

1. Overview of the System

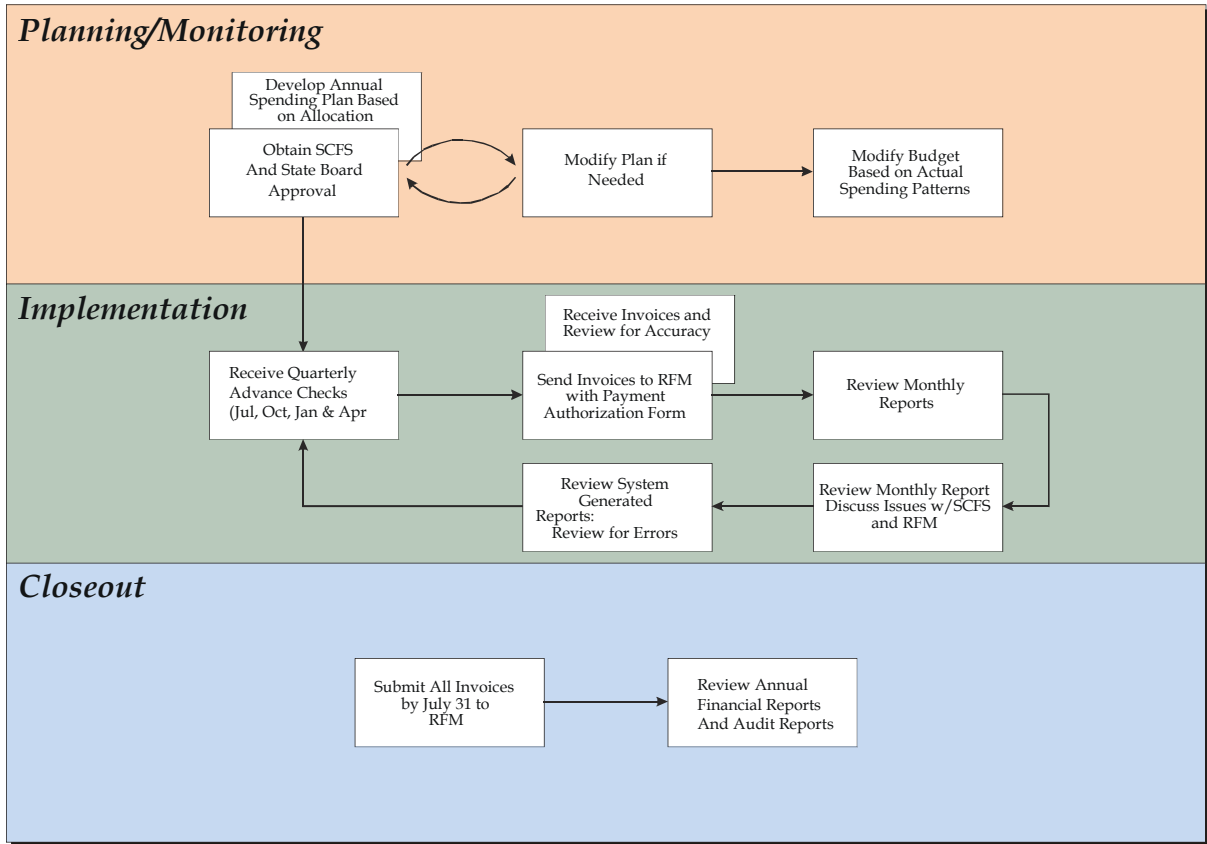
1-A. Flow chart and overview of the system

The elements of the fiscal system are the Budget Spending Plan (BSP) and the accounting system.

- The county completes the BSP each fiscal year during its renewal application process. The BSP is the tool that will serve the counties during appropriation planning and evaluation to open discussion between the county partnership and SC First Steps (SCFS) and it will be used each year to manage your programs as they grow and change. The BSP explains what funding is needed to support the priorities and strategies the county is funding, serves as the document that will set up your accounts, and will establish your quarterly allocation levels. The BSP is also the document will be used by SCFS, the RFM and auditors to monitor spending levels and ensure that spending occurs as planned. The SCFS fiscal office will speak with each county each year about the cash flow needs for each program and will work with each county to complete the BSP. Items agreed upon in the BSP will be coded and entered into the accounting system. Your Regional Finance Manager (RFM) will be assisting you with spending plan management.
- The accounting system (Universal Management System – UMS) will become your record keeper, reporting tool, payment processing system and documentation system. Your RFM will enter all revenues and expenditures into the accounting system and will use the system to manage all funds, including payroll. Auditors will review the reports produced by the accounting system. Certain other legislatively mandated reports, such as the annual match report, will be produced by the system as well.

The charts on the following two pages illustrate the major functions of the fiscal system from the perspective of both the county partnership and SCFS. Each area will be discussed in detail throughout this manual and the policies included will help you operate the system that has been developed for you.

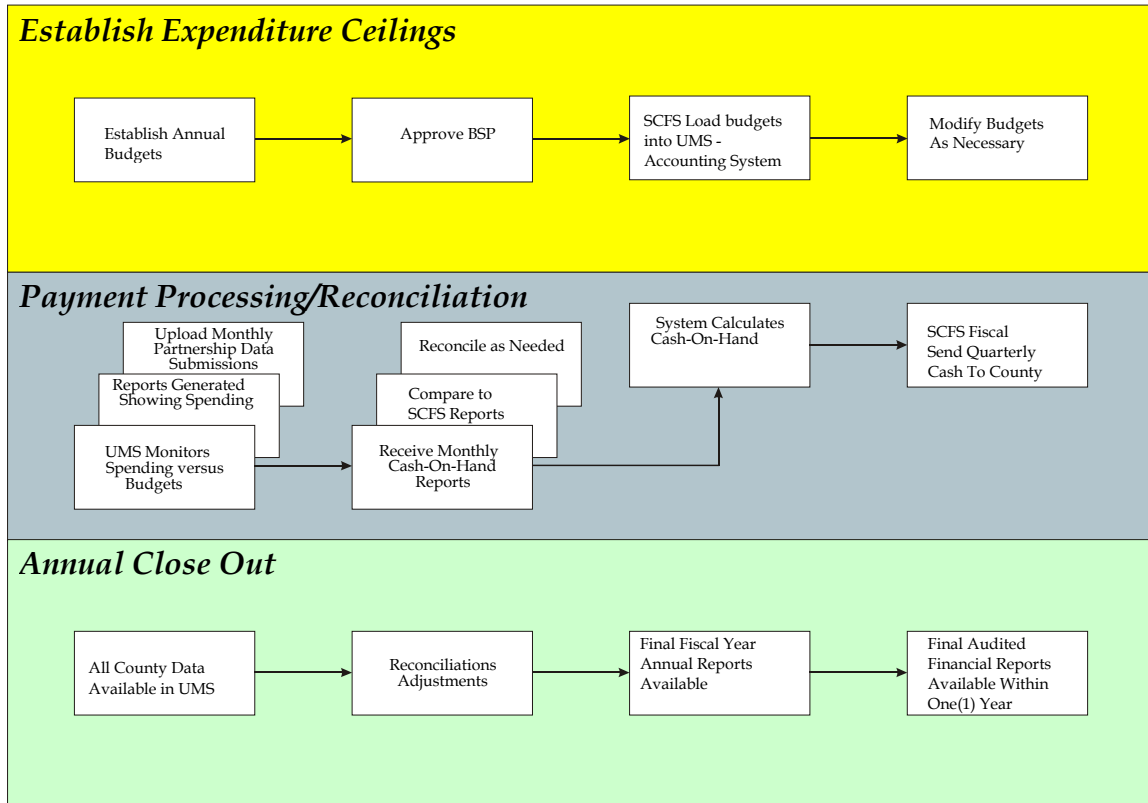
PARTNERSHIP FISCAL SYSTEM



County Partnership Functions

County Partnership activities include planning and monitoring functions, expenditure processing functions, and closeout/reporting functions. The items in the top third of the chart are planning functions. You will conduct these activities annually and semi-annually to ensure that your funding allocations are correct based on your strategic plan and actual program spending. Revisions may be required as the year progresses. The items in the middle of the chart describe how funds are received and how you will pay for services. Functions in this section would be managed on a regular basis (daily or weekly based on size). These functions will allow you to track revenue taken in and expenditures made, and will produce monthly spending reports for your board and SCFS review. Closeout functions are annual functions and are undertaken to balance your books and to help you modify your spending plans for future years based on actual spending patterns. Each year begins anew with the items on the top of the page. You will work closely with your RFM to manage many of the functions illustrated on this chart. All functions are described in detail throughout this manual

SCFS FISCAL SYSTEM



SCFS Functions

Items contained in this chart are the functions that SCFS will be conducting with all county partnerships. Once again, the top third of the chart represents functions that will occur annually and semi-annually. SCFS will work with each partnership to develop and refine the BSP and develop allocation ceilings. Items in the middle section of the chart are related to SCFS' cash management system. SCFS has developed a quarterly revenue disbursement model that will help SCFS and the county partnerships manage cash flow throughout the year. This system of disbursing cash will result in quarterly checks sent to each partnership with an approved Level Two grant. The bottom third of the chart illustrates how SCFS will use county partnership data to produce its legislatively-required fiscal reports and will allow SCFS to complete audits of all SCFS spending in aggregate. In addition, this data will allow SCFS to respond to questions and requests for information required by the legislature or other state entities.

1-B. Why a good fiscal system is necessary for proper fiscal management

All businesses, both public and private, require fiscal control systems to ensure that funding is being managed in a responsible way and that funds are being used to achieve the business' mission in the most efficient and effective manner possible. In addition, the First Steps legislation requires that a uniform fiscal and accounting system be established.

The First Steps legislation requires the following from SCFS' fiscal system:

- An annual report of "in-kind" and "cash" matches be received from all county partnerships
- A uniform accounting system be implemented
- A system of internal controls be developed
- Contract management and monitoring be implemented
- A procurement process be competitive for all purchased goods and services of \$10,000 or more
- Separate and identifiable accounts be maintained for all private (including in-kind) and state-appropriated funds
- Disbursements be made only on the written authorization of the county designee
- A cost/benefit analysis can be conducted using fiscal and program data

To comply with these specific requirements, SCFS has developed a standard system. This will allow the SCFS to:

- Comply with First Steps' legal requirements, South Carolina state law, and IRS 501(c)(3) regulations
- Use the SCFS funding efficiently so that the SCFS can serve families in the most cost-effective manner possible
- Avoid inappropriate spending decisions that could impact the reputation of all First Steps county partnerships
- Avoid negative audit findings
- Avoid misuse of funds and the corresponding penalties set forth in First Steps legislation sections 59-152-150 (D) and (E)

1-C. Calendar of Annual Fiscal Events

TIMEFRAME	EVENT
July 1 st	Fiscal Year begins
Third week of July	First formula allocation cash advance issued for the period July, August & September
By July 31 st	All prior year invoices due to RFM
By August 31 st	All prior year invoices paid by RFM
October 1 st (<i>Projected</i>)	Prior year financial audit begins RFM send reports to auditor
First week of October	Second formula allocation cash advance issued for the period October, November & December
First week of January	Third formula allocation cash advance issued for the period January, February & March
January 31 st (<i>Projected</i>)	Prior year DRAFT financial audits issued
Month of March or April (<i>specific date to be announced</i>)	Next fiscal year budget/formula allocation projections released
March 31 st (<i>Projected</i>)	Prior year FINAL financial audits issued
First week of April	Fourth formula allocation cash advance issued for the period April, May & June
Month of May (<i>specific date to be announced</i>)	Renewal application (including budget) submitted to SCFS
Month of June (<i>specific date to be announced</i>)	Renewal application (including budget) approved by State Board of Trustees
Month of June (<i>before July 1</i>)	New fiscal year budgets loaded into accounting system
June 30 th	Fiscal year ends
First day of each month	Finance reports generated by accounting system and sent via email to all Executive Directors