. The following positions comprise the fiscal department:

- Director
- Chief Financial Officer
- Accountant – 3 positions
- Accounting Tech
- Procurement Specialist Senior
- Procurement Officer
- Accounting Tech III

Department Responsibilities

The primary responsibilities of the fiscal department consist of:

- General ledger
- Budgeting
- Cash management
- Asset management
- Cash receipts
- Accounts payable
- Cash disbursements
- Payroll Allocations
- Internal and External reporting of financial information
- Grant reconciliation
- Compliance with government reporting requirements
- Annual audit
- Procurement

Standards for Financial Management Systems

In accordance with 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, WV maintains a financial management system that provides for the following; (specific procedures to carry out these standards are detailed in the appropriate sections of this manual)

1. Identification, in all its accounts, of all Federal awards received and expended and the Federal programs under which they were received.
2. Accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements of 2 CFR Parts 200.327, Financial Reporting, and 200.328, Monitoring and Reporting Program Performance, and/or the award.

3. Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be fully supported by source documentation.
4. Effective control over and accountability for all funds, property, and other assets. WVCAD and ASD must adequately safeguard all such assets and ensure they are used solely for authorized purposes.
5. Comparison of outlays with budget amounts for each award.
6. Information that relates financial data to performance accomplishments and demonstrates cost effective practices as required by funding sources. 2 CFR Part 301, Performance Measurement.
7. Written procedures to minimize the time elapsing between the transfer of funds and disbursement by WVDO. Advance payments must be limited to the minimum amount needed and be timed to be in accordance with actual, immediate cash requirements. 2 CFR Part 200.305 Payment.
8. Written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the 2 CFR Part 200 Subpart E, Cost Principles, and the terms and conditions of the award.
9. No person will have complete control over every phase of a significant transaction. For example, the person who authorizes payments to contractors should not draft and issue the payment check.

BUSINESS CONDUCT

Practice of Ethical Behavior and Conflicts of Interest

WVDO requires employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities and to comply with all applicable laws and regulatory requirements as established in the WV Ethics Act located at the following website:

[http://www.ethics.wv.gov/SiteCollectionDocuments/Brochures Booklets Misc Forms/Ethics%20Booklet%2012-2009.pdf](http://www.ethics.wv.gov/SiteCollectionDocuments/Brochures%20Booklets%20Misc%20Forms/Ethics%20Booklet%2012-2009.pdf)

Confidentiality

The Directors and employees treat all information received confidentially. The WVDO requires all employees to sign a Confidentiality Agreement upon employment by the Agency and shall adhere to the agreement and all regulations set forth by the West Virginia Executive Branch Confidentiality Agreement and the WV Ethics Act.

The Agency will disclose, in a timely manner, in writing to Federal awarding agencies all violations of

Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. (200.113 Mandatory disclosures)

SECURITY

All doors to WVCAD and ASD shall be closed and locked in the evenings and whenever the office is vacant. Agency staff, security staff, and other building maintenance staff have swipe cards for entry when doors are locked.

The WVDO does not maintain bank accounts – checking or savings and has no petty cash. All funds are on deposit with the State Treasurer’s Office. Any checks that are received will be deposited within 48 hours of receipt by the Agency. All checks will be locked in the Accounting Tech’s desk drawer or drawer of other ASD staff if Accounting Tech is not available.

Access to Electronically Stored Accounting Data

The ASD utilizes passwords to restrict access to accounting software and data. Only duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis as determined by WV Office of Technology (WV OT) and wvOasis. Each password enables a user to gain access to only those software and data files necessary for each employee's required duties. Unnecessary access will be rescinded.

Storage of Sensitive Data

WVDO keeps a minimum of Personally Identifiable Information (PII) information on site. In addition to accounting and financial data stored in the Accounting Department, other sensitive data, including protected (PII) such as social security numbers of employees and/or client’s data may be stored in areas other than the fiscal department. Locations of sensitive data include, but are not limited to:

1. Director, CFO and Program Manager’s Office
2. Electronic or on-line storage

All sensitive information is locked in drawers or file cabinets.

The Agency’s policy is to minimize the storage of sensitive data by shredding documents with such data or deleting the sensitive data from documents as soon as possible. Please see the WV OT’s technology policies for standards for electronic and on-line storage.

Destruction of Consumer Information

As stated earlier, all sensitive data must be securely stored and shredded when no longer needed. WVDO will also shred all consumer information obtained by the Agency for any reason. Shredding will be performed on a schedule determined by each department that possesses such data, and the

schedule shall be made a part of the Record Retention policy (see the “Fiscal Management” policies section of this manual).

General Office Security

During normal business hours, all visitors are required to check in at the security office and then with the receptionist. After hours, a swipe card is required for access to the offices of the Agency. Access cards are issued only to employees of the Agency, building maintenance, and security.

GENERAL LEDGER AND CHART OF ACCOUNTS

Fund Accounting

WV’s accounting system is the wvOASIS in which the Agency ledgers are maintained.

Funds beginning with “8” are assigned to federal funds received by a state agency. WVCAD has four direct federal funds:

Fund 8901 – WVCAD consolidated federal funds

Fund 8902 – community service block grant

Fund 8746 – community development block grant

Fund 8705 – WVDO consolidated federal funds

Funds beginning with ‘30’ are ‘special revenue’ accounts. These may include federal funds originally granted to another state agency. WVCAD has four special revenue accounts, three of which are designated for a specific purpose:

Fund 3018 – Low-income Energy Assistance Application

Fund 3019 – LIEAP Weatherization

Fund 3020 – Special Weatherization Projects

Fund 3021 – Gifts, Grants, & Donations

WVDO has one General Revenue fund provided by the state:

Fund 0256 – WVDO

To segregate income and expenses by source and use, WVDO uses financial codes available in wvOASIS.

The general ledger is the collection of all asset, liability, net assets, revenue, and expense accounts. It is used to accumulate all financial transactions and is supported by subsidiary ledgers that provide details for certain accounts. The general ledger is the foundation for the accumulation of data and production of reports.

Chart of Accounts Overview

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

The WVCAD's chart of accounts is comprised of five types of accounts:

1. Assets
2. Liabilities
3. Equity

4. Revenues
5. Expenses
6. Gains and Losses

In addition to these accounts, the Agency also has the following grant coding:

- A. Major Program
- B. Program
- C. Program Period
- D. Activity

Distribution of Chart of Accounts

All Agency employees involved with account coding or budgetary responsibilities will be issued a current chart of accounts, or the section of the chart of accounts applicable to their program. As the chart of accounts is revised, an updated copy of the chart of accounts shall be promptly distributed to these individuals.

Control of Chart of Accounts

The CFO monitors and controls the State and grant chart of accounts, including all account maintenance, such as additions and deletions. Any additions or deletions of state accounts must be approved by the CFO and wvOASIS, any addition or deletion of grant accounts must be approved by the CFO, who ensures that the chart of accounts is consistent with the State and Agency structure of WVCAD and meets the needs of each division.

Fiscal Year of Organization

The WVCAD shall operate on the State's fiscal year that begins on July 1st^t and ends on June 30th.

Accounting Estimates

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

1. Estimated grant revenue

2. Estimated Subrecipient Expenditures
3. Cost allocation calculations

The Directors, CFO, and Program Managers will reassess, review, and approve all estimates yearly. All conclusions, bases, and other elements associated with each accounting estimate shall be used for budget preparation and will initially be based on the last completed prior year information.

Journal Entries

All journal entries shall include an explanation of each such entry and backup documentation if applicable. Examples of such journal entries are:

1. Grant budget adjustments-BG95E
2. Corrections of posting errors-IGT

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Payroll allocations-IGP

Recurring journal entries shall be supported and include an explanation of the entry and backup documentation.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

Revenue Recognition Policies

The WVCAD receives revenue from several funding sources. Revenue from each of these sources is recognized in the financial statements in the following manner:

1. **Grant income** – recorded on the cash basis of accounting (i.e., recorded as revenue when received)
2. **In-Kind Contributions or Non-Federal Share** – Recognized as income when received. (See the following section titled “Cost Sharing and Matching.”)
3. **Program Income** – Defined as gross income generated by a supported activity or earned as a result of an award and is recognized as a reduction in expenditures in the period in which it is received.

ADMINISTRATION OF FEDERAL AWARDS

Definitions

WVCAD receives financial assistance from a grantor agency through the following types of agreements:

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

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

Preparation and Review of Proposals

Individual departments are responsible for preparing proposals for projects that the department intends to pursue. However, all proposals shall be reviewed by the Director or designee prior to submission to government agencies or other funding sources to ensure the proposed budget includes all appropriate costs.

Post-Award Procedures

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

1. Verify the specifications of the grant or contract. The ASD shall review the time periods, award amounts, and expected expenditures associated with the award. A *Catalog of Federal Domestic Assistance* (CFDA) number shall be determined for each award. All reporting requirements under the contract or award shall be added to the WVCAD Operations Calendar to make sure all reports are filed in a timely manner.
2. Create new general ledger account numbers (or segments). New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.
3. Gather documentation. See the following section, "Document Administration," for details.

Compliance with Laws, Regulations, and Provisions of Awards

The WVCAD recognizes that as a recipient of federal funds, the Agency is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. To ensure that the Agency meets this responsibility, the following policies apply with respect to every grant or contract received directly or indirectly from a federal agency:

1. For each federal award, an employee within the department responsible for administering the award will be designated as "Program Manager."
2. Each Program Manager shall attend a training on grant management prior to beginning his or her role as a grant manager (or as early in their functioning as a Program Manager as practical). Thereafter, all Program Managers shall attend refresher/update courses on grant management as courses are offered or every two years as applicable and available.
3. The Program Manager shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
 - a. Review 2 CFR Part 200 Appendix XI, Compliance Supplement (updated annually) published by the Office of Management and Budget (OMB) for compliance requirements unique to the award and for compliance requirements common to all federal awards.
 - b. Review the section of the *Catalog of Federal Domestic Assistance* (CFDA) applicable to the award.
 - c. The Program Manager will communicate grant requirements to those who will be responsible for carrying them out or impacted by them.

4. The Program Manager and/or the Fiscal Department shall identify and communicate any special changes in policies and procedures necessitated by federal awards as a result of the review of each award.
5. The Program Manager shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to 2 CFR Part 200 Appendix XI, Compliance Supplement, and communications with federal awarding agency personnel.
6. The Program Manager, CFO or Directors shall communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Document Administration

For each grant/award received by WVCAD from a federal, state, or local government agency, a master file of documents applicable to the award shall be prepared and maintained. The responsibility for assembling each master file shall be assigned to the Program Manager assigned to administer the program.

The master file assembled for each government award shall include all of the following documents (including originals of all documents received from the awarding agency):

1. Copy of the initial application for the award and corresponding budget
2. All correspondence to and from the awarding agency post-application, leading up to the award
3. The final, approved budget and program plan, after making any modifications
4. The grant agreement and any other documents associated with the initial making of the award
5. Website links to pertinent laws and regulations, including awarding agency guidelines, associated with the award
6. Subsequent grant modifications (financial and programmatic)
7. Copies of program and financial reports
8. Subsequent correspondence to/from the awarding agency
9. Results of any monitoring visits conducted by the awarding agency, including resolution by WVCAD of any findings arising from such visits
10. Correspondence and other documents resulting from the closeout process of the award

The grant document file shall be a Summary of Critical Award Provisions, prepared by the Program Manager. This summary shall include, at a minimum, the following:

1. Key compliance requirements, including citations of applicable laws and regulations

2. Important deadlines
3. Correspondence contact information at the awarding agency

The original grant document file shall remain in the office of the Program Manager or central filing location.

Closeout of Federal Awards

The WVCAD shall follow the closeout procedures described in 2 CFR 200.343 – 345, Closeout, and in the grant agreements, as specified by the granting agency.

The WVCAD and all subrecipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

COST SHARING AND MATCHING (IN-KIND)

Overview

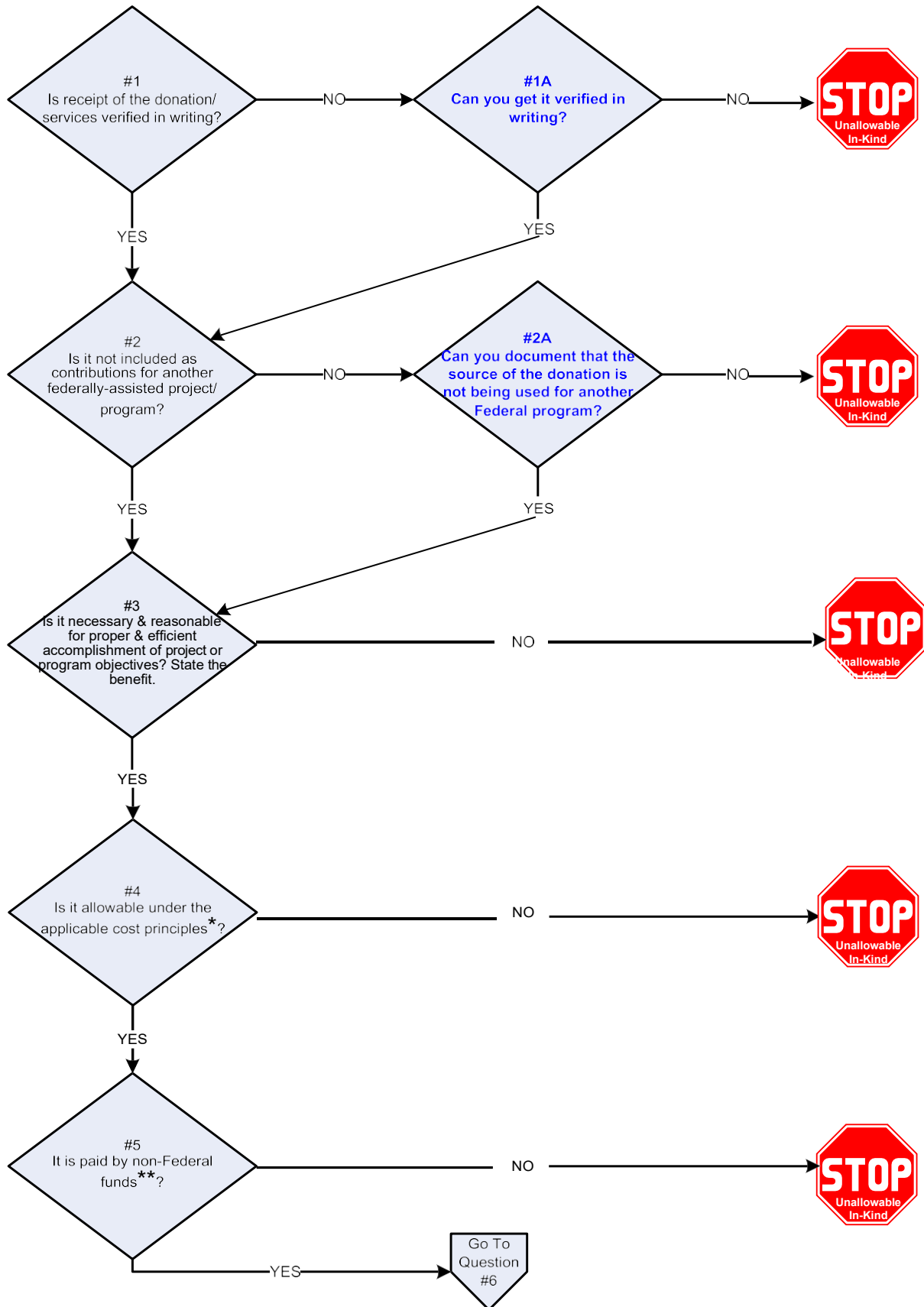
The WVCAD values contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or federal agency regulations identify specific values to be used.

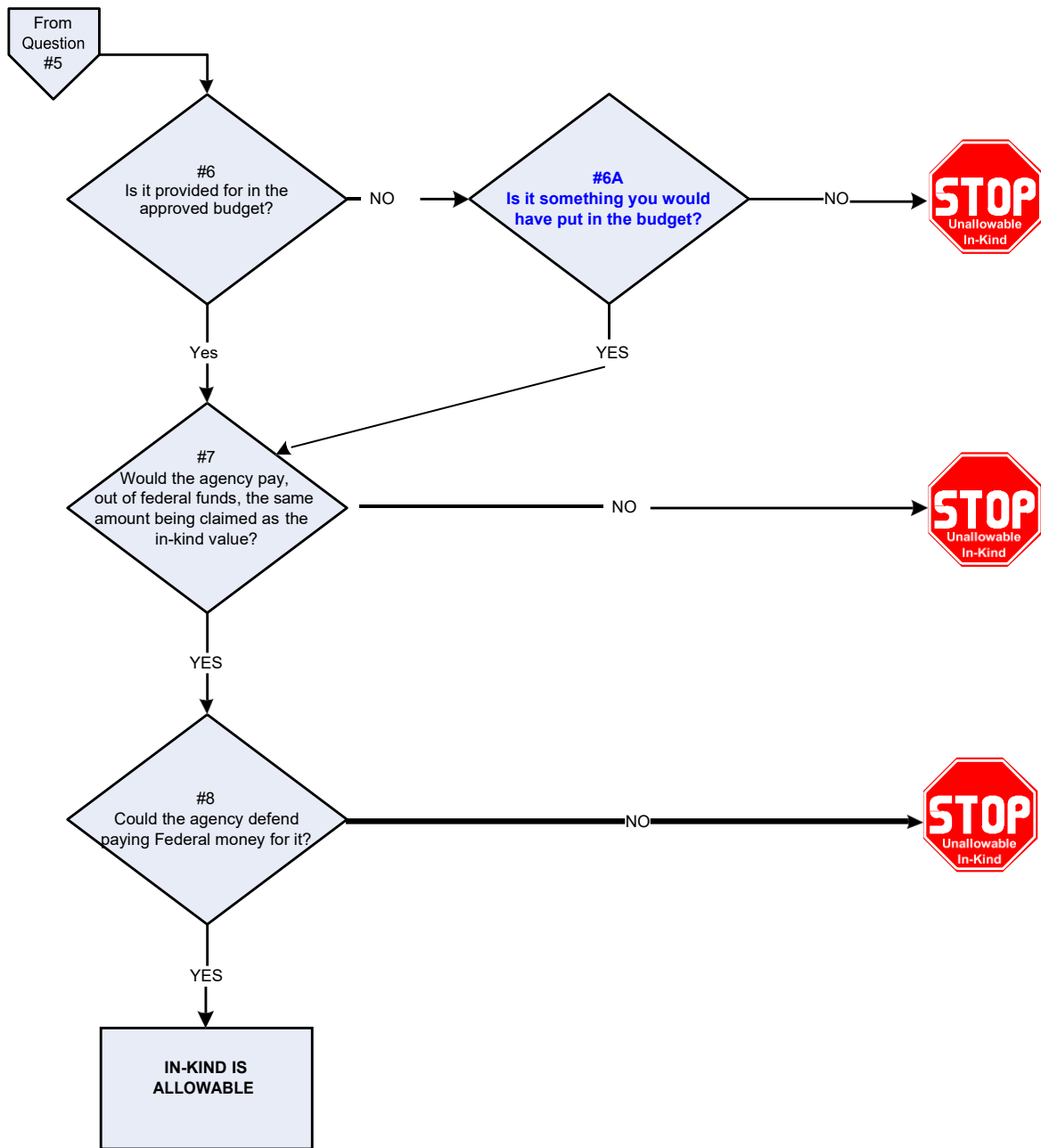
The WVCAD shall claim contributions as meeting a cost sharing or matching requirement of a federal award only if all of the following criteria are met:

1. They are verifiable from Agency records.
2. They are not included as contributions (or match) for any other federally-assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under the federal cost principles, 2 CFR Part 200 Subpart E, Cost Principles.
5. They are not paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the federal awarding agency.
7. They conform to all provisions of federal administrative regulations, 2 CFR Part 200 Subpart D, Post Federal Awards Requirements.
8. In the case of donated space, (or donated use of space), the space is subject to an independent appraisal performed by a certified appraiser as defined by 2 CFR Part 200.306(i) 11) to establish its value.

The following flowchart should be used to determine the allowability of in-kind:

In-kind Allowability Flowchart





A. 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

** Except where authorized by Federal statute to be used for cost sharing or matching:

Determinations have been made on a case-by-case basis on whether Federal funds from other programs are allowable match for an ACF program. These determinations are based on specific requirements of ACF programs and language in applicable statutes. Specifically:

1. USDA funds are of Federal origin and, therefore, cannot be counted as match.
2. Bureau of Indian Affairs - Indian Self-Determination and Education Assistance Act (P.L. 93-638, as amended). The Act authorizes the use of funds for matching purposes as long as the identified use is specifically related to the approved grant activities.
3. Title XX Social Services Block Grant funds are considered to be Federal funds and, therefore, may not be used as match for ACF programs.
4. Expenditure of funds from the Housing and Community Development Act of 1974, P.L. 93-383 may count as allowable match for a Head Start program for renovation of a building. The determination is dependent on whether or not the Head Start grant is included as part of the "Community Development Program," as required by the Housing and Community Development Act. (Grants Administration Manual, Section 3.05.408(b)(1-4))

Valuation and Accounting Treatment

In-kind typically falls into one of the following categories:

- Space, buildings, land, and equipment
- Volunteer time and services
- Supplies

In-kind non-cash contributions will be accounted for according to accounting principles and grant regulations. Valuation of non-cash contributions shall be based upon the fair market value or average commercial prices applicable to the State of West Virginia. Non-cash contributions will be estimated and documented as part of project preparation and implementation. The value of contributions received, less any sums paid, will be measured at fair value and the full contribution shall be recorded as revenue in the corresponding period with which it was received or established. Any resulting expense shall be documented during the period of use.

GIFT ACCEPTANCE

Gift acceptance by WVDO staff is regulated by the WV Ethics Act located at the following website:

https://ethics.wv.gov/SiteCollectionDocuments/Brochures_Booklets_Misc_Forms/2016%20Guidelines/Gift%20Guidelines%20--5-4-17.pdf

FUND RAISING EVENTS

The WVCAD staff does not hold or participate in fund raising events for the Agency.

INVOICING POLICIES

Overview

The Agency's primary sources of revenue are:

- Reimbursement grants – Billed on an as needed basis, or as funders require, based on allowed, incurred expenses.
- General Revenue funds – allocated annually.
- Private grants – funds are usually received once funding is approved. Financial expenditure reports, if required, are submitted as required by funding sources.

Responsibilities for Billing and Collection

The WVDO does not provide services for which billing or collections is necessary. (Note: Check receipts and Grant revenue collection policies will be discussed in subsequent sections.)

Financial Reporting

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

The ASD shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of the Fiscal staff, subject to additional financial review and approval by another Fiscal staff member and Program Managers.

The following policies shall apply to the preparation and request of funds to federal agencies under awards made to WVCAD:

1. The ASD will request funds from the awarding agency after invoices have been received, unless an award specifies another method.
2. CFO/Accountants will strive to minimize the time between receipt and disbursement of grant funds by processing invoices within 36 hours of receipt of such funds. The Auditor's Office is responsible for reviewing and approving all transactions before payment is issued. Payments will likely be disbursed within 3 to 4 business days from receipt of funds. If payment processing is delayed due to the administrative requirement to obtain Auditor's Office approval, all funds received as a result of a federal award shall be deposited and maintained with a federally insured banking institution (as outlined in item 6 below).
3. Each subaward normally specifies a particular billing cycle. All CDBG-MIT funded projects will have a specified billing cycle indicated in the subrecipient agreement. Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
4. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.
5. All financial reports required by each federal award will be prepared and filed on a timely basis. To the extent the Agency's year-end audit results in adjustments to amounts previously reported to federal agencies, revised reports shall be prepared and filed in accordance with the terms of each federal award.
6. All funds received as a result of federal award shall be deposited and maintained with a federally insured banking institution.

At the time requests for reimbursement are prepared, invoices shall be recorded in the accounting records of the Agency by Fiscal staff.

Cash Drawdowns of Advances

Cash drawdowns of advances from federal agencies shall be made on an as needed basis in conjunction with the accounts payable and payroll schedule. All federal funds shall be deposited into an account with a federally insured banking institution under the cash receipts policies and procedures described in this manual. WVCAD requires that federal funds will be disbursed as soon as possible after receipt using the following process:

1. All invoices received will be added to the cash ledger for each grant they are to be paid from.
2. The CFO or designee prints a listing of invoices to be processed.
3. The CFO/Accountant draws down the cash required. A CR document is then created based on the draw info.
4. The CR document is approved by the CFO/Accountant, who did not complete the CR.
5. When funds are received by the Treasurer's Office, notification is sent to ASD, the Treasurer's Office approves the deposit, and the Accounting Tech/Accountant enters the invoices to be processed in accordance with cash disbursement policies.

CASH RECEIPTS

Overview

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

Processing of Checks and Cash Received in the Mail

The following procedures will be followed:

1. WVCAD does not receive cash.
2. Mail is opened, and a listing of checks and all mail received shall be listed on the incoming mail log.
3. The individual preparing the daily list of receipts shall be someone that is not involved in the accounts receivable or accounts payable process.
4. Checks are given to the CFO who enters info on the cash ledger for the appropriate grant.
5. The CFO or Accountant codes the check with account numbers and gives info and check to the Accounting Tech/Accountant.
6. The Accounting Tech/Accountant prepares a CR document and cover sheet from the check info received and forwards the info to the CFO or Accountant for approval.
7. After deposits are prepared, the check and cover sheet are placed in an envelope to be picked up by authorized personnel and taken to the Treasurer's Office for deposit into an account with a federally insured banking institution.

Segregation of Duties

To ensure segregation of duties, in no event will the same individuals receiving the payment and performing the first party verification be the same individual depositing the funds.

Endorsement of Checks

All checks received that are payable to the Agency shall be restrictively endorsed by the Accounting Tech. The restrictive endorsement shall include the following information:

1. For Deposit Only

Timeliness of Bank Deposits

Bank deposits will be made within 48 hours of receipt of checks. Undeposited checks shall be maintained in a locked drawer by the Accounting Tech or designee until deposited.

Reconciliation of Deposits

On a daily basis, the CFO, who does not prepare the initial cash receipts listing or bank deposit, shall reconcile the listing of receipts on the cash ledger to the wvOASIS balance to make sure the checks have been deposited.

PROGRAM INCOME

The following procedure contains the appropriate steps to correctly identify, record, distribute and report any Program Income received by the State pursuant to its administration of CDBG, CDBG-DR, CDBG-MIT, or any other programs.

All program income will be returned to WVCAD, unless otherwise stated in written agreements with subrecipients.

Program income is defined as gross income received by a state, a unit of general local government or a subrecipient of a unit of general local government that was generated from the use of CDBG funds (2 CFR 200).

Program income includes but is not limited to:

1. Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds.
2. Proceeds from the disposition of equipment purchased with CDBG funds.
3. Gross income from the use or rental of real or personal property acquired by the recipient or subrecipient with CDBG funds, less cost incidental to the generation of the income.
4. Gross income from the use or rental of real property owned by the recipient or sub-recipient that was constructed or improved with CDBG funds, less cost incidental to the generation of the income.
5. Payments of principal and interest on certain loans made using CDBG funds.
6. Proceeds from the sale of loans secured with CDBG funds.
7. Proceeds from the sale of obligations secured by loans made with CDBG funds.
8. Funds collected through special assessment made against properties owned and occupied by households not of low and moderate income, where the assessments are used to recover all or part of the CDBG portion of a public improvement.

Program income does not include the following:

If the total amount of Program Income funds generated is less than \$35,000 in a single year, such funds are not considered Program Income.

Identifying Specific Programs Generating Program Income

CDBG, CDBG-DR, CDBG-MIT and all programs that generate Program Income will be identified as programs are developed by Program Managers. As agreed to, subrecipients will forward Program Income funds to WVCAD for deposit.

Receiving and Recording of Program Income Funds

Program Income funds received will be recorded and accounted for by the program which generated it. Finance / Administration staff shall monitor the receipt and reporting of Program Income in WVCAD's accounting system, the state's accounting system wvOASIS and the DRGR.

Once received, program income funds will be recorded in one of three ways:

Program Income Deposited in the Revolving Loan Fund

Revolving Loan Funds are accounts set up in the state's accounting system and are separate from the General Fund and are to be interest bearing. Interest earned is calculated by the State Treasury and credited to the fund balance on a monthly basis.

Program Income Used to Reduce the Next Program Draw

To the maximum extent feasible, WVCAD shall distribute Program Income before the state makes additional withdrawals from the Treasury.

Program Income Accounts

As approved by HUD, WVCAD shall establish program income accounts that hold program income funds. Applications for projects are submitted to WVCAD and are funded through the program income accounts.

Distribution of Program Income

Program Income funds in any Revolving Loan Fund will be used to fund or supplement funding of specific CDBG projects which in turn generates payments to the fund.

All other program income funds will be used before the state makes the next draw from the Treasury.

Reporting of Program Income

Program income earned and received is reported to HUD on a quarterly basis in the DRGR system. Program income received for other grants will be reported in their systems as required. All program income will be accounted for as required by applicable grant and federal regulations.

Any program income received by a grantee/subrecipient must be returned to the WVCAD. Specific program income plans are outlined in the WVCAD action plans and subsequent Amendments where applicable. In addition, the following clause shall be written into any subrecipient Agreement that requires all program income generated to be returned to the WVCAD in order to accurately track and receipt program income.

Remittance of Program Income

Program income shall be remitted to the WVCAD.

Recording Program Income

Grantee shall submit a quarterly report to WVCAD detailing receipt of program income which is defined in 2 CFR 200.

Returning Program Income

At the time of grant closeout, WVCAD will compile program income data showing any and all program income accumulated at the state and sub-recipient/grantee level. The ASD will reconcile this data against what is reported in the state system and DRGR. WVCAD will send a certified letter to a sub-recipient/grantee if it appears the reported program income has not yet been returned to WVCAD. The letter will indicate the program income reported, and the method in which the program income should be returned to state in a timely manner.

Responsible Staff

| Unit/Team | Role | Contact Information |
|---|-----------------------------------|---|
| Program Manager | CDBG-DR | Email: Michelle.D.Tharp@wv.gov Phone: 304-558-2234 |
| | CDBG-MIT | Email: Sherry.L.Risk@wv.gov Phone: 304-957-2068 |
| Administrative Services Division (ASD) | Receive and Record Program Income | Email: Lisa.J.Fisher@wv.gov Phone: 304-957-2053 |
| | Distribute Program Income | |
| | Report Program Income | |

GRANTS RECEIVABLE MANAGEMENT

Monitoring and Recognition

The ASD records grant revenue as it is received during the grant year. The CFO is responsible for monitoring budget-to-actual expenditures throughout the grant year, and will meet monthly with the WVCAD Director, Accountants, and Program Managers to discuss grant fiscal results.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING POLICIES AND PROCEDURES

Overview

THE POLICIES DESCRIBED IN THIS SECTION APPLY TO ALL PURCHASES MADE BY WVCAD.

The WVDO requires the practice of ethical, responsible, and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. The Agency follows the policies of the West Virginia Department of Administration, Purchasing Division guidelines which can be found at:

<http://www.state.wv.us/admin/purchase/>

These guidelines describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

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

The WVDO expects that all employees will use the utmost care when incurring expenses on the WVDO's behalf. Before making an expenditure, employee should ask the following questions:

1. Is it a reasonable use of funds?
2. Is it necessary?
3. Is the purpose of the expenditure clear?
4. Is it in the budget?
5. Is it an allowable expense per grant/state terms?

If the expense is justified by those criteria, the employee must ensure that the expenditure is properly approved and documented.

Responsibility for Purchasing

The Director or designee shall have the authority to initiate purchases on behalf of their department, within the guidelines described here. The Programs Administrative Assistant shall be responsible for processing purchase orders and working with the procurement staff of the Purchasing Department for contractual commitments. The Director or designee shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

Code of Conduct in Purchasing

See the Purchasing Division Guidelines and Guide to WV Ethics Act at the following websites:

<http://www.state.wv.us/admin/purchase/>

https://ethics.wv.gov/SiteCollectionDocuments/Brochures_Booklets_Misc_Forms/The%20Ethics%20Act%20brochure%20for%206-8-18.pdf

Ethical conduct in managing the Agency's purchasing activities is absolutely essential. Staff must always be mindful that they represent the State of WV and share a professional trust with other staff, the general public, and contractors.

The following items are addressed in the Purchasing Guidelines:

1. Competition
2. Nondiscrimination Policy
3. Procurement Procedures
4. Required Solicitation of Quotations from Contractors
5. Extension of Due Dates and Receipt of Late Proposals
6. Evaluation of Alternative Contractors
7. Affirmative Consideration of Minority, Small Business, Women-Owned Businesses, and Labor Surplus Area Firms
8. Availability of Procurement Records

Use of Purchase Orders

The WVCAD utilizes a purchase order system. A properly completed purchase order shall be required for each purchase decision with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this manual. A properly completed purchase order shall contain the following information, at a minimum:

1. Specifications or statement of services required and person requesting item
2. Contractor name, address, point of contact and phone number
3. Source of funding (if applicable)
4. Delivery or performance schedules
5. Delivery, packing, and transportation requirements
6. Special conditions (if applicable)
7. Catalog number, page number, etc. (if applicable)
8. Net price per unit, less discount, if any
9. Total amount of order
10. Authorized signature
11. Date purchase order was prepared

Purchase orders are prepared by the Programs Administrative Assistant.

Contractor Files and Required Documentation

All contractors who are to be paid by the State of WV must be set up as a vendor in wvOASIS before payment can be made.

The Purchasing Division has the responsibility of maintaining all of the bid/RFP documents, contractor documents and any other documentation that may be necessary.

All contractors can register through the Vendor Self Service Portal in wvOASIS. The ASD may send links for VSS and/or assist any new contractor from whom WVCAD purchases goods or services in getting set up in wvOASIS if necessary.

Receipt and Acceptance of Goods

The Programs Administrative Assistant or designated individual shall inspect all goods received. Upon receipt of any item from a contractor, the following actions shall immediately be taken:

1. Review bill of lading for correct delivery point.
2. Verify the quantity of boxes/containers with the bill of lading.
3. Examine boxes/containers for exterior damage and note on the bill of lading any discrepancies (missing or damaged boxes/containers, etc.).
4. Sign and date the bill of lading or prepare a receiving report.
5. Remove the packing slip from each box/container.
6. Compare the description and quantity of goods per the purchase order to the packing slip.
7. Examine goods for physical damage.

8. Count or weigh items, if appropriate, and record the counts on the purchase order.

This inspection must be performed in a timely manner to facilitate prompt return of goods and/or communication with contractors.

SUBRECIPIENTS

Making of Subawards

The WVCAD makes subawards of federal funds to other organizations. All subawards shall be subject to the conflict of interest policies described in the WV Ethics Act. In addition, all subrecipients must agree to the subrecipient monitoring provisions described in the next section. Subrecipient Agreements include a provision to formally notify subrecipients of the audit requirements in 2 CFR 200, Subpart F (audit requirements).

The WVCAD is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward to determine the appropriate monitoring. Evaluations may include such factors as: (2 CFR Part 200.331(b))

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Monitoring of Subrecipients

When WVCAD utilizes federal funds to make subawards to subrecipients, WVCAD is subject to a requirement to monitor each subrecipient in order to provide reasonable assurance that subrecipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program. The Compliance Unit within WVCAD perform all monitoring of the subrecipients to ensure compliance with program requirements. WVCAD follows the requirements listed below along with its Monitoring Policies and Procedures for all program monitoring activities.

A subrecipient annual audit will be required when it is expected that the subrecipient's federal awards expended during the respective fiscal year equals or exceeds \$750,000 (aggregated across all federal awards received by the subrecipient). Subrecipients will be required to submit monthly and annual financial and program reports to WVCAD for any and all federal awards expended during the fiscal year to determine when the \$750,000 threshold has been met. Annual audits may be performed regardless of the amount of federal funds expended during the fiscal year at the full discretion of the Compliance Unit within WVCAD.

In fulfillment of its obligation to monitor subrecipients, the following policies apply to all subawards of federal funds made by WVCAD to subrecipients.

The following required information will be provided to all subrecipients:

1. Federal Award Identification.
 - a. Subrecipient name (which must match registered name in DUNS);
 - b. Subrecipient's DUNS number;
 - c. Federal Award Identification Number (FAIN);
 - d. Federal Award Date;
 - e. Subaward Period of Performance Start and End Date;
 - f. Amount of Federal Funds Obligated by this action;
 - g. Total Amount of Federal Funds Obligated to the subrecipient;
 - h. Total Amount of the Federal Award;
 - i. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - j. Name of Federal awarding agency, pass-through entity, and contact information for awarding official,
 - k. Catalogue of Federal Domestic Assistance (CFDA) Number and Name. Sample Organization must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - l. Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs).
2. All requirements imposed by WVCAD on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.
3. Any additional requirements that WVCAD imposes on the subrecipient in order for WVCAD to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
4. An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between WVCAD and the subrecipient, or a de minimis indirect cost rate as defined in § 200.414 Indirect costs.
5. Adherence to compliance with 2 CFR 200, Subpart F audit requirements, including the allowance by subrecipient to allow WVCAD and auditors access to the subrecipient's records and financial statements as necessary for WVCAD to meet the monitoring requirements of 2 CFR Part 200; and
6. Appropriate terms and conditions concerning closeout of the subaward.
7. Subawards shall require that subrecipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.
8. Subawards shall require that subrecipients submit financial and program reports to WVCAD on a basis no less frequently than monthly.
9. WVCAD Compliance Unit will follow up with all subrecipients to determine whether all required audits have been completed. WVCAD Compliance Unit will cease all funding of subrecipients failing to meet the requirement to undergo an audit in accordance with 2 CFR

Part 220.501. For subrecipients that properly obtain an audit in accordance with 2 CFR Part 200.501, WVCAD shall obtain and review the resulting audit reports for possible effects on WVCAD's accounting records or audit. If there are audit findings that relate to a subaward received by the subrecipient, WVCAD Compliance Unit will issue a management decision and take appropriate action as outlined in section 12 below. Furthermore, WVCAD Compliance Unit will confirm that the federal award is charged no more than a reasonably proportionate share of the costs of audits required by, and performed in accordance with 2 CFR part 200, Subpart F.

10. Management decisions issued by the WVCAD Compliance Unit will clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up will be given. Prior to issuing the management decision, the Federal agency or pass-through entity may request additional information or documentation from the auditee. The management decision will also describe any appeal process available to the auditee.
11. Ongoing monitoring of subrecipients will vary from subrecipient to subrecipient based on the nature of work assigned to each. However, ongoing monitoring activities may involve any or all of the following:
 - a. Regular contacts with subrecipients and appropriate inquiries regarding the program.
 - b. Reviewing programmatic and financial reports prepared and submitted by the subrecipient and following up on areas of concern.
 - c. Monitoring subrecipient budgets.
 - d. Performing site visits to the subrecipient to review financial and programmatic records and assess compliance with applicable laws, regulations, and provisions of the subaward.
 - e. Offering subrecipients technical assistance where needed.
 - f. Maintaining a system to track and follow up on deficiencies noted at the subrecipient in order to ensure that appropriate corrective action is taken in a timely manner. Item 12 below outlines possible actions that could be taken if a subrecipient does not take appropriate and/or timely corrective action.
 - g. Establishing and maintaining a tracking system to ensure timely submission of all reports required of the subrecipient.
12. Documentation shall be maintained in support of all efforts associated with monitoring of subrecipients.
13. In connection with any subrecipient that has been found to be out of compliance with provisions of its subaward with WVCAD Compliance Unit, responsive actions by the Agency shall be determined by, WVCAD Compliance Unit Manager or designee. Such actions may consist of any of the following:
 - a. Increasing the level of supporting documentation that the subrecipient is required to submit to WVCAD Compliance Unit on a monthly or periodic basis.
 - b. Requiring that subrecipient prepare a formal quality improvement plan for submission to WVCAD Compliance Unit.
 - c. Requiring documentation of changes made to policies or forms used in administering the subaward.

- d. Arranging for on-site (at the subrecipient's office) oversight on a periodic basis by a member of the WVCAD grant administration staff.
- e. Providing copies of pertinent laws, regulations, federal agency guidelines, or other documents that may help the subrecipient.
- f. Reimbursing after-the-fact, and not provide advances.
- g. As a last resort, terminating the subaward relationship and seeking an alternative.

POLITICAL INTERVENTION

Prohibited Expenditures

The WVDO shall not incur any expenditure for political intervention. For purposes of this policy, political intervention shall be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the federal, state, or local level. Examples of prohibited political expenditures include, but are not limited to, the following:

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

Endorsements of Candidates

The WVDO will not endorse any candidates for public office in any manner, or otherwise make statements that support or oppose a candidate or a political party, either verbally or in writing. This policy extends to the actions of management, employees, volunteers, and other representatives or agents of WVDO, when these individuals are acting on behalf of, or are otherwise representing, the Agency.

Individual vs. Organization Intervention

The preceding policies prohibiting acts of political intervention apply to the organization and to individuals acting on behalf of the organization. It does not apply to the personal lives of employees and volunteers of the organization, who have the right to support or oppose political candidates and parties as individuals. Employees and volunteers of WVDO who engage in political activities outside the scope of their employment with or service to the Agency shall at all times be mindful of maintaining a clear distinction between personal activities and those which can be attributed to the Agency.

Prohibited Use of Organization Assets and Resources

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

LOBBYING

The WVDO does not participate in lobbying activities. The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost. 2 CFR Part 200.450

CHARGING OF COSTS TO FEDERAL AWARDS

Overview

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

Segregating Unallowable from Allowable Costs

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

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Program Managers and Fiscal staff shall be familiar with the allowability of costs provisions 2 CFR Part 200.400 – 475, Cost Principles, particularly:
 - a. The list of specifically unallowable costs found in 200.421 – 475, Selected Items of Cost, such as alcoholic beverages, bad debts, contributions, fines and penalties, etc.
 - b. Those costs requiring advance approval from federal agencies in order to be allowable in accordance with 2 CFR Part 200.407, Prior Written Approval, such as participant support costs, equipment purchases, etc.
3. No costs shall be charged directly to any federal award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR Part 200.400 – 475, Cost Principles.
4. For each federal award, an appropriate set of general ledger accounts (or account segments) shall be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a federal award or to activity associated with a federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e., if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit).
6. Consistent with 2 CFR 200.302(b)(3), expenditures shall be reviewed according to eligibility activity classifications specified in the statute, regulations, or grant agreement that clearly identify the use of the federal award for eligible activities.

Criteria for Allowability

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

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

Direct Costs

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal Award, or other internally or externally funded activity, or that can be directly assigned to State of West Virginia: Community Advancement and Development Accounting & Financial Policies and Procedures Manual

such activities relatively easily with a high degree of accuracy (2 CFR Part 200.413(a)). WVCAD identifies and charges these costs exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Subrecipient invoices are approved by the appropriate Program Manager.

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

Equipment purchased for exclusive use on a federal award and reimbursed by a federal agency shall be accounted for as a direct cost of that award (i.e., such equipment shall not be capitalized and depreciated for grant purposes, but will be capitalized and depreciated at year-end for financial statement purposes).

Direct Costing Procedures

Direct and joint costs are allocated to the benefiting programs using cost pools under the following policies and procedures:

1. Costs will be allocated to all programs on an equitable basis regardless of any limits imposed by funding sources.
2. As much as possible, costs will first be charged directly to benefiting programs.
3. All remaining shared costs will be allocated on the most meaningful measures. The following are examples of bases to be used:
 - a. Facilities and related costs will be allocated based on square footage occupied.
 - b. Administrative expenses directly related to programs are charged to the respective program. The administrative share of common costs is generally allocated based on the # of direct employees in each program.
4. Program-related costs will be allocated based on relevant activity measures, such as number of meals served, number of children or clients.

Timely Expenditures

ASD and Program Managers will be responsible for reviewing and monitoring actual and budgeted expenditures on a monthly basis to ensure (1) federal funds are spent in a timely fashion, (2) only allowable costs and authorized pre-award costs are incurred prior to and after disbursement, and (3) federal awards will be fully expended within the period of performance. Each federal award will have an established grant program code indicating the number of months or years to closeout for accurate expenditure projections and monitoring.

Actual and budgeted expenditure reports will be generated on a monthly basis to monitor timely

expenditures and expending of funds within the period of performance. Monthly reports will include unexpended fund ratios and expenditures rates, considering program income, to analyze trends and determine if funds are distributed and spent in a timely fashion. Expenditure budgets will be revised monthly based on actual expenditures to ensure 50% and 100% of allocated funds are expended on eligible activities within the period of performance.

CDBG subrecipients' actual and budgeted expenditures will also be monitored by Program staff on a monthly basis through actual and budgeted expenditure reports submitted by the subrecipient. Expenditures will be monitored as outlined above, based on the subrecipient's period of performance.

Reprogramming of CDBG-MIT funds will be required when grantee or subrecipient actual expenditures are more than 20% below budgeted expenditures for 6 consecutive months. The Program Manager will be responsible for determining the amount of funds to reprogram, and how to reallocate funding. The Program Manager will determine any necessary budget modifications per policies and procedures outlined in the Financial Management Policies section.

As outlined above, Program Managers and ASD are responsible for segregating unallowable from allowable costs prior to disbursement. The Compliance Unit within WVCAD will be responsible for auditing unallowable and allowable costs after disbursement, to ensure cost eligibility criteria is met. Following are the procedures if an improper payment (for ineligible expenses) is identified.

Improper Payments

In the event an improper payment is discovered through an audit or financial finding, the subrecipient/grantee shall be informed via a certified letter. The letter instructs the sub-recipient/grantee of the improper payment and provides direction as to how the funds should be returned the state. The WVCAD Director is informed, and the funds will be wired back to HUD upon the receipt of funds by the state.

Responsible Staff

| Unit/Team | Role | Contact Information |
|---|---|--|
| Program Manager | Determine Allowable/ Unallowable Costs Before Disbursement for CDBG-DR | Email: Michelle.D.Tharp@wv.gov Phone: 304-558-2234 |
| | Determine Allowable/ Unallowable Costs Before Disbursement for CDBG-MIT | Email: Sherry.L.Risk@wv.gov Phone: 304-957-2068 |
| Administrative Services Division (ASD) | Generate Monthly Expenditure Reports (Actual versus Budget) | Email: Lisa.J.Fisher@wv.gov Phone: 304-957-2053 |
| | Review Monthly Expenditure Reports to Determine Timely Expenditures | |
| Compliance | Audit Allowable/Unallowable Costs After Disbursement | Email: Jeremy.R.Hutchinson@wv.gov Phone: 304-957-2057 |

ACCOUNTS PAYABLE MANAGEMENT

Overview

The WVDO strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and bank account reconciliation. The following are general policies for accounts payable:

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the contractor invoice for the related goods or services.
- The contractor invoice should be supported by an approved purchase order where required by Agency policy and should be reviewed and approved by the Director or designee prior to being processed for payment.
- Invoices and related general ledger account distribution codes are reviewed prior to approval in wvOASIS.
- All required source documentation for the auditor's office is scanned and uploaded to wvOASIS (including subrecipient agreements when applicable); applicable data from source documents are also entered in wvOASIS. Any paper documents scanned will also be retained offline.
- The Auditors Office reviews all payments as a quality assurance measure prior to issuing a payment, including a review of required source documentation to ensure funds are: (1) used in compliance with all statutory/regulatory provisions and terms of the award, (2) only for reasonable and necessary costs, and (3) not used for general expenses to carry out other responsibilities of State and local governments.

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

- Disbursements are properly authorized and include required source documentation. Required source documentation varies based on the type of payment, but can include the following where applicable: packing slips, receiving reports, purchase orders, contracts, dues & membership schedules, expense reimbursement forms with supporting receipts, Form W-9, request for travel advances, timesheets, and any other supporting documentation deemed appropriate.
- Invoices are processed in a timely manner.
- Operating cash is managed so minimal grant funds are on hand at all times.

Recording of Accounts Payable

- All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.
- Accounts payable are processed on a daily basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.
- Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the contractor records.
- Invoices received via email will be printed, date-stamped, initialed by the individual that received the email and added to the mail log.
- Any additional copies of the emailed invoice will be deleted.
- No payments will be made from contractor statements.

Preparation of Invoices for Payment

Prior to any invoice being submitted for payment, each invoice shall have the following documents attached as necessary:

1. Packing slip (where appropriate)
2. Receiving report (or other indication of receipt of merchandise and authorization of acceptance)
3. Purchase order as required by procurement policies
4. Copy of contract or dues & membership schedule (where appropriate)
5. Any other supporting documentation deemed appropriate

Processing of Invoices

The following procedures shall be applied to each invoice by the ASD staff:

1. Check the mathematical accuracy of the contractor invoice.
2. Compare the nature, quantity, and prices of all items ordered per the contractor invoice to the purchase order, packing slip, and receiving report.
3. Code the invoice using the Agency's current chart of accounts.
4. Obtain the review and approval of the Director (or designee) for goods or services purchased.
5. Accounting Tech/Accountant will enter the invoice and notify CFO or Accountant that the invoice is ready for review and approval.
6. CFO/Accountant approves the invoice and places in the entered invoice bin.
7. Accounting Tech/Accountant checks system on a daily basis to verify when invoices are paid. The paid date is written on the invoice and then it is filed.

Approvals by the WVCAD Director or designee indicate their acknowledgment of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the contractor invoice, agreement with general ledger account coding, and agreement to pay vendor in full. Approvals shall be documented with initials or signatures of the approving individual, and date of approval.

Employee Expense Reports

Reimbursements for travel expenses, meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form. (See further policies under "Travel Regulations.") All required receipts must be attached, and a brief description of the business purpose of the trip or meeting must be noted on the form. Expense reports will be processed for payment with all other invoices.

Management of Accounts Payable Contractor Master File

The State of WV Finance and Purchasing Divisions are responsible for the management of Contractor Master Files. However, WVDO may assist them in gathering information.

Upon the receipt of an invoice from a new contractor that is not already in wvOASIS, the Accounting Tech or Procurement Officer may mail (or email) a Form W-9 and a request for completion of the Form W-9, including the contractor's full address and federal employer identification number, or may

contact the contractor to set up their account using the Vendor Self Service Portal. The vendor setup shall include all of the following data:

- Contractor's legal name and any DBA name(s)
- Street address (payments may be mailed to a P.O. Box, but a street address must be in the file)
- Federal employer identification number
- Telephone number
- Fax number
- Contact name

Payments shall not be made to any contractor whose file does not comply with the preceding requirements.

TRAVEL

Travel Advances

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

Employees receiving travel advances must submit and settle the expense report within 15 business days of returning from travel. By requesting a travel advance, employees signify their acknowledgment of, and agreement with, these policies.

Employee and Director Travel

The WVCAD follows the Travel Management Office of the WV Purchasing Division's guidelines located at the following website: <http://www.state.wv.us/admin/purchase/travel/default.html>

At the conclusion of a WVCAD business trip, an employee who has incurred business-related expenses should complete an expense report in accordance with the following policies:

1. Documentation must justify that participation of the traveler is necessary for the Federal award and costs are reasonable and consistent with WVCAD's travel policy. 2 CFR Part 200.474(b)(1) and (2)
2. Identify each separately incurred business expense (i.e., do not group all expenses associated with one trip together).
3. With the exception of tips, tolls, reimbursed mileage, and per diems, all business expenses must be supported with invoices/receipts as required.
4. The WVCAD will reimburse employees at per diem rates established by the General Services Administration (GSA) for the location to which they travel.

- a. It is the Organization's policy that payment for the first and last day of travel will be at 75% of the full per diem.
 - b. If the conference or meeting which the traveler attends provides a meal, the value of that meal as determined by GSA tables will be deducted from that day's per diem.
5. Contractor receipts/invoices must be submitted for all lodging and any expenditure as required.
 6. For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken, and the amount paid (for example, a combination of an itinerary, a credit card receipt, and return trip boarding pass(es)).
 7. Mileage may be reimbursed at the standard federal rates currently in effect, as published each year by the IRS and subject to State Travel Guidelines.
 8. General ledger account coding must be identified for all expenditures.
 9. All expense reports must be signed and dated by the employee.
 10. All expense reports must be approved by the employee's Supervisor.
 11. Only one expense report form should be prepared for each trip

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the expense report results in a balance due to WVCAD (as a result of receiving a travel advance greater than actual business expenditures), the employee must attach a check to settle the balance due. If the expense report results in a balance due to the employee, the employee will be reimbursed by check or direct deposit.

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

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

WVCAD does not process checks. The Auditor's Office and Treasurer's Office are responsible for all payments on behalf of WVCAD.

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

1. Expenditures must be supported in conformity with purchasing, accounts payable, and travel and business entertainment policies described in this manual.
2. Generally, all contractors shall be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services.

3. Total cash requirements associated with each invoice are monitored in conjunction with available cash balance prior to the approval of invoices by WVCAD.
4. All supporting documentation is attached to the invoice prior to approval by WVCAD.

Check Signing

WVCAD does not process checks. The Auditor's Office and Treasurer's Office are responsible for all payments on behalf of WVCAD.

Mailing of Checks

The Treasurer's Office is responsible for mailing checks.

Voided Checks and Stop Payments

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed electronically in wvOASIS by ASD and approved electronically by the Treasurer's Office.

CREDIT CARDS/PURCHASING CARDS

Issuance of Corporate Credit Cards or Purchasing Cards

At this time WVCAD does not issue credit cards to all employees. Only the Programs Administrative Assistants have a Ghost Account card for all travel and a P-Card for miscellaneous items. All credit card use is subject to the guidelines established by the Purchasing Division.

Sales Tax

The Programs Administrative Assistant should remind contractors at the time of purchase that as a State Agency, WVCAD is exempt from sales tax. The Programs Administrative Assistant should keep a copy of WVCAD's sales tax exemption form to present to the vendor at the time of purchase. If sales tax is charged for a card purchase that should be tax exempt, the Programs Administrative Assistant should contact the contractor directly to request a credit for the amount of the sales tax.

Card User Responsibilities

The Programs Administrative Assistant shall submit all invoices for credit card purchases to the ASD on a monthly basis. The ASD will code and return to the Programs Administrative Assistant who will forward invoices to the P-Card Coordinator on a monthly basis for payment to the credit card company.

Any fraudulent or other unauthorized charges shall be immediately pointed out to the CFO for further

investigation with the card provider.

Personal use of corporate credit cards is strictly prohibited. Any personal use will subject the employee to the Agency's disciplinary actions discussed earlier in this manual.

The Programs Administrative Assistant shall report the loss or theft of a corporate credit card immediately by notifying the credit card company as well as the Director, P-Card Coordinator, and CFO.

PAYROLL AND RELATED POLICIES

Payroll Administration

The State of WV currently operates on a bi-weekly payroll. All salary and benefit payments, records and other Human Resource functions are the responsibility of the ASD who follows the Department of Personnel Policies of the State of WV.

A personnel file is established and maintained for all employees with current documentation, as described throughout this section.

The following forms, documents, and information shall be obtained and included in the personnel files of all new employees:

1. Employment Application (and resume, if applicable)
2. Applicant references (work & personal)
3. Form W-4 Employee Federal Withholding Certificate
4. Form IT 104 State Withholding Certificate
5. Form I-9 Employment Eligibility Verification and supporting documents
6. Job title and starting salary
7. Authorization for direct deposit of paycheck, along with a voided check or deposit slip

Each employee payroll file shall also indicate whether the employee is exempt or non-exempt from the provisions of the Fair Labor Standards Act.

If required by specific grants, the employee payroll file must also include a pre-employment background check.

Changes in Payroll Data

All of the following changes in payroll data are to be authorized in writing and/or electronically within wvOASIS:

1. New hires
2. Terminations
3. Changes in salaries and pay rates
4. Voluntary payroll deductions

5. Changes in income tax withholding status
6. Court-ordered payroll deductions

New hires, terminations, and changes in salaries or pay rates shall be authorized by the appropriate Director and the Human Resources Manager as required by Agency policy.

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

Documentation of all changes in payroll data shall be maintained in each employee's personnel file.

Personnel Activity Reports

The WVCAD follows the requirements in *2 CFR Part 200.430(i), Standards for Documentation of Personnel Expenses*, as well as requirements in specific grants.

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

1. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
2. Be incorporated into the official records of the Agency;
3. Reasonably reflect the total activity for which the employee is compensated;
4. Encompass both federally assisted, and all other activities compensated by the Agency on an integrated basis;
5. Comply with the established accounting policies and practices of the Agency; and
6. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award or a Federal award and non-Federal award.

Preparation of Time and Effort sheets (timesheets)

Each WVCAD employee must submit to the Administrative Assistant a signed and approved Time and Effort sheet no later than the 2nd day following the close of the last PPE date of each month. All timesheets are submitted to the ASD Director. Time and Effort sheets shall be prepared in accordance with the following guidelines:

1. Each timesheet shall reflect all hours worked for each program during the pay period, whether compensated or not.
2. Timesheets shall be prepared electronically (or in ink).
3. Errors shall be corrected by the employee submitting a new Time and Effort.
4. Employees shall identify and record hours worked based on the nature of the work performed.
5. Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such.
6. Timesheets shall be signed by the employee prior to submission.

After preparation, Supervisors or their designees shall approve timesheets prior to submission to the Administrative Assistant. Corrections identified by an employee's supervisor shall be authorized by the employee by initialing next to the change.

An Agency employee who is on leave, traveling, or is ill on the day that timesheets are due may telephone or email timesheet information (actual time worked and the appropriate classifications) to his or her supervisor (or designated alternate). The employee must initial a timesheet submitted in this manner immediately upon his or her return to the office. Timesheets submitted in this manner shall bear the notation, "Time reported by telephone or email by (employee) to (supervisor or designated alternate)." The timesheet shall be signed by the supervisor or the designated alternate.

Processing of Timesheets

The Administrative Assistant sends the Time and Effort sheet to the ASD Director. The ASD Director will process the timesheets by checking them for mathematical accuracy before completing the monthly payroll allocation.

Review of Payroll

All salary and benefit payments, records and other Human Resource functions are the responsibility of the ASD who follow the Department of Personnel Policies of the State of WV.

Distribution of Payroll

Check stubs are available to employees in wvOASIS and are not otherwise distributed.

POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

General Checking Account (operating account):

The WVDO does not maintain bank accounts – check or savings and has no petty cash. All funds are on deposit with the State Treasurer’s Office who is the single banking entity for WVDO. Agency funds are held in “Funds” in the Treasurer’s Office as created and defined in the state accounting system.

Most state and federal funds are transferred electronically into Agency accounts. Other income, such as checks, is deposited at the Treasurer’s Office at the Capitol.

Drawdowns are done on an as-needed basis to cover current expenses.

Grant Reconciliations

Grant reconciliations are completed on a monthly basis. The reconciliation process shall involve a review of each grant balance maintained by ASD Fund Summary sheets compared to the cash balance and grant balances derived from wvOASIS reports. A monthly meeting is held by ASD with the WVCAD Director and Program Managers. A Fund Summary and detail of invoices paid, journal entries completed, revenue received, and any misc. items are provided for each grant during the meeting.

Each program and grant budget are reviewed along with the detail of items paid and any adjusting journal entries resulting from the meeting are prepared and completed by ASD. Copies of resulting journal entries are filed in the current year's accounting files.

Reports are also prepared from Awarding Agency draw systems and compared to ASD and wvOASIS records periodically throughout the year.

Federal Award Reporting

For CDBG-DR and CDBG-MIT awards specifically, the WVCAD and ASD shall utilize HUD's Disaster Recovery Grant Reporting (DRGR) system to submit financial and performance data to HUD regarding activities funded under CDBG-DR and CDBG-MIT. DRGR provides the means for updating and reconciling grant award amounts, drawdown information, and current balances with WVOasis. The WVCAD and ASD will provide quarterly updates which are entered into the DRGR system by the program manager.

Through DRGR, the ASD can create vouchers which are then reconciled with the drawn amounts compared to WVOasis to ensure accuracy of financial balances. After the vouchers are processed via LOCCS, DRGR updates the status of the vouchers, enabling users to track the status of their draw-downs. The WVCAD and ASD shall track the following in the DRGR system:

- Grants, Sub-funds, and sub-grants
- Consolidated Plan/Action Plan
- Projects
- Activity Setup
- Activity Funding
- Program Income
- Draw-downs
- Accomplishment Reporting
- Reports
- Security and Data Access

WVCAD and ASD will ensure that information on obligations, expenditures, and program income submitted to HUD in DRGR, QPR or other applicable reports reconcile with ASD's accounting records for time periods reviewed. Federal reporting for all other programs will be completed using the required system per guidelines, WVOasis reports, and respective system reports as necessary.

Cash Flow Management

The CFO or Accountant balances cash on a daily basis by using the current invoice spreadsheet and comparing it to the BBALS information screen in wvOASIS to monitor cash flow needs to eliminate idle funds and to ensure that payment obligations can be met. Drawdowns are performed on an as-needed basis.

The WVCAD adheres to the requirements of its grants which prohibit loaning funds between programs; therefore, cash management and reporting is performed at the program level as well as for the Agency

as a whole.

Stale Checks

ASD runs a stale dated check report each month to monitor any checks that have not cleared the bank. For checks that are 2 months old that have not cleared the Agency's bank, contact will be made with the payee to resolve the issue and a stopped payment will be issued through wvOASIS if necessary.

The WVCAD will also comply with West Virginia laws regarding unclaimed property. Accordingly, if uncashed checks are subject to a state reporting and transfer requirement, the Agency shall file all appropriate forms and remit unclaimed property to the appropriate jurisdiction.

Petty Cash

The WVDO has no petty cash funds.

Wire Transfers

The ASD staff shall be the only ASD employees authorized to transact wire transfers to WVDO bank accounts. The Treasurer's Office processes all wire transfers from WVDO after the transactions have been initiated by the ASD staff.

PROPERTY AND EQUIPMENT

The WVDO follows the Purchasing Division guidelines for fixed assets and inventory found at the following web address: http://www.state.wv.us/admin/purchase/surplus/surplus_operations_manual.pdf

Equipment and Furniture Purchased with Federal Funds (2 CFR Part200.313)

The WVDO may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a federal agency. In addition to those policies described earlier, equipment and furniture charged to federal awards will be subject to certain additional policies as described below.

All purchases of *equipment* with federal funds shall be purchased according the guidelines established by the federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

1. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to federal awards.
2. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of \$5,000 or less at the conclusion of the award, WVDO shall retain the equipment without any requirement for notifying the federal agency.
3. If the remaining per unit fair market value is \$5,000 or more, WVDO shall gain a written understanding with the federal agency regarding disposition of the equipment. This

understanding may involve returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs not to exceed \$500, to the federal agency. 2 CFR Part 200.313(e)

4. The Program Manager shall determine whether a specific award with a federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with federal funds shall be performed annually by an employee who is not responsible for ordering or approving the purchase of these assets. The results of the physical inventory shall be reconciled to the accounting records of and federal reports filed by WVDO.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset: 2 CFR part 200.313(d) (1)

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number or other identification number)
4. Source of the funds used to purchase the equipment, including the federal award number, if applicable
5. Information to calculate the federal share of the cost of the equipment, if applicable
6. Location, use and condition
7. Depreciation method
8. Estimated useful life
9. Ultimate disposition data including the date of disposal and sale price

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by WVDO. This physical inventory shall be reconciled to the property log and adjustments made, as necessary. All adjustments resulting from this reconciliation will be approved by the Director or designee.

Receipt of Newly Purchased Equipment and Furniture

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

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

Depreciation and Useful Lives

Property and equipment are depreciated over their estimated useful lives using the straight-line method

as determined by wvOASIS.

Disposition of Property and Equipment

If equipment is sold, scrapped, donated, or stolen, adjustments need to be made to the fixed asset listing and property log.

Write-Offs of Property and Equipment

The Procurement Officer approves the disposal of all capitalized fixed assets that may be worn out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Procurement Officer and Surplus/Purchasing Division. If not located, this property will be written off the books with the proper notation specifying the reason.

LEASES

The approval of all leases for office space is the responsibility of the Leasing Section of the West Virginia Department of Administration.

Classification of Leases

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

1. The lease transfers ownership to WVCAD at the end of the lease term.
2. The lease contains a bargain purchase option.
3. The lease term is equal to 75% or more of the estimated economic life of the leased property.
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of the Agency's incremental borrowing rate or, if known, the lessor's implicit rate).

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

Reasonableness of Leases

The WVCAD assesses the value of leases according to the requirements of 2 CFR Part 200.465, Rental Costs of Real Property and Equipment, considering the following factors;

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

Rental arrangements will be reviewed every 1 to 2 years to determine if circumstances have changed

and other options are available.

Accounting for Leases

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the lease payment is due.

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

The WVCAD shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms, including a schedule of future annual lease payments obligations.

Changes in Lease Terms

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

INTANGIBLE ASSETS

Acquisition of Intangible Assets

Intangible assets include a variety of items, such as copyrights, service marks, trademarks, license agreements, and videos. The Agency may acquire intangible assets in any of the following manners:

1. Contribution from a donor;
2. Purchase from an outside party that holds title to an intangible asset; or
3. Internally developing an intangible asset through utilization of the Agency's employees, volunteers, and contractors (e.g., an employee writes a document on behalf of the Agency)

Accounting for Intangible Assets

Intangible assets acquired by contribution from donors shall be accounted for as assets measured at fair value at the date of the gift.

Intangible assets acquired by purchase shall be capitalized as assets at the purchase price paid for such assets.

The costs of intangible assets that are developed internally shall be charged to expense (not capitalized) if any of the following criteria are met:

1. The intangible asset is not specifically identifiable.
2. The asset has an indeterminate life.
3. The asset is inherent in the Agency and related to the Agency taken as a whole.

Costs of internally-developed intangible assets not meeting any of the three preceding criteria shall be capitalized. These costs may include salaries, allocated employee benefit costs, consultant fees, and other related costs.

Amortization

Capitalized intangible assets of the Agency shall be amortized over their useful lives, using the straight-line method of amortization.

POLICIES ASSOCIATED WITH FINANCIAL REPORTING

FINANCIAL REPORTING

Standard Financial Records of the Organization

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

Frequency of Preparation

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

A standard set of financial reports described in the preceding section shall be produced on a monthly basis by the 12th of each month. The standard set of financial statements shall be supplemented by the following schedules:

1. Individual statements of activities on a grant basis
2. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts

The monthly set of financial reports shall be prepared on the cash basis of accounting.

Review and Distribution

All financial reports and supporting documentation shall be reviewed and approved by various ASD staff prior to being issued by the ASD.

After approval, a complete set of monthly financial reports, including the additional documentation described above, shall be distributed to the following individuals:

- WVCAD Director
- Program Managers and any other employee with budget-monitoring responsibilities

Monthly Distribution

Financial reports shall be prepared and distributed on a monthly basis to the WCAD Director and Program Managers.

Annual Financial Reports

On an annual basis, the ASD completes the Schedule of Expenditures of Federal Awards (SEFA) financial reports, including footnotes addressing all disclosures. These financial reports shall be reviewed by the ASD Director and Commerce Secretary. After review and approval, they are presented to the FARS Department and independent auditors at the beginning of their annual audit as the draft reports from which they will conduct their audit. An Annual Audit is required when fiscal year expenditures equal or exceed \$750,000 for any federal awards (see Annual Audit section).

PREPARATION OF CONSOLIDATED FINANCIAL RECORDS

Consolidation Policy

While ASD shall maintain accounting records and prepare financial reports on a stand-alone basis, to facilitate financial management and preparation of reports that must be prepared solely for the WVDO. The WVDO may also be required to prepare consolidated financial reports in order to fully comply with regulations. When consolidated financial reports are prepared, a single set of financial reports is prepared that combines all grants by CFDA number and reported on the SEFA.

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview

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

Budgets are also prepared for funding sources, and each Program Manager must be aware of budget modification requirements. Awarding agencies may or may not require approval for changes in line items. WVCAD will document and follow all such requirements.

Preparation and Adoption

The WVCAD and ASD will prepare an annual budget on the cash basis of accounting for each grant. The CFO gathers proposed grant budget information from all Program Managers and prepares the budget.

Budgets proposed and submitted by each Program Manager should be accompanied by a narrative explanation of the sources and uses of funds.

After compilation of all grant budgets by the CFO, the budgets are presented to the Director and Program Managers for discussion and revision if necessary.

Budgets for programs that are not on the Agency's fiscal year will be prepared in accordance with awarding agency requirements.

Monitoring Performance

The WVCAD and ASD monitors its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the ASD and distributed to WVCAD Director and Program Managers.

Budget and Program Revisions

The WVCAD will request prior approval from federal awarding agencies for any of the following program or budget revisions: 2 CFR Part 200.308

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (Project Director, etc.) specified in the application or award document.
3. Disengagement for more than three months, or a 25% reduction in time devoted to the project, by the approved Project Manager or employee.
4. The need for additional federal funding.
5. The inclusion, unless waived by the federal awarding agency, of costs that require prior approval in accordance with 2 CFR Part 200.407, Prior written approval.
6. The transfer of funds allotted for participant support costs to other categories of expense.
7. Unless described in the application and funded in the approved awards, the subaward, transfer, or contracting out of any work under an award. (However, this provision does not apply to purchases of supplies, materials, equipment, or general support services.)
8. Changes in the amount of the approved cost-sharing or matching provided by the Agency.

Budget Modifications

After a budget has been established and adopted by the Agency, reclassifications of budgeted expenses within a grant may be made by the CFO as necessary based on discussion in the monthly Fiscal/Program meeting or an as needed basis to process invoices, in accordance with grant regulations.

For HUD awards specifically, any proposed changes to an approved project's budget, scope, or objectives will be identified to HUD by the Program Manager or appropriate designee of WVCAD. Program Managers and Project Managers draft any applicable amendment documents, which are sent to the Website Content Manager and Communications team for posting to the CDBG website. If the amendment is determined substantial, the proposed amendment is posted for public comment for the required public comment period, and public hearings are conducted as required. After the public comment period, the Program Manager finalizes amendment documents and notifies HUD of the proposed amendment through DRGR to receive any necessary approvals.

Once approval is received by HUD, then the WVCAD designee shall provide an update to ASD. Finally, a quarterly report shall be submitted through DRGR prior to the last day of each quarter, or prior to a date required by HUD. The report shall include any proposed changes to the project's budget, scope, objectives, or funding needs.

Note that the definition of a substantial and non-substantial Action Plan amendment is defined in the CDBG-DR and CDBG-MIT Citizen Participation Plans.

ANNUAL AUDIT

Role of the Independent Auditor

The Financial Accounting and Reporting Section (FARS) of the West Virginia Department of Administration is responsible for arranging the State's annual audit for all departments. The independent accounting firm selected by FARS shall communicate directly with the Agency's staff upon the compilation and completion of their audit. In addition, members of the Agency's staff are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted to Agency staff by the independent accounting firm or FARS. In addition, the independent auditor will submit the required data collection form and reporting package to the Federal Audit Clearinghouse within 30 calendar days of their report in accordance with 2 CFR 200.512.

Preparation for the Annual Audit

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

Planning – In anticipation of the annual audit, the ASD shall perform a self-assessment of internal controls utilizing the “Standards for Internal Control in the Federal Government” guidance issued by the Comptroller General of the United States to ensure compliance with 2 CFR 200.303(a). The ASD is responsible for delegating the assignments and responsibilities to ASD staff in preparation for the audit. The ASD shall review the list of information requested by the auditors and assign responsibility for each item to the appropriate staff of the Agency. The ASD shall then schedule and direct status meetings in the weeks leading up to the audit in order to review the progress of staff in preparing for the audit.

The ASD shall arrange and coordinate any and all meetings, interviews, telephone discussions, and conference calls requested by the auditor with WVCAD and ASD employees to facilitate the auditor's work. Prior to any such meetings or discussions, the ASD shall inform each Agency participant of the

nature of the discussion or meeting and what, if any, preparations they should do prior to the meeting. The ASD shall communicate to each Agency participant in such meetings or discussions the importance of being open, honest, and frank with the auditors with respect to any and all questions posed by the auditors.

Involvement – WVCAD and ASD staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

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

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

Concluding the Audit

Upon receipt of a draft of the audited financial statements of WVCAD from the independent auditor or FARS, the ASD shall perform a detailed review of the draft, consisting of the following procedures:

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

Any questions or errors noted as part of this review shall be communicated to the independent auditor or FARS in a timely manner and resolved to the satisfaction of the WVCAD and ASD.

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

Audit Adjustments

It is the policy of WVCAD and ASD to review all adjustments prepared by the independent auditor in connection with the annual audit, and, if in concurrence, record them in the general ledger.

The Agency may also receive a list of unadjusted differences (or passed audit adjustments) from the independent auditor in connection with the audit. If the Agency receives such a list, it shall be the responsibility of the ASD to review them and determine whether or not to record them in the current year.

Internal Control Deficiencies Noted During the Audit

In accordance with generally accepted auditing standards, at the conclusion of the audit the Agency's independent auditors may provide a written communication of internal control deficiencies noted in connection with their audit. Not all deficiencies in internal control are required to be reported by the auditor. Only the following two types of deficiencies are required to be communicated:

1. **Material weakness** – A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.
2. **Significant deficiency** – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Agency's independent auditors are required to provide written communication to the FARS and WVDO of all significant deficiencies and material weaknesses (i.e., only those control deficiencies that rise to the level of materiality at which they qualify under the definitions provided above, in the opinion of the auditor).

It is the Agency's policy that all internal control deficiencies that are communicated by the auditor in writing shall be formally addressed by WVCAD staff and ASD staff. WVCAD staff and ASD staff shall prepare a written response, which shall include a summary schedule of prior audit findings and corrective action plan, to each internal control finding and such response shall be presented to the FARS Department for its review and approval. All documents requested by auditors are loaded in the EY Canvas Portal by agreed upon dates. WVCAD staff are notified of any late items, if applicable, as the audit progresses. All official audit finding notifications specify when WVCAD response needs to be submitted back to FARS or auditors; this helps ensure responses are prompt and corrective actions are applied in a reasonable timeframe. To be considered prompt, responses should be provided within 10 business days unless a date established by the auditor is sooner.

Communications with the Auditors

In accordance with generally accepted auditing standards, in connection with and at the conclusion of each annual audit, the auditors are required to make certain communications directly to the FARS and WVCAD.

Some of the communications that WVCAD's auditors may have with the FARS include:

1. Planning discussions prior to commencing the audit, such as by inquiring of FARS members their perception of where the risk of material misstatements in the Agency's financial statements may be greatest, the various risks of fraud, and other inquiries.
2. Planning stage communications informing FARS of the planned scope and nature of certain audit procedures that the auditors plan to perform, to aid in the Agency members having a thorough understanding of the audit.
3. Internal control deficiencies noted during the audit, communicated in writing at the conclusion of the audit.
4. Any material fraud detected by the auditor, or any fraud, regardless of materiality, involving senior management, noted at any time during the audit.

5. Significant problems or other issues that arose during the audit (e.g., disagreements with management and certain other items that the auditors may be required to report to the audit committee).
6. Audit adjustments made by the auditors as a result of their audit.
7. Certain audit differences noted by the auditors that they deemed not material enough to warrant making an adjustment for.

FARS members should be aware of these communications and engage in active discussions with the auditors whenever it is considered appropriate in the fulfillment of these or their other duties.

INSURANCE

Overview

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

WVCAD maintains adequate insurance against general liability, as well as coverage for buildings, contents, computers, equipment, machinery, and other items of value.

Coverage

The WVCAD carries the following types and levels of insurance through the Board of Risk Management (BRIM):

| <u>Type of Coverage</u> | <u>Amount of Coverage</u> |
|---------------------------------|---|
| Comprehensive General Liability | Limit of Liability \$1,000,000 each occurrence* |
| Personal Injury Liability | |
| Professional Liability | |
| Stop Gap Liability | |
| Wrongful Act Liability | |
| Comprehensive Auto Liability | |
| Auto Physical Damage | |
| Garagekeepers | |

*For all coverages combined

| | |
|-----------------------|--|
| Workers' Compensation | To the extent required by law (or contractual obligations of the Organization) |
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WVCAD shall maintain a listing of all insurance policies in effect. This listing shall include the following information, at a minimum:

1. Description (type of insurance)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles

4. Premium amounts and frequency of payment
5. Policy effective dates
6. Date(s) premiums paid

RECORD RETENTION

Record Retention Policy

WVCAD retains program records as required by grant and state guidelines and destroys them when appropriate. All files, both hard copy and electronic shall be labeled with topic, year (if applicable), and destruction date. Electronic copies shall be saved in appropriate folders on the network storage device. Hard copies should be stored in file cabinets or archived in the storage area. All fiscal records are maintained for 7 years after grant closeout, and then destroyed based on file dates.

Review and purging of files may take place on an ongoing basis, but must occur at least once per year, and must follow the minimum retention requirements outlined below.

The destruction of any documents containing social security numbers or any other “consumer data” as defined under federal laws and regulations shall be done via shredding using an approved shredding service provider.

All program documents retained by the WVCAD will be properly documented, standardized, recorded, and auditable. All records related to federal awards, including subrecipient records and supporting documentation, shall be maintained in accordance with requirements prescribed by or in 2 CFR § 200.333, 24 CFR 570.502; or 24 CFR 570.490 as applicable. Records shall be retained for the greater of three years from closeout of the grant to the state, or the period required by other applicable laws and regulations as described in 24 CFR §570.487 and 24 CFR §570.488. The WVCAD shall uphold source documentation, including contracts and sub-grant awards in hard copies as well as electronically, when applicable. Hard copies will be stored in controlled rooms within file cabinets overseen by document maintenance staff. Additionally, WVCAD will ensure all entries in HUD’s reporting systems either the Integrated Disbursement and Information System (IDIS) or the DRGR system as appropriate are entered in the form prescribed (annually or quarterly, where feasible, as recommended by HUD).

Exception for Investigations

In connection with any ongoing or anticipated investigation into allegations of violations of federal laws or regulations, provisions of government awards, or violations of the Agency’s Code of Conduct, the following exceptions are made to the preceding scheduled retention and/or destruction of records:

1. All records related to the subject of the investigation or allegation shall be exempt from any scheduled record destruction.
2. The term “records” shall also apply to any electronically stored record (e.g., documents stored on computers, email messages, etc.), which shall also be protected from destruction.