

10. Fiscal Controls

10-A. Introduction

Section 59-152-150(A) of the First Steps legislation requires OFS to adopt and implement a standard fiscal accountability system for all counties that includes, but is not limited to, a uniform, standardized system of accounting and internal controls.

In addition, your financial activities are subject to the general requirements of IRS code 501(c)(3) and Code of Laws, Title 33, Chapter 31, the *South Carolina Nonprofit Corporation Act*, under which all non-profit organizations must be incorporated.

Fiscal controls are important to:

- Avoid creating the perception that any OFS funding has been spent inappropriately
- Ensure that revenues earn the maximum interest possible
- Avoid audit findings
- Ensure that your partnership spends in accordance with the Budget Spending Plan (BSP) approved by OFS and your county board

Although OFS does not require your partnership to carry out its own accounting functions, you will play an important role in ensuring that your budgetary functions run smoothly and accurately. This chapter explains how you should:

- Manage incoming revenue
- Process vendor invoices
- Change model codes in your approved BSP
- Track employee costs against your program codes

NOTE - First Steps legislation requires that the board designate an individual to have authority to authorize expenditures from your approved BSP. Please ensure that this authorization has been voted upon by the board and is reflected in your board minutes. Send a letter to First Steps including the name of the designee, and the date of the Board vote with a copy of the minutes.

10-B. Cash and Revenue Management

This chapter is designed to help you manage your revenue, and provides standard policies that will make this process efficient and effective. Your partnership will manage two kinds of funding to operate your programs and achieve your goals. These two revenue sources are OFS state (and private) allocated dollars, and private/local cash donations made directly to your partnership.

OFS Cash Disbursements

- OFS will make quarterly disbursements directly to your RFM based upon your annual allocation from OFS.
- Deposits will be maintained in an interest bearing account – all deposits will be made within one business day to ensure maximum interest is earned. Private funds you get from the state office and OFS public funds your partnership receives will be accounted for separately.
- No payments will be made without an authorized signature(s) from the County Partnership Board.
- Your RFM will provide you with monthly reports describing your account transactions.

Private & Local Dollars Sent To Your Partnership Directly

- Executive Director (ED) receives a private cash donation, or a cash donation from a local government body.
- ED sends this check including an “In-Kind Match/Private Cash Local Donation” form to the RFM within one business day of receipt (see page 3).
- The RFM will deposit this check into your private donation account and record the amount in the accounting system.
- If budget has not been previously approved for this cash/revenue, the ED must immediately complete a Budget Reallocation Form and forward to the OFS for budget approval. The normal budget reallocation process must be followed as reflected in section 10-D of this chapter.
- No payments will be made without an authorized signature(s) from the County Partnership.
- The RFM will provide the ED with monthly reports describing account transactions.

The form on the following page should be submitted to the RFM with each cash contribution.

In-Kind Match/Private Local Cash Donation

County Partnership Name: _____

Date: _____

Total Donation Received: _____

Name of Donor: _____

Fiscal Year: _____

Fund Code, Program Code
and Mode Code: _____

Currently Budgeted In BSP?
(Yes or No) _____

If this item was not anticipated in your BSP, please describe how you intend to use this new funding below. SEND A BUDGET RE-ALLOCATION FORM TO OFS.

10-C. Invoice Payment

Your partnership will receive invoices for contracted services on a regular basis. These invoices should be:

- Reasonable and accurate based upon the BSP
- Submitted in a format that tells your RFM which program codes and model codes to charge the expenditure against
- Prepared by the contractor on a monthly or quarterly basis

Before authorizing the RFM to make payment, you should review invoices carefully. You will find a payment authorization form on page 7 of this chapter that must be sent to the RFM with each invoice submitted.

When you receive an invoice, you should:

- Review the invoice for accuracy and reasonableness. Invoices must clearly state the type of service/supply being reimbursed. If travel is involved, the invoice must show distinctly the name of individual, purpose of trip, registration, lodging, meals, etc. Advance payments may be authorized but **must** be reconciled later based on actual expenses incurred.
- An authorized county partnership **board member must approve** all invoices made payable to and/or for the benefit of an **executive director**. The supporting document must be adequate and clearly state name of individual, purpose, amount, etc.
- **Periodically request and review receipts and supporting documentation from all contractors**
- Ensure that the invoice is coded correctly based on OFS accounting structure (see Chapter 5)
- Prepare a payment authorization form if you approve of the invoice (*effective December 1, 2002, all invoices in excess of \$500 must have two county designated signatures. These two signatures must be a county office staff person and a board member. The board member should be the Chair, the Vice-Chair, the chair of your finance committee (or your Treasurer, whichever is applicable to your county) or another appropriately designated board member.*)
- Send both the invoice and the authorization form to your RFM as quickly as possible. Retain a copy of both items for your records.
- **Mileage:** Advance payment for county partnership employees shall not exceed 75%. Employees must request the final 25% (as applicable) reimbursement upon return from the trip. All employees must use the internet “Mapquest” as support documentation for all out-of-town/trip mileage reimbursements.

- **Meals (out-of-town travel only):** Advance payment for county partnership employees shall not exceed 75%. Employees must request the final 25% (as applicable) reimbursement upon return from the trip. All employees must request payment of actual meals missed during the trip. Meals are payable based on the state's current rate: **in-state** (\$6 breakfast, \$7 lunch & \$12 dinner); **out-of-state** (\$7 breakfast, \$9 lunch & \$16 dinner). Additional payment (*in excess of standard meal rates*) may be reimbursed using the county partnership's own local-private or grant funds.
- **Credit cards for county partnerships:**
 - Authorization: county partnership board of directors
 - Use: must be used **only** for official county partnership purchases
 - Payment: must submit to RFM the original receipt (received at time of purchase) and corresponding monthly statement

In addition to invoices from vendors, you will also be receiving invoices for items that you purchase to operate your county office. These invoices should also be submitted with a payment authorization form to your RFM. For example, you may open an account at your local office supply store to purchase supplies. This store will then invoice you for all purchases made within a given period. When you receive this invoice you treat it like any other invoice (see above). Remember you must include a payment authorization form with **ALL** invoices.

Remember, it is important to send invoices and payment authorization forms to your RFM so that payments can be processed and entries can be made in the accounting system as quickly as possible. This will help ensure that your fiscal system is accurate and time effective. This is particularly important as the fiscal year closes.

END-OF-YEAR INVOICE SUBMISSION:

RFMs will not pay invoices received in the RFM's office after July 31st for services rendered and supplies (ordered & received) in the previous fiscal year.

SERVICES:

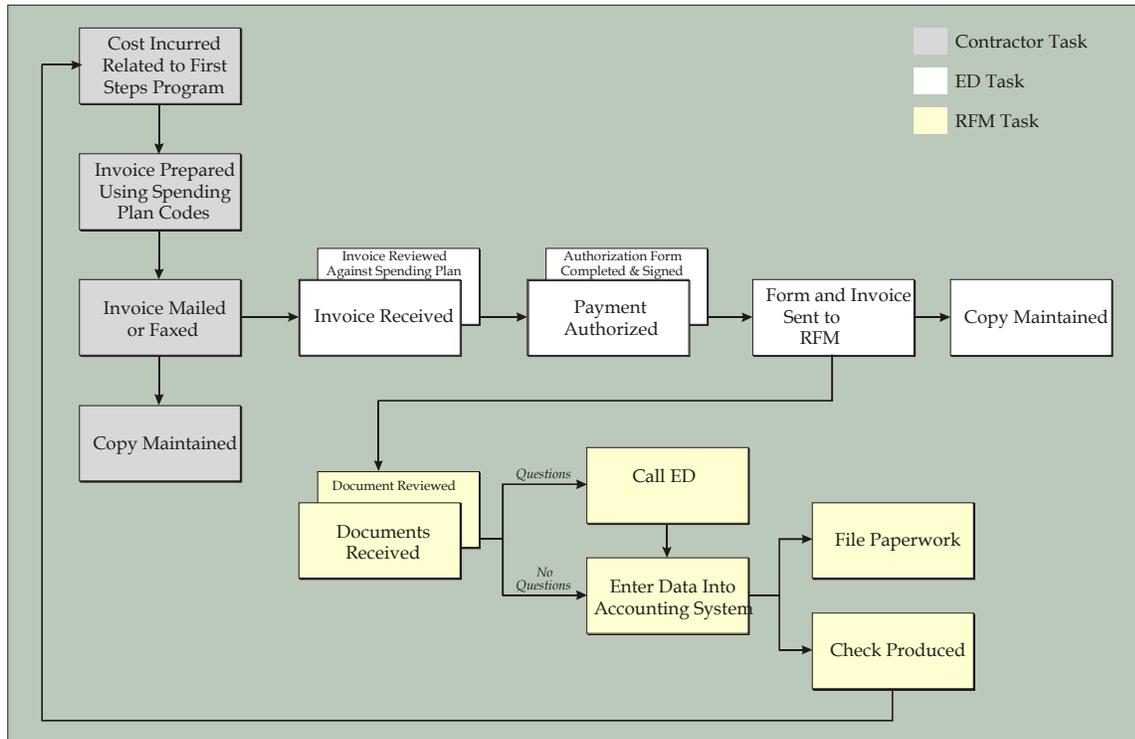
All services rendered/received in the current fiscal year must be paid using current fiscal year funds. For example, if you hire a contracted consultant for services performed in June 2011 (FY 2011), you cannot use FY 2012 funds to make the payment for those services. Additionally, you cannot pay in advance for a service to be received in the next fiscal year without prior approval from SC First Steps, Financial Management Division.

SUPPLIES, MATERIALS AND EQUIPMENT:

All supplies, materials and equipment ordered in a previous fiscal year must be received in that fiscal year in order to be paid with that fiscal year's funds. For example, supplies ordered on June 1, 2011 (FY 2011) must be received on or before June 30, 2011 in order to be paid using FY 2011 funds.

The following chart illustrates the invoice payment process.

INVOICE PAYMENT PROCESS



By following these simple steps, invoices will be managed and paid in a timely basis. Efficient billing schedules will be established to ensure that payments are not paid early or late, but as close to the due date as possible. OFS suggests that in your contract/memoranda of understanding you establish a payment schedule with each vendor that clearly establishes a timetable for flow of invoices and payments. By adopting a pre-established schedule, your vendors will be able to predict payment and your RFM will be able to manage his/her work load effectively. For example, you might require all vendors to submit invoices by the 15th of each month to receive payments on the 30th of each month. All vendors would understand that if they did not submit an invoice by the required deadline, a check would not be processed until the end of the following month. By establishing a timetable you reduce the risk of errors and you manage vendor expectations.

Requirements of this nature can be established in your contracts. More on contracts can be found in Chapter 9 of this manual.



INVOICE PAYMENT AUTHORIZATION FORM

Partnership
Name: _____

Vendor
Name: _____

Total Amount
of Invoice: _____

Fiscal
Year: _____

INVOICE PAYMENT DISTRIBUTION

| | |
|-----------------------|---------------|
| example: 10-1012-5160 | |
| COST CENTER | AMOUNT |
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SPECIAL ISSUES / INSTRUCTIONS

ED's Signature: _____ Date: _____

Board Member
Signature _____ Date: _____

RFM's Signature _____ Date: _____

10-D. Budget Re-allocations

Your BSP establishes expenditure ceilings for each program code and each model code. These items are entered into the accounting system and become the benchmark against which all spending is analyzed.

Many of these initial estimates will remain the same throughout the year; however, we understand that sometimes even carefully planned budgets require modifications. As a result, OFS has developed four ways to modify your budgets throughout the year. All BSP modifications must follow the appropriate approval process below.

1. **NEW STRATEGIES:**

Any proposed new strategy must be approved, prior to use of funds for that strategy. This is true whether the strategy involves a reallocation of approved public (funds 10, 11, 55 and 56) or state-level private (fund 15) funds or the use of previously unallocated (“Pending Strategy/Plan Approval”) public (funds 10, 11, 55 and 56) or state-level private (fund 15) funds.

- The proposed strategy must first be approved by the OFS program staff (Parenting, Early Education, Childcare, Health or School Transition), and the Division of Finance
- The proposed strategy must then be approved by the State Board of Trustees Program and Grants Committee
- The proposed strategy must be approved by the full State Board of Trustees

2. **ALLOCATION OF PENDING FUNDS:**

Any proposed allocation of “pending” (unallocated) funds 10, 11, 15, 55 or 56 to an approved strategy must be approved, prior to use of funds for that strategy.

- The proposed allocation must first be approved by the OFS program staff (Parenting, Early Education, Childcare, Health or School Transition), and the Division of Finance
- The proposed strategy must then be approved by the State Board of Trustees Program and Grants Committee, and submitted to the full State Board of Trustees as information.

3. **RE-ALLOCATIONS GREATER THAN 15%:**

- Reallocations of funds 10, 11, 15, 55 or 56 from one approved strategy to another approved strategy that is 15% or greater than the sum of funds from the approved strategy being reduced, must be approved by the OFS; submitted to the Program and Grants Committee and to the full State Board of Trustees as information.

4. **OTHER RE-ALLOCATIONS:**

- All other reallocations will be approved by the OFS.
 - Reallocations are **required** when moving budget from one category to another category **(i.e., from County Operations - non payroll to Program Services OR from Program Materials to Program Equipment, etc.)**.
 - Reallocations from one model code to another model code **within** a category are **not required**.
 - Total category budget cannot be exceeded.

Your RFM and/or OFS Fiscal Manager will be available to provide advice and assistance on any questions you may have on how and when you may wish to modify your expenditure ceilings. In addition, your RFM and/or OFS Fiscal Manager can help you if you have technical questions on how to fill out the re-allocation form.



County Partnership Board Official Approval Signatures

COUNTY: _____

DATE: _____

| | |
|--|--------------------|
| Board Chairperson NAME: <i>(PRINT)</i> | |
| TITLE: | Board Chair |
| SIGNATURE: | |

| | |
|--|--|
| Executive Director <i>(Must be designated by board)</i> NAME: <i>(PRINT)</i> | |
| TITLE: | Executive Director |
| LIMITATION: Budget Re-Allocation Form Invoice Payment Authorization Form Contract Authorization | <i>[Please choose an option for each]</i> \$ _____ amount or <input type="checkbox"/> no limitations \$ 500.00 limitation \$ _____ amount or <input type="checkbox"/> no limitations |
| SIGNATURE: | |

| | |
|--|--|
| Board Member #1 NAME: <i>(PRINT)</i> | |
| TITLE: | |
| SIGNATURE: | |

| | |
|--|--|
| Board Member #2 NAME: <i>(PRINT)</i> | |
| TITLE: | |
| SIGNATURE: | |

County partnerships (CP) may choose to require the Board Chair's signature, a Board member's signature or to delegate authority to the Executive Director either entirely or up to a specified amount of funding. CP re-allocation forms **will not** be approved by SCFS without at least **one** of the above signatures. The CP board shall determine how many members have signature authority. Please send a completed copy of this form **and** a copy of the CP board minutes approving the above authorizations to:

County Partnership Finance
 SC First Steps To School Readiness
 1300 Sumter Street, Suite 100, Columbia, SC 29201
 FAX: (803) 734-1431

REMEMBER TO:
 Send a copy of this form to your RFM

10-E. Employee Time Keeping

Each county board of directors establishes a payroll schedule for its employees (twice monthly: 24 pay periods per year or every two weeks: 26 pay periods per year). Your partnership may have hired one or more employees to manage your First Steps programs, or to conduct programs from your central partnership's office. The cost associated with each employee has been included in your BSP document and must be recorded against the correct program and model codes. To ensure that this occurs correctly, each employee must complete a time sheet. Below you will find a format to use for this purpose.

As you know the First Steps legislation requires that you remain within an 8% administrative cap. One way some counties have achieved this goal is by allocating their staff persons' time, where appropriate, between program and administrative functions. The best way to demonstrate the amount of time any such "split" staff person spends performing program and non-program functions is also through a time sheet.

For each day, **each** county staff member will record the hours attributable to the relevant code. Please review the following examples:

Executive Director - 80% administrative, 20% programmatic; this person's time sheet might resemble the following:

| Type | 9-18-10 | 9-19-10 | 9-20-10 | 9-21-10 | 9-22-10 | Total |
|----------------------------|---------|---------|---------|---------|---------|-------|
| 1012-Administrative | 8 | 8 | 4 | 4 | 8 | 32 |
| 1050-Indirect Programmatic | 0 | 0 | 4 | 4 | | 8 |

If your administrative assistant is 100% administrative in nature, his/her sheet would look like this:

| Type | 9-18-10 | 9-19-10 | 9-20-10 | 9-21-10 | 9-22-10 | Total |
|----------------------------|---------|---------|---------|---------|---------|-------|
| 1012-Administrative | 8 | 8 | 8 | 8 | 8 | 40 |
| 1050-Indirect Programmatic | 0 | 0 | 0 | 0 | | 0 |

If your country has decided to operate a child-care subsidy program at the county office level and you have hired one person to perform resource and referral functions, her/his timesheet would look like this:

| Type | 9-18-10 | 9-19-10 | 9-20-10 | 9-21-10 | 9-22-10 | Total |
|-------------------------------------|---------|---------|---------|---------|---------|-------|
| 2012-Parents as Teachers (In-House) | 8 | 8 | 8 | 8 | 8 | 40 |

Twice per monthly or bi-weekly, you must send these time sheets to your RFM. New employees must initially work two(2) payroll periods before receiving their first pay check. Therefore, all employees will have one(1) payroll period in arrears. **Example for twice monthly:** *If an employee begins work on June 1, the first payroll period is June 1 to June 15. The second payroll period is June 16 to June 30. The employee will receive their first pay check on July 1 for the payroll period June 1 to June 15.*

While employees' paychecks will not be withheld if time sheets are not submitted, timesheets are critical for accounting purposes and must be submitted for **ALL** county staff on a timely basis. Time sheets must also be submitted to the RFM for county staff whose payroll is prepared by an entity other than the RFM.

An authorized county partnership board member must approve all payroll changes relating to a county partnership Executive Director.

Paychecks will be written at the RFM's office and sent to the ED for staff distribution.

All employees should sign a form stating they have read and understood all of the county partnership's policies regarding human resources.

Some of the items included in the human resources manual are as follows:

- Vacation Time
- Sick Leave
- Bereavement Leave
- Other Benefits (dental, disability, etc.)
- Termination Process
- Dress Policy
- Internet Usage
- Miscellaneous
- Sample Timesheet