



CAPITAL AREA RURAL TRANSPORTATION SYSTEM

FY2023

FINANCIAL POLICIES

&

PROCEDURES

TABLE OF CONTENTS

INTRODUCTION & POLICIES

SECTION 1 INTERNAL CONTROL

- A. GENERAL
- B. SEPARATION OF DUTIES AND RESPONSIBILITIES
- C. PURPOSE AND IMPORTANCE
- D. INTERNAL CONTROL CHECKLIST

SECTION 2 FINANCIAL POLICY AND ADMINISTRATIVE RESPONSIBILITY

- A. RESPONSIBILITIES FOR BASIC POLICY MAKING
- B. FINANCIAL RESPONSIBILITIES OF THE GENERAL MANAGER
- C. FINANCIAL RESPONSIBILITIES OF THE DEPUTY GENERAL MANAGER

SECTION 3 ORGANIZATION AND COMPETENCY OF FINANCIAL PERSONNEL

- A. ORGANIZATIONAL STRUCTURE
- B. COMPETENCY OF FINANCIAL PERSONNEL

SECTION 4 FINANCIAL STATEMENTS AND REPORTS

- A. GENERAL STANDARDS
- B. CHART OF ACCOUNTS
- C. EXPLANATION OF BASIC INTERNAL STATEMENTS AND REPORTS

PROCEDURES

SECTION 5 OVERVIEW OF ACCOUNTING SYSTEM AND INTERNAL CONTROLS

- A. CASH RECEIPTS
- B. PURCHASING
- C. CASH DISBURSEMENTS AND PAYROLL
- D. PETTY CASH AND CHANGE FUNDS
- E. PROPERTY, EQUIPMENT, AND DEPRECIATION
- F. OTHER (BANK RECONCILIATIONS, TRANSFER OF CASH ASSETS BETWEEN BANK ACCOUNTS)
- G. PERSONNEL AND PAYROLL
- H. AUDIT
- I. TRAVEL

SECTION 6 BUDGETARY CONTROL AND CASH MANAGEMENT

- A. GENERAL
- B. BUDGET REVISIONS

SECTION 7 MAINTENANCE OF FINANCIAL RECORDS

- A. GENERAL
- B. RECORD STORAGE

SECTION 8 ALLOWABLE & UNALLOWABLE COST

INTRODUCTION

This manual is issued to provide guidance on methods used to improve internal management and to put policies, procedures, and standards into effect. This manual includes such topics as program year, audit responsibilities and procedures, accounting guide, financial reporting, travel, non-Federal share, budgets and budget changes, and allowable costs.

This manual presents management practices through which financial policies and standards are to be achieved. These techniques relate to the organization of the financial functions and the manner in which these functions are to be performed. These specific subjects discussed are the responsibilities of individuals in the organization, the flow of information from the accounting system to financial management personnel and its use by them, control over assets and liabilities, control over resources and expenditures, procurement, personnel, travel, internal control, budgetary control and cash management, property maintenance, and control of records.

POLICIES

SECTION 1 - INTERNAL CONTROLS

A. GENERAL

Plans and procedures designed to meet the need for controlling financial operations are called "internal controls". Internal controls comprise the plan of the organization and the related methods and procedures established by Capital Area Rural Transportation System (hereinafter CARTS) to:

- a. Safeguard its assets.
- b. Produce accurate accounting data.
- c. Contribute to efficient operation.
- d. Encourage adherence to management policies, grant conditions, and other regulations and limitations.

Internal controls, in principle, is a plan of the organization under which employees' duties are so arranged and records and procedures are so designed as to make it possible to exercise effective accounting control over assets, liabilities, resources and expenditures. Its basic application involves:

- a. Division of responsibility among different employees for a sequence of related functions.
- b. Clear establishment of each employee's responsibilities and duties.
- c. Separation of the responsibility for maintaining records from the responsibility for operations, acquisition, and custody of assets.
- d. Use of proofs, checks, and other security measures.

Many specific suggestions included in other sections of this manual, are presented in relation to the financial management functions when appropriate for internal control purposes. This section discusses specific measures and the general application of a sound internal control system.

B. SEPARATION OF DUTIES AND RESPONSIBILITIES

Complete control by one individual over a sequence of related functions presents opportunities for inefficiency. An adequate system for internal control will provide for the separation of employees' work so no one employee performs a complete cycle of operation.

C. PURPOSE AND IMPORTANCE

The purpose of an internal control is to protect the money and other assets of CARTS against error or dishonesty. Although it may be proper to assume that all employees are honest, it is unfair to permit weakness in accounting controls to tempt them toward dishonesty.

An adequate system of internal control promotes compliance with grant conditions, regulations, and internal policies; prevents illegal or unauthorized transactions or acts; and provides proper accounting data and information.

Strong internal control is of special importance to the independent auditor. The degree of internal accounting control has a direct bearing on the extent of detailed checking required to determine the reliability of the records. If there is a good system of internal control, the independent auditor can perform his/her examination by means of test-checking transactions. If there is no system of internal

control, or it is inadequate, the auditor must make an exhaustive, detailed audit to verify that the accounting records are correct. This consumes considerable unnecessary time on the part of both the auditor and the employees and results in a greater cost for auditing services.

Perhaps the greatest importance of sound internal control is that it protects employees against unwarranted allegations by fixing responsibility and removing causes of employee temptation. Sound internal control benefits CARTS, its employees, the funding agencies, and the auditors by properly controlling financial transactions.

D. INTERNAL CONTROL CHECKLIST

Listed below is a suggested checklist for review and analysis of CARTS system of internal control. This checklist is developed to the needs of CARTS and is reviewed periodically. Any weaknesses noted in internal control should be corrected.

- a. Maintain a current organizational chart.
- b. Employees' duties must be reasonably fixed as to responsibilities.
- c. The accounting function must be completely separate from procurement and receiving.
- d. Internal financial reports will be compiled monthly and will adequately reflect abnormal financial figures and other discrepancies.
- e. Sufficient controls will be assigned to make collusion improbable.
- f. Journal entries must be adequately explained and supported by substantial documentation.

SECTION 2 - FINANCIAL POLICY AND ADMINISTRATIVE RESPONSIBILITY

A. RESPONSIBILITIES FOR BASIC POLICY MAKING

The governing board will formulate through its appropriate policy-making body the financial policies required to assure proper management in accordance with basic management standards and funding agencies requirements.

Once formulated, these policies are administered by CARTS executive and administrative staff. However, the appropriate policy-making body reviews regularly the operations and activities, including CARTS financial position, to ascertain that its affairs are properly administered, that policy compliance is achieved, and that policy revisions are promulgated as required. The Board remains ultimately responsible for the proper administration of the financial position and operation of CARTS.

To fulfill these responsibilities, it is important that review of operations and activities be conducted in a timely and comprehensive manner. To foster a clear understanding and a proper involvement on the part of all concerned with policy making, advising, and implementing responsibilities, many of these policies are expressed in writing.

B. FINANCIAL RESPONSIBILITIES OF THE GENERAL MANAGER

The General Manager has final responsibility for all CARTS actions and operations, including those of a financial nature. The General Manager ascertains that the financial operations are adequate; that the principal representative Board is fully informed on all operations; that personnel are adequately trained and efficient; that all grant conditions are complied with; that the entire financial operation complies with CARTS funding agencies policies and standards; and that funds expended are for lawful and needed purposes within budgetary limitations.

Even though the General Manager delegates all handling of funds, approval of expenditures, keeping of records, and preparation of financial reports and budgets to subordinates, he/she is personally responsible for them and answerable to the CARTS Board of Directors in all cases of poor performance, mismanagement, or defalcation.

In the absence of the General Manager, the Deputy General Manager is responsible for the day-to-day operation of CARTS including those of a financial nature.

C. FINANCIAL RESPONSIBILITIES OF CARTS DEPUTY GENERAL MANAGER

CARTS Deputy General Manager is responsible for the overall management of the fiscal operation of CARTS in cooperation with CARTS General Manager.

CARTS General Manager approves all expenditures and reviews monthly financial statements for accuracy and maintains spending within budgetary limits. CARTS General Manager is responsible for budget revisions, requests for reimbursements, and financial reports, but the actual preparation and submission is completed by the Controller and/or Business Manager

CARTS General Manager is also responsible for reviewing and revising policies and procedures as needed for collecting client fees.

CARTS General Manager should advise the Deputy General Manager on all matters affecting financial operations.

SECTION 3 - ORGANIZATION AND COMPETENCY OF FINANCIAL PERSONNEL

A. ORGANIZATIONAL STRUCTURE

A sound financial organization structure is necessary for proper accounting system operations. It is essential that each employee know exactly what his/her own duties and responsibilities include and who is his/her immediate supervisor. A major organizational weakness can be the failure to follow lines of authority. It is important that reporting responsibility channels be followed. An organizational chart should be developed showing positions and lines of authority.

Responsibility for each aspect of financial management should be clearly assigned.

B. COMPETENCY OF FINANCIAL PERSONNEL

An accounting system is dependent on the people who maintain it. The best accounting system will be worthless if financial personnel are untrained, inexperienced, and unprepared for their duties.

The use of poorly trained and poorly qualified financial personnel who may be hired at lower salaries is false economy. Such persons may well cost the program more than their lower wages save. All employees having financial responsibilities should have training and experience commensurate with such responsibilities. The importance of securing financial personnel trained and experienced to perform their duties adequately cannot be overly emphasized.

SECTION 4 - FINANCIAL STATEMENTS AND REPORTS

A. GENERAL STANDARDS

Internal financial statements and reports are those prepared for internal reporting to administrative and management personnel at various levels and the CARTS Board of Directors. They provide activity-

management information, overall operating and management information. They are prepared and reviewed at the bi-monthly board meetings and maintained in a password protected web-page on a CARTS website.

The computerized accounting system used by CARTS is designed to enable the prompt preparation of all needed financial statements and reports. Financial statements and reports disclose clearly all significant financial facts about operations and activities.

Financial statements and reports should meet the following standards:

- a. Fairness of presentation.
- b. Compliance with prescribed requirements.
- c. Timeliness.
- d. Usefulness.

1. Fairness of Presentation

The term "fairness of presentation" refers to the full disclosure of financial information in financial reports. Full disclosure of financial position and the financial result of operation is a primary objective of accounting. Disclosure may be described as the process of communication by which information on financial status, flow of monies, and financial results of operation relating to activities are made known. The essentials of full disclosure in financial reporting include the following:

- a. Completeness and clarity - All essential financial facts relating to the scope and purpose of each report and the period involved are included and clearly displayed.
- b. Accuracy, reliability, and truthfulness - All financial data presented are accurate, reliable, and truthful. The requirement for accuracy does not rule out the inclusion of reasonable estimates when precise measurement is impracticable, uneconomical, unnecessary, or conducive to delay. However, material estimates are identified as such. Obscuring significant facts and presenting misleading information is avoided.
- c. Accounting support - Financial statements and reports are based on official records maintained under an adequate accounting system that produces information objectively, disclosing the financial aspects of all events or transactions taking place. If financial data is based on sources other than the accounting system, this is clearly explained. Financial statement content is traceable directly to the accounting records.
- d. No exclusion of significant costs - All costs applicable to an activity or program must be included in the financial statements and reports.
- e. Form, content, and arrangement - The form, content and arrangement of each financial statement and report is as simple as possible and designed to communicate significant financial information clearly to its reader.
- f. Performance under limitations - Financial performance in relation to statutory or its limitations is specifically reported.
- g. Consistency - The financial data reported is derived from accounts that are maintained in all material respects on a consistent basis from period to period. Material changes in accounting policies, methods, and treatment, if any, and the effects thereof are clearly explained.

- h. Terminology - Consistent and non-technical terminology is used in financial statements and reports to promote clarity and usefulness at all levels of management review.

2. Compliance with Prescribed Requirements

Financial statements and reports prepared by CARTS comply with the financial policies and regulations established by funding agencies and are maintained in accordance with established requirements for accounting.

3. Timeliness

All financial statements and reports are produced promptly to be of maximum usefulness. The issuance of statements and reports are not delayed to produce minor refinements of data.

4. Usefulness

Financial statements and reports are designed carefully to present information that is needed by and useful to the persons for whom they were proposed. The preparation and distribution of reports that are unnecessary or excessively detailed are avoided. The need is clearly defined before the report is designed.

B. CHART OF ACCOUNTS

The CARTS chart of accounts encompasses the needs of CARTS. It is used to organize the finances to segregate assets, liabilities, revenue, and expenditures to give an understanding of the financial health of the organization.

C. EXPLANATION OF BASIC INTERNAL STATEMENTS AND REPORTS

1. Balance Sheet

The balance sheet shows the nature and book value of all significant assets and all material debts that are owned. It sets out distinctions between assets, liabilities, and fund balance.

Assets are shown on a balance sheet with the most liquid or available items first. Thus cash, which has absolute liquidity, is the first caption listed under the broad category of current assets. This item will include all cash held by CARTS, including balances in local checking accounts, as well as money market accounts and CD's.

The second major caption, "liabilities", includes, if applicable, accounts payable, accrued expenses, and unearned income.

The third and final major caption on the balance sheet, "projects", includes the beginning fund balance, net change in fund balance, and total fund balance.

The net change in fund balance reflects the difference in revenue and expenses and is updated through the computerized general ledger program.

2. Statement of Revenues and Expenditures

The Statement of Revenues and Expenditures summarizes the financial operations during the period covered by the report. The major categories of financial data reported herein are program revenue and program expenditures. If applicable, non-operating revenue and

expenditure accounts are also included on this report. The statements first caption, "revenue" includes resources classified according to source and may or may not include receivables depending on the accounting procedure of CARTS.

The next section is "expenditures". In the Statement of Revenues and Expenditures, expenditures are summarized to reflect the results of operations during the period. Expenditures are grouped to identify the amount of expenses within each budget category.

3. Summary

All financial statements and reports are generated through computerized programs.

PROCEDURES

SECTION 5 - OVERVIEW OF ACCOUNTING SYSTEM AND INTERNAL CONTROLS

CARTS operates on a modified accrual accounting system. Expenditures are booked when the expense is incurred, and the invoice is received in the CARTS administrative office. Revenues are booked based on the type of contract.

On a reimbursement contract, revenue is booked based on monthly expenditures. On a unit cost contract, revenue is booked based on the monthly amounts earned through performance or services rendered. Local revenues are booked when received. At CARTS contract year-end, all payables and receivables are booked before the applicable contract is closed.

CARTS accounting system is a software program that is a fund accounting package that allows expenses and revenues to be recorded by fund. It also allows overlapping of fund years which allows financial reports and detail transaction reports to be generated by fund on the fiscal year of each fund or by combined funds based on the fiscal year of CARTS. CARTS fiscal year ends on August 31.

The accounting system software chart of accounts is set up to allow a fund to represent a contract with a funding source. The funds are numbered to let like contracts be grouped together in summary reports for internal audits.

Account coding in the accounting system software consists of element and/or projects. The element/projects section account codes are used to group data by types of funding. The general ledger expense accounts are set as needed to accumulate programmatic information for CARTS General Manager and should match CARTS budget line items as closely as possible.

The accounting system software provides for budgets to be entered and compared to actual expenditures and revenues. When budgets are amended, the system allows for appropriate line items to be adjusted and updated.

CARTS operates mainly out of a single cash operating account.

Each month, financial reports are generated for the CARTS General Manager. Data from these reports are used for financial reporting to funding agencies by the Business Manager. A copy of each month's expenditure reports is maintained electronically on the CARTS server.

Monthly meetings are conducted with accounting staff and Deputy General Manager to review distribution codes and allocations. This ensures all changes are being implemented timely and accurately.

The procedures and internal controls for specific accounting areas are explained in the following section of the manual with the goal to protect CARTS assets, prevent over billing expenses, and reviewing expenses to prevent fraud, overspending, and all costs are appropriately charged to grants or non-grant sources as applicable.

A. CASH RECEIPTS

The following is the daily procedure for cash receipts in the Administrative Office:

The Accounts Payable Specialist opens incoming mail, along with any check(s) received and endorses the check(s) with the "For Deposit Only, Capital Area Rural Transportation System" stamp.

The Business Manager logs receipt of the check(s) in the Incoming Check Log and prepares a deposit slip for deposits greater than \$13,000. Either the Controller or the Deputy General Manager takes the deposit to the bank. One copy of the deposit slip is maintained with the accompanying documentation by the Business Manager, who makes corresponding coding entries in the accounting system program.

For deposits less than \$13,000 the Business Manager uses the Remote Deposit software provided by the First National Bank Bastrop. The checks are scanned and deposited the same day of receipt.

At the end of each month, the Business Manager provides a copy of the Incoming Checks Log to CARTS Controller.

Monies collected on buses are deposited into a locked fare box by the passengers. Locked boxes must be available on vehicles during the provision of service. Fare boxes are collected routinely by transit supervisors and station staff. The Accounts Payable Specialist meets the transit staff, and the boxes are unlocked before they are stored in the vault room where cameras record all activity in the vault room. Once or twice a week the Accounts Payable Specialist or other finance staff straighten, count and code money.

The administrative staff regularly reviews reports to compare passenger counts, revenue miles and period over period trends in this revenue stream. Large variances are immediately flagged and researched when variances of fares occur month to month in Finance while monthly billings are prepared for grantors and contractors.

Most of CARTS revenues are received by EFT transactions. There is not a significant volume of check deposits that are required. Recurring billings that are submitted by staff outside of the Finance office are submitted to the Business Manager for tracking and receipt of payment.

Cash Receipts Outside of the Administrative Office:

Monies collected on buses are deposited into a locked fare box by the passengers. Locked boxes must be available on vehicles during the provision of service. Fare boxes are collected routinely by transit supervisors and station staff.

Two people count the fares and complete the deposit slips according to the deposit schedule established by Admin. The fare boxes will remain locked until the money is to be counted and deposited. The people counting the money should complete the deposit slip.

Ticket sales that are made at stations in the CARTS service area are recorded on daily log sheets and deposited to the local bank daily. Receipts or copies of the deposits slips with the daily log sheets are submitted to the Finance office for processing in the accounting system.

Failure to properly handle cash receipts is grounds for disciplinary action and/or termination. All staff is provided with written policies regarding handling of cash.

B. PURCHASING

CARTS is regulated by 49 CFR Part 18, and FTA Circular 4220.1 F, "Third Party Contracting Requirements," and will utilize these regulations as standards for the management, procurement, and disposal of property.

The contract requirements and federal regulations control the procedure for major purchases of equipment, supplies, or real property. CARTS has a Procurement Policy that meets federal guidelines. Refer to that policy for the specific requirements followed by CARTS.

C. CASH DISBURSEMENTS

Signed copies of original invoices are mailed to CARTS administrative office by vendors or field staff. Accounts payable invoices are entered into the accounting system and designated for payment as soon as invoices are received by the Accounts Payable Specialists. The Controller or Deputy General Manager are responsible for checking invoices for coding to the appropriate general ledger funds and expense accounts before posting as a permanent record in the accounting system.

Electronic payments for utility companies and other vendors are approved by the Deputy General Manager that have strict late charges or extremely slow processing of their accounts receivables. The Deputy General Manager or Controller must approve vendors for electronic payments. A monthly report is created for review by the Deputy General Manager of payments made electronically for their review and signature.

The original invoice number is used when a vendor uses a numbering system in the accounting system. The accounting system identifies invoices that have been previously entered preventing duplicate entry of invoices. In instances that an invoice numbering system is not used by a vendor the CARTS account number is used with the month and year after the account number as a substitution.

Generally, accounts payable checks are generated every week. All checks require the original signatures of two authorized signatories. Two of the authorized signatories must review and sign the checks before they are distributed to vendors. Authorized signatories are the CARTS General Manager and Deputy General Manager.

When the payment is made and the accounts payable check register is posted, the computer accounting system sets up the appropriate payable transaction for the cash disbursements. All accounts payable checks are issued out of the operating cash account.

Once the checks have been printed, reviewed, and authorized, the original checks with any attachments are mailed to the vendors. The check stubs and the payment voucher are attached to the documentation and are filed in alphabetical order by vendor.

All accounts payable checks are pre-numbered and kept under lock.

Voided checks are accounted for in the computerized accounting system.

In the case of manual checks, the coding and documentation process is the same, but the check is typed manually. Manual checks are entered into accounts payable system so the check numbers and detail vendor information will be complete.

As noted earlier, CARTS generally pays suppliers from invoices. The statements received from vendors are reconciled by the Accounts Payable Specialist for outstanding balances and/or credit balances. If any discrepancies are found, the statements are fully researched. Duplicate payments to vendors and duplicate billings are prevented to grantors and contractors. The Controller during the review of the detail billing report for the billings to grantors once again confirms the allocations and eligibility and absence of duplicate expenses before the grantor is billed.

Each month a check register is printed from the accounting software indicating at a minimum the check number, check description, vendor name, effective date, and amount and provided to the Deputy General Manager for review.

Payments are not made before merchandise is received.

D. PETTY CASH AND CHANGE FUNDS

Procedures are in place for the request, access of the funds by staff, and documentation of the use of funds. Monies can be used for the purchase of small items or to pay small miscellaneous expenses. Management staff may request a check of no more than \$500.00 to cash and use under strictly controlled conditions for small expenses such as tire repairs. The cash account is controlled, maintained, and administered by the Deputy General Manager and the Controller.

E. PROPERTY, EQUIPMENT, AND DEPRECIATION

The purpose of financial property accounting and control is to provide reliable and systematically maintained records of investment in property and equipment to protect that investment.

Property control in general includes the following:

- a. A complete physical inventory of the property and equipment is performed periodically.
- b. The proper classifications are made between fixed assets, expendable, nonexpendable, and donated equipment.
- c. Retirements and disposals of equipment are properly approved and recorded.
- d. The proceeds of any liquidated property are properly recorded.
- e. Damaged or lost property is properly treated on the accounting records.
- f. Insurance recoveries are properly recorded.
- g. Federal guidelines for disposition of fixed assets purchased with federal funds will be followed.

Capital assets are recorded in the accounting system in the general ledger number ranges of the 8000s to keep the purchases segregated in the accounting system which is recorded like a regular expense in the Revenue and Expense statements. This serves the purpose of billing grantors and demonstrating all expenses related to the purchase, any local matching dollars used or required have been met and the revenue recognition from the grantor has been realized.

For vehicles purchased, a Federal Motor Vehicle Safety Standards Certification form is completed to ensure a Pass/Fail test of the vehicle received from the vehicle maintenance department thus approving payment for the receipt of the capital expenditure and billing to the appropriate grantor.

At year end, an entry is made to move the capital expenditures and to record related depreciation in the chart of accounts from the expense codes of the general ledger accounts to the appropriate balance sheet accounts.

The depreciation is recorded once a year at the same time the fiscal close-out capital entry is recorded. The straight-line depreciation method is used on all assets. Vehicles are depreciated for 5-7 years. Leasehold improvements are based on the term of the lease. Bus shelters are depreciated for 10 years, and buildings are depreciated over 40 years. It has become the practice to only depreciate equipment that has an individual value of \$5,000 or more or a total implementation value of such as radios greater than \$10,000 for 5 to 15 years based on estimated life expectancy of the capital item.

F. OTHER (BANK RECONCILIATIONS AND TRANSFERS)

Bank Reconciliations

All bank accounts are reconciled each month by the Controller using the bank reconciliation module in the accounting system. Any transactions that are not recorded in the accounting system are given to the Business Manager or the Accounts Payable Specialists to research and enter into the accounting system for the Controllers review and incorporation into the bank reconciliation process.

The completed bank reconciliations and bank statements are given to the Deputy General Manager for review.

Cash Transfers

Weekly, the Accounts Payable Specialists provides a cash requirement report to project the cash needs for the current week including but not limited to payroll, benefits, taxes, and AP payments. This report is given to the Controller and a transfer is made from the FNB AR account to the FNB Operating account.

Transfers are made periodically from the "fare collection" accounts used by station clerks (Chase and BBVA) to the FNB operating account using checks which are signed by Deputy General Manager and General Manager.

G. PERSONNEL AND PAYROLL

CARTS is an equal opportunity employer. CARTS has an Employee Handbook and Equal Opportunity Policy, approved by the CARTS Board and available to all employees. On a day-to-day basis, the management of personnel matters is the responsibility of the General Manager and/or his/her designees.

CARTS Director of Human Resources maintains personnel files containing application, W-4, employee evaluations, and other applicable federal and state forms for each employee. CARTS Director of Human Resources maintains files containing payroll withholding authorizations and insurance forms.

CARTS pay periods are from the 1st through the 15th and the 16th through the end of the month. All timesheets for non-exempt and exempt employees reflect hours worked, annual leave taken, sick leave taken, holidays and any other absences from work (such as bereavement, excused absence, or personal day).

Hourly non-exempt and exempt employees sign and turn their timesheets into their supervisor. If time constraints are a consideration, employees scan and e-mail their timesheets to their supervisor. Supervisors are responsible for verify timesheets for accuracy, signatures, and submitting to the Business Manager for input.

The Business Manager reviews all timesheets for accuracy and enters data from each timesheet into the computerized payroll program, which calculates pay and deductions. The Business Manager creates a detailed check register which is proofed with the timesheets together with an Operations staff member who is familiar with route and employee's allocations. The Business Manager creates the electronic direct deposit file and the Controller reviews and sends to the bank for processing.

The Business Manager creates a paper check only if an employee's bank information is unavailable and/or time constraints make it necessary. A paper check is only prepared when there is a new employee, an existing employee make changes to their bank routing and account numbers.

The Business Manager prints direct deposit payroll vouchers by individual employee and distributes by location. The Controller or Business Manager sends the pay vouchers (in sealed envelopes) to the supervisor or designated staff at each station location. The Controller or Business Manager distributes the pay vouchers to CARTS administrative staff.

The computerized payroll program transfers the total salary and fringe benefit amounts into the accounting program and summarizes each pay period. The payroll program merges with the distribution code listing which tells the accounting program which fund to charge each employee's salary and fringe expense.

Payroll is issued out of the operating fund and is reconciled each month with other cash disbursements.

H. AUDIT

CARTS is a political subdivision. The annual audit is conducted in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of the Office of Management and Budget's Super Circular.

I. TRAVEL

All travel will be authorized in advance by the General Manager. All reports of travel expenditures by employees will be comprehensive, complete, and supported by proper documentation as outlined in this section. Travel expenditures will be audited in detail and must be fully supported by documentation. Travel expenditures will not be paid if the travel is unnecessary or excessive.

Travel out of town which requires staying overnight may be requested and approved in advance. Travel monies may be advanced when requested using a Travel Expense Claim form up to the amount equal but not greater than the current GSA's (General Services Administration) CONUS (Continent of the United States) per diem rates. This form will also be used to report actual expenses upon completion of a trip and will show the following information and be approved by CARTS General Manager or his/her designee.

- a. Name of person requesting travel authorization
- b. Date of request

- c. Purpose of travel
- d. Destination
- e. Dates of proposed travel
- f. Estimated total cost of trip and amount of advance requested
- g. Special or unusual items for which approval is requested
- h. Signature of person requesting authorization
- i. Signature of person authorizing travel

After completion of the trip the following steps are required:

- j. The actual cost calculation is based on actual room expenses with the attached receipts for room bills and other significant charges
- k. Additional amount owed to employee by CARTS or amount to be reimbursed to CARTS by the employee are determined and paid
- l. signature of traveler
- m. signature of supervisor

Any special or unusual requirements will be specifically authorized, such as auto rental, and will be noted on this form in detail. All information documented on the form will be as specific as possible.

Travel advances will be expensed to the appropriate account at the time the check is written. The disposition of travel monies advanced will be reported on the Travel Expense Claim form within five (5) days after the travel is completed and any unused portion of the travel advance returned at this time. Upon receipt of returned travel monies, the funds will be immediately deposited in the checking account, and the appropriate expenses will be reversed accordingly.

Reports of mileage reimbursement for local in area travel will be made at least monthly and submitted to the CARTS General Manager and/or his/her designee for reimbursement. A Mileage Sheet will be used to document such travel. All expenditures for mileage will be itemized by date. Beginning and ending odometer reading will be furnished along with points visited on each date. Mileage directly to and from an employee's residence and designated job site will not be reimbursed. Advances of monies will not be made for mileage reimbursement.

CARTS expenditures for mileage reimbursement and per diem will be subject to funding agency policies and will never exceed the Federal Travel Regulation.

SECTION 6 - BUDGETARY CONTROL AND CASH MANAGEMENT

A. GENERAL

CARTS budgets express the plan of operation in financial terms. Budgets show the amount of total monies approved for expenditure within project classifications. Budgetary control imposed by the funding agencies restricts expenditures, within certain limitations, to amounts approved by classifications.

The budget includes all detail supporting information and line-item amounts that make up the program account budget approved by the funding agencies. The budget must be comparable with the accounting classification utilized by CARTS. Accounting records may be classified into more detailed line items for internal use, if desired. Internal supporting budget papers will show the following:

- a. The specific time period within which the money is to be spent (grant period or program year).
- b. Projected sources of revenue by type and amount.
- c. Projected amount to be spent for each classification, i.e., personnel, fringe, travel, equipment, supplies, contractual, and other, with supporting line-item detail within each classification.

Sources of money are an integral part of the budget. The four main sources of funds for CARTS are Federal, State, local, and contract revenue.

Obviously, the sources of money must at least equal the total money to be expended in the budget.

Budgetary control relates to the continual monitoring that must be maintained to assure that both sources of money and expenditures are progressing in accordance with the financial plan, as expressed in the budget. Any deviations from this plan should be determined as early as possible and either eliminated by a change in the expenditure rate or provided for by budget revision.

Budgetary control is the responsibility of CARTS General Manager. To accomplish this, it is essential that financial operating information including budgetary comparisons be made available at the end of each month.

B. BUDGET REVISIONS

Certain internal budgetary revisions or transfers are permissible without prior approval of the funding agencies. Revisions or transfers more than limitations must receive prior written approval. This may be requested by furnishing the funding agencies with an analysis of CARTS accounts and other categories for which increases are desired (which also shows those categories that are to be decreased by corresponding amounts if appropriate), together with a written justification or explanation of the requested budget revision.

SECTION 7 - MAINTENANCE OF FINANCIAL RECORDS

A. GENERAL

All financial records, including source documents supporting accounting transactions, the general ledger, subsidiary ledgers, personnel, and payroll records, canceled checks, and all other related documents and records will be retained in accordance with funding agency regulations. These records will be maintained in an orderly manner and will be available, for audit purposes, to the funding agencies or the Comptroller General of the United States or any other authorized representative. CARTS will maintain all records in order, so any information desired can be easily located.

B. RECORD STORAGE

CARTS will protect all records adequately against fire or other damage. Records will be stored in such a manner that they are accessible during the retention period without great difficulty. CARTS accounting records will be maintained for a minimum of seven (7) years.

However, a state record whose retention period has expired may not be destroyed if any litigation, claim, negotiation, audit, public information request, administrative review, or other action involving the

record is initiated; its destruction shall not occur until the completion of the action and the resolution of all issues that arise from it.

Records that have an exception to 7 years retention and are to be kept permanently are as follows:

- a. Records for real property and equipment - retained for 3 years after final disposition of the asset.
- b. Board Meeting minutes
- c. Charters, Articles of Incorporation, Orders of Change, or other similar documents used to establish or modify the administration
- d. Deeds, title opinions, abstracts and certificates of title, title insurance, documentation concerning alteration or transfer of title, and similar records evidencing public ownership of real property
- e. Formal legal opinions rendered by counsel or the Attorney General for a local government, including any written requests for opinions, concerning the governance and administration of a local government.
- f. Photographs, images, recordings, and other non-textual media. Review before disposal, some records may merit permanent retention for historical reasons.
- g. Annual reports.
- h. Annual, biennial, or other periodic audit of any department, fund, account, or activity of a local government.
- i. Annual budgets (including amendments).
- j. Long range fiscal planning reports.
- k. General ledger showing receipts and expenditures from all accounts and funds of a local government.
- l. Employee pension and benefit records
- m. Annual reports from a pension system or fund.

SECTION 8 – ALLOWABLE & UNALLOWABLE COST

Allowable & Unallowable cost Defined in the Code of Federal Regulations 2 CFR 200)

Allowable cost under Federal awards must:

- Be necessary and reasonable.
- Be allocable.
- Be accorded consistent treatment.
- Be net of all applicable credits.
- Be determined in accordance with generally accepted accounting principles

Unallowable costs are found in 2 CFR 200-E.