

COUNTY OF AROOSTOOK

Accounting and Financial Practices and Procedures Manual

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INTRODUCTION

This manual documents the financial operations of Aroostook County Government. It formalizes practices and selected procedures and documents internal controls. The contents are approved by the Board of County Commissioners and reviewed periodically by the County Administrator and the Financial Analyst. All staff are bound by these practices and any deviation is prohibited.

GENERAL PRACTICES and PROCEDURES

ORGANIZATIONAL STRUCTURE

Aroostook County is governed by a Board of County Commissioners, which is responsible for the oversight of the organization. The Board is responsible for hiring the County Administrator who is responsible for day-to-day oversight and management as follows:

1. Reviews and recommends the organization's annual budget.
2. Conducts long-term financial planning.
3. Establishes investment practices and monitors investment performance.
4. Evaluates and approves facilities decisions (repairs and construction).
5. Monitors actual vs. budgeted financial performance; reviews monthly financial statements and reports to the Board of County Commissioners.

The County Administrator recommends to the Board of County Commissioners, through the bid process, the accounting firm to be hired to conduct a financial audit. The Board reviews the final audited financial statements and any communications received from the auditor regarding internal controls, illegal acts, or fraud.

The County Administrator serves as the primary point of contact for any employee who suspects that fraud has been committed against the organization or by one of its employees or board members.

ACCOUNTING OFFICE OVERVIEW

Organization

The Accounting Office presently consists of staff who manage and process financial information for Aroostook County. The staffing size and configuration may change as needed to meet organizational demands. Positions in the Accounting Office include:

County Treasurer
Financial Analyst
Accounts Payable/Payroll Clerk

Other officers and employees who have financial responsibilities are as follows:

Board of County Commissioners
County Administrator
Department Heads

Responsibilities

The primary responsibilities of the Accounting Office are:

General Ledger
Budgeting
Cash and Investment Management
Asset Management
Grants and Contract Administration - Shared responsibility

Purchasing
Accounts Receivable and Billing
Accounts Payable Cash Disbursements
Payroll and Benefits Administration
Financial Statement Processing
Bank Reconciliation
Compliance with Government Reporting Requirements Audit

BUSINESS CONDUCT

Practice of Ethical Behavior

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions.

Each employee must apply professional ethics of the highest standard, which extend beyond compliance with applicable laws and regulations. It is each employee's responsibility to apply common sense in business decisions where specific rules do not provide the answers and to seek guidance from a department head when in doubt. In determining compliance with this standard, employees should ask themselves the following questions:

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with Aroostook County policy, practices and procedures?
4. Am I sure my action does not appear inappropriate?
5. Am I sure that I would not be embarrassed or compromised if my action became known within the organization or publicly?
6. Am I sure that my action meets my personal code of ethics and behavior?
7. Would I feel comfortable defending my actions on the 6 o'clock news?

Each employee should be able to answer "yes" to all of these questions before taking action.

Each Department Head is responsible for the ethical business behavior of her/his subordinates.

Conflicts of Interest

No employee, department head, or Board member, shall participate in the selection, award, or administration of a contract or vendor relationship involving Aroostook County if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee or any member of her or his immediate family, his or her partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected.

Compliance with Laws, Regulations and Organization Practices

Aroostook County does not tolerate the willful violation or circumvention of any federal, state, local, or foreign law by an employee during the course of that person's employment, nor does it tolerate the disregard or circumvention of Aroostook County practice or engagement in unscrupulous dealings. Employees should not attempt to accomplish through agents or intermediaries that which is directly forbidden.

Disciplinary Action

Failure to comply with the standards contained in this manual will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the organization or to the government, for any loss or damage resulting from the violation. Disciplinary action will be taken against any employee who authorizes or participates directly in actions that are a violation of this practice; who has deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of this practice; or who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this practice.

FRAUD PRACTICE

Scope

This practice applies to any fraud or suspected fraud involving employees, vendors, consultants, contractors, funding sources and/or any other parties that have a business relationship with Aroostook County. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with Aroostook County.

Practice

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity. Any fraud that is detected or suspected must be reported immediately to the County Administrator, who coordinates all investigations.

Actions Constituting Fraud

The terms fraud, defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

1. Any dishonest or fraudulent act;
2. Forgery or alteration of any document or account belonging to Aroostook County;
3. Forgery or alteration of a check, bank draft, or any other financial document;
4. Misappropriation of funds, securities, supplies, equipment, or other assets of Aroostook County;
5. Impropriety in the handling or reporting of money or financial transactions;
6. Disclosing confidential and proprietary information to outside parties;
7. Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to Aroostook County. Exception: gifts less than \$10;
8. Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment;
9. Any similar or related irregularity.

Other Irregularities

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by the departmental management and Human Resources.

If there is a question as to whether an action constitutes fraud, contact the County Administrator for guidance.

Investigation Responsibilities

The County Administrator has the primary responsibility for the investigation of all suspected fraudulent acts as defined in this practice and may utilize whatever internal and/or external resources s/he considers necessary in conducting an investigation. The County Administrator will engage an attorney, if necessary, to help define the scope and ensure the proper handling of the investigation. If an investigation substantiates that fraudulent activities have occurred, the County Administrator will issue reports to appropriate designated personnel and to the Board of County Commissioners. Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final disposition of the case.

If suspected fraud or other wrongdoing involves programs funded in whole or in part with federal funds, additional responsibilities, such as special reporting and disclosure to the awarding agency, may apply. Aroostook County complies with all additional reporting, disclosure and other requirements pertaining to suspected acts of fraud as described in award documents.

The County Administrator treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the County Administrator immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see **Reporting Procedures** section).

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect Aroostook County from potential civil liability.

Authority for Investigation of Suspected Fraud

The County Administrator will have:

1. Free and unrestricted access to all Aroostook County records and premises, whether owned or rented;
2. The authority to examine and copy all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody or any such items or facilities when it is within the scope of their investigations.

Reporting Procedures

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity will contact the County Administrator immediately. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other inquirer should be directed to the County Administrator or legal counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation", "the crime", "the fraud", "the forgery", "the misappropriation", or any other specific reference. The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Aroostook County legal counsel.

SECURITY

Accounting Office

The Aroostook County Commissioners' Office is located in the Caribou Courthouse Building at 144 Sweden Street, Caribou. This building is locked during non-work hours. The building, including the Accounting Office, is open 8:00 a.m. to 4:30 p.m. Monday through Friday.

All active personnel records are secured in fire proof file cabinets in the Human Resources Office, with older, terminated employee files being kept in the Archives Storage Room. This office is locked after regular office hours.

Access to Electronically Stored Accounting Data

Only duly authorized fiscal personnel with data input responsibilities are allowed access to the accounting system.

Storage of Back-Up Files

Aroostook County maintains back-up copies of electronic data files in a secure, fire-proof file cabinet. Access to back-up files is limited to individuals authorized by management.

General Office Security

During normal business hours, all visitors are required to check in with the receptionist. After hours, a key is required for access to the offices. Keys are issued by the Facilities Manager of Aroostook County.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is the group of accounts that supports the information shown in the major financial statements. The general ledger accumulates all financial transactions of Aroostook County, and is supported by subsidiary ledgers that provide details for certain accounts. The general ledger is the foundation for the accumulation of data and 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 show the impact of these transactions on each asset, liability, revenue and expense account. Aroostook County's chart of accounts is comprised of:

1. Assets
2. Liabilities
3. Revenues
4. Expenses
5. Fund Balance

Aroostook County's accounting system also tracks programs and all activity within. A revenue & expenditure statement can be produced for each program. The report reflects the total revenue and expenditures by general ledger account.

Control of Chart of Accounts

Aroostook County's chart of accounts are monitored and controlled by the Financial Analyst. Responsibilities include the handling of all account maintenance and the approval of any additions or deletions of accounts or other changes to ensure that the chart of accounts is consistent with the organizational structure of Aroostook County and meets the needs of each department.

Fiscal Year of Organization

Aroostook County's fiscal year for the General Fund begins on January 1 and ends on December 31. The fiscal year for the Unorganized Territory Fund and the Jail Fund begins July 1 and ends on June 30. Changes to the fiscal year must be ratified by majority vote of Aroostook County Board of County Commissioners and implemented in accordance with the County Charter and applicable State law.

Journal Entries

All general ledger entries that do not originate from a subsidiary ledger are supported by journal entries and include a reasonable explanation of each such entry. Examples of such journal entries are 1) recording of noncash transactions; 2) corrections of posting errors; and 3) non-recurring accruals of income and expenses.

All Aroostook County journal entries not originating from subsidiary ledgers are authorized in writing by the County Administrator by initialing or signing the entries.

PRACTICES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

Revenue Recognition Practices

Aroostook County receives revenue from several funding sources. Revenue from each of these funding sources is recognized in the financial statements of Aroostook County on the cash basis of accounting (i.e.; recorded as revenue when received).

BILLING/INVOICING PRACTICES

Overview

The following is a list of items billed and/or accrued and received by Aroostook County and the frequency with which each is billed:

Monthly Billings

1. Grants and contracts (See separate section on "Practices Associated with Federal Awards" for billing practices associated with federal grant agreements)
2. Maine Drug Enforcement Agency

Quarterly Billings

1. Emergency Management Agency
2. Extension Association

Annual Billings

1. Dispatching Services
2. Volunteer Firefighters Insurance

Responsibilities for Billing and Collection

Within Aroostook County, the accounting department is responsible for the invoicing of services as well as the collection of outstanding receivables, except Dispatching Services, Outside Employment, Stonegarden Detail, and Civil Process, which is under the purview of the Sheriff's Office, and EMA Grant billing, which is the responsibility of the EMA Office.

CASH RECEIPTS

Overview

Cash (including checks payable to the organization) is the most liquid asset an organization has. Therefore, Aroostook County has established and follows the strongest possible internal controls in this area.

Processing of Checks and Cash Received in the Mail

For funds that are received directly at Aroostook County, cash receipts are centralized to ensure that cash received is appropriately directed, recorded and deposited on a timely basis.

Mail is opened by the Administrative Assistant and all cash and checks are given to the County Treasurer or his/her designee for receipt and deposit.

A treasurer's receipt and deposit slip are prepared from the cash/checks received and deposits are taken to the bank by the County Treasurer or his/her designee.

Endorsement of Checks

All checks received that are payable to the organization are endorsed by the County Treasurer or his/her designee. The restrictive endorsement is a rubber stamp that includes the following information:

1. For Deposit Only;
2. Aroostook County;
3. The bank name;
4. The bank account number of Aroostook County.

Timeliness of Bank Deposits

Bank deposits are made daily or as frequently as required.

Reconciliation of Deposits

Monthly, the County Administrator, who does not prepare the bank deposit, reviews and approves the monthly bank reconciliation prepared by the County Treasurer or his/her designee.

PRACTICES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING PRACTICES AND PROCEDURES

Overview

The practices and procedures described in this section apply to all purchases made by Aroostook County. These practices and procedures are predicated on the following policies, which have been adopted by the Aroostook County Board of County Commissioners:

- A. Aroostook County's procurement practices for Federal awards comply with Federal and State Procurement Standards, Office of Management and Budget (OMB) Circular A-110 as adopted by Federal agencies;
- B. To the extent possible, Aroostook County's procurement provides free and open competition;
- C. Procurement is done in the manner that most efficiently and effectively meets Aroostook County's needs. All procurement decisions are based on a cost/benefit analysis;
- D. All requirements of a solicitation will be set forth by providing a clear and accurate description of the item(s); the requirements the offer must fulfill in order for the bid to be evaluated; the technical standard of performance and minimum standards; and specific feature of "brand name or equivalent" when required;
- E. Purchases and procurement awards are made to offerors most responsive to the solicitation and most advantageous to Aroostook County (price, quality and other factors considered). Any and all bids or offers may be rejected when it is in Aroostook County's best interest. Contracts are made only with responsible contractors having the ability to perform successfully under the terms and conditions of the proposed procurement; Consideration is given to such matters as whether the business is located in Aroostook County, contractor integrity, record of past performance, financial and technical resources, or accessibility to other resources;
- F. In accordance with our Personnel Policies, all Board members, employees and agents of Aroostook County are prohibited from soliciting or accepting gratuities and from participating in any action in which there is a real or apparent conflict of interest.

Ethical Conduct in Purchasing

Such a conflict arises when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or any organization, which employs or is about to employ any of the parties indicated, has a financial or other interest in the firm selected for an award or purchase.

Department Heads, Board Members, and Employees of Aroostook County must neither solicit nor accept individual gifts, gratuities, favors or anything of any monetary value that exceeds \$10 or more that might influence, or be perceived as influencing, the purchase of supplies, equipment, and/or services from vendors or parties to sub-agreements. Staff must notify their immediate supervisor if they are offered such gifts.

Department Heads, Board Members, and Employees of Aroostook County will be disciplined for violating this code.

Non-Discrimination Practice

All vendors/contractors who are the recipients of organization funds, or who propose to perform any work or furnish any goods under agreements with Aroostook County must agree to these important principles:

1. Vendors/Contractors must not discriminate against any employee or applicant for employment because of race, religion, color, ethnicity, national origin, ancestry, religious belief, political affiliation or belief, age, gender, sexual orientation, marital status, physical or mental disability, veteran status, migrant worker, ex-offender, or former patient of a mental institution, except where based on a bona fide occupational qualification reasonably necessary to the normal operation of the vendors/contractors;
2. Vendors/contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause. Notices, advertisement and solicitations placed in accordance with Federal law, rule or regulation are sufficient for meeting the intent of this section.

Responsibility for Purchasing

All Department Heads have the authority to initiate purchases on behalf of their department, within the guidelines described in this practices manual. In addition, Department Heads may delegate purchasing authority to responsible individuals on a case-by-case basis within their department and must inform the County Commissioners' Office of all individuals that may initiate purchases.

Each department is responsible for processing requisitions for purchases. The County Administrator has approval authority over all purchases and contractual commitments as defined in this practice. The County Administrator makes the final determination on any proposed purchases where budgetary or other conditions may result in denial.

General Purchasing Practices

Necessary Items

Purchasing of unnecessary items is prohibited. Each purchase must relate to the program or activity and be in a reasonable quantity. Each program has a process whereby existing levels of inventory of items are reviewed prior to initiating additional purchases.

Lease/Buy

Aroostook County performs a lease/buy analysis where appropriate, and all leases require written approval of the County Administrator.

Sole Source Criteria

Sole source procurement is used when no other vendor(s) is known for that product or service.

A change or order under an existing contract qualifies as sole source criteria.

Sole source determination can be used where year-to-year relationship continuity is desirable, such as legal, space rentals, telephone, computers, partners in competitive projects, etc.

When public exigency (pressing need) or emergency will not permit the delay necessary for competitive solicitation, the County Administrator approves the requisition authorizing a Sole Source Vendor.

Centralized Purchases

Purchases of goods and services is initiated at the most efficient level possible and as close to the needed program or project as long as all applicable rules and regulations are met (i.e., if a specific item *needs* to be bought, this assumes that the department initiating the purchase has the best idea of its needs and can best work with the purchasing officer to assure that all applicable rules and regulations are met).

Centralized purchasing is done in instances where it is most efficient to do so as determined by the County Administrator (i.e., telephone long distance, insurances, office supplies, legal, audit, paper goods, janitorial supplies, photocopies, etc.).

Credit Card Purchases

Credit cards are used to purchase goods and services when it is cost efficient to do so.

No credit card purchases are made until the appropriate level of authorization has been received. Credit card payment is no different from payment by check - the authorization levels and requirements are exactly the same.

Authorized users are solely accountable for official agency use and are responsible to minimize or prevent unauthorized use by proper security. Unauthorized use or misuse use of credit card is subject to disciplinary action as deemed appropriate by both the Chair of the Board of County Commissioners and the County Administrator.

Vendor accounts are established and maintained with limits by the County Administrator based on monthly needs. Credit references (vendor and Dun & Bradstreet) can be released by the Accounting Office upon demonstration of a need for a new credit account.

Only the County Administrator is authorized to open corporate credit card accounts and to authorize employees to use them.

Purchase Orders

All purchases should be requisitioned by using pre-numbered purchase orders (P.O.) issued by the appropriate department designee. Purchase orders are pre-numbered, kept in a secure area in the Accounting Office, and issued upon request from an authorized purchaser.

The Department Head or their designee approving the P.O. is the person who has budget responsibility for the department to which the purchase will be charged.

After approval, two (2) copies of the P.O. are distributed: one immediately to the Vendor and one kept on file in the Accounts Payable Office to be matched to the receiving document or invoice.

Special Purchasing Conditions

Emergencies:

Where equipment, materials, parts, and/or services are needed, quotations will not be necessary if the health, welfare, safety, etc., of staff and protection of organization property is involved.

Single Distributor/Source:

Where there is only one (1) distributor for merchandise needed and no other product meets the stated needs or specifications, quotations will not be necessary.

Vendor Files and Required Documentation

The Accounts Payable/Payroll Clerk creates a vendor folder for each new vendor from whom Aroostook County purchases goods or services.

Upon making the initial purchase from any vendor (regardless of whether a contract is involved), the Accounts Payable/Payroll Clerk mails a blank Form W-9 to that vendor, along with a request for the vendor to complete and sign the W-9 or provide equivalent, substitute information and return it. Completed, signed Forms W-9 or substitute documentation is filed in an alphabetic binder. At each calendar year-end, a 1099 MISC form will be issued to all vendors for business conducted with the County throughout the year, in accordance with the Department of the Treasury, Internal Revenue Service.

Receipt and Acceptance of Goods

Receiving documents (bill of lading, duplicate invoice, etc.), when received, are signed or initialed by the person accepting the items and forwarded to the Accounts Payable Office to be checked with the P.O. on file.

If the delivery is incomplete, the receiving document should be marked "partial delivery" and immediately forwarded to the Accounting Office. A copy of the P.O. should continue to be held in the office as a reference for the completion of the order.

If no receiving document is received and the invoice is sent by the vendor to the Accounting Office for payment, the Accounting Office forwards the invoice to the Department Head for approval before the Accounting Office will schedule the invoice for payment.

The person accepting the items should take following actions immediately:

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;
4. Note on the bill of lading any discrepancies (missing or damaged boxes/containers, etc.);
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;
9. Record an indication of counts on the purchase order;
10. Sign and date the bill of lading;
11. Retain a copy of the bill of lading.

Aroostook County performs the preceding inspection procedures in a timely manner in order to facilitate prompt return of goods and/or communication with vendors.

ACCOUNTS PAYABLE MANAGEMENT

Overview

Aroostook County strives to maintain efficient business practices and good cost controls. A well-managed accounts payable system can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

The vendor invoice must be supported by an approved purchase order where necessary, and must be reviewed and approved by a Department Head or Designated Manager prior to being processed for payment. Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

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

1. Disbursements are properly authorized;
2. Invoices are processed in a timely manner;
3. Vendor credit terms and operating cash are managed for maximum benefits.

Recording of Accounts Payable

All valid accounts payable transactions, properly supported with the required documentation, are recorded as accounts payable in a timely manner.

Accounts payable are processed on a weekly basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

Only original invoices are processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements are processed for payment. All accounts payable warrants are signed and approved by the Board of County Commissioners.

Establishment of Control Devices

Control of invoices is established by the Financial Analyst as soon as invoices are received. Vendors are instructed to mail all invoices directly to the Accounts Payable Office or other designated county office as appropriate.

Upon receipt of invoices, each invoice is "date received" stamped, and distributed to the County Administrator and County Treasurer or his/her designee for approval, and then to the appropriate Department Head/Personnel for approval.

Processing of Vendor Invoices

The following procedures are applied to each vendor invoice by the Accounts Payable/Payroll Clerk:

1. Check the mathematical accuracy of the vendor invoice;
2. Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order and packing slip;
3. Document the general ledger distribution, using the Organization's current chart of accounts;
4. Obtain the review and approval of the Department Head (or their designee) associated with the goods or services purchased.

Approval by the Department Head indicates their acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with general ledger account coding, and agreement to pay vendor in full. Approvals are documented with initials or signatures of the approving individual.

Payment Discounts

To the extent practical, Aroostook County takes advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments are scheduled so as to take full advantage of the discounts.

Employee Expense Reports

Reimbursements for travel expenses, business meals, or other approved costs are made only upon the receipt of a properly approved and completed expense reimbursement form. All original 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 must be signed by the Employee and their Department Head.

Reconciliation of Invoices and Purchase Orders

On a weekly basis, the Accounts Payable/Payroll Clerk performs the following procedures:

1. Check all statements received for unprocessed invoices;
2. Check the file for open P.O.'s that are more than 60 days old and follow up.

CASH DISBURSEMENTS (CHECK-WRITING) PRACTICES

Check Preparation

Aroostook County prints vendor checks and expense reimbursement checks on a weekly basis. Checks are prepared by the Accounts Payable/Payroll Clerk who is independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

All vendor and expense reimbursement checks are produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment practices;
2. Timing of disbursements is generally made to take advantage of all early-payment discounts offered by vendors if cash flow allows;
3. Generally, all vendors are paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services;
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in the bank prior to the release of any checks;
5. All supporting documentation for the checks is forwarded to an authorized check signer;
6. Checks are utilized in numerical order;
7. Checks are never made payable to "bearer" or "cash";
8. Checks are never signed prior to being prepared;
9. Upon the preparation of a check, vendor invoices and other supporting documentation are immediately filed in order to allow subsequent research if needed.

Check Signing

Checks over \$25,000.00 require two signatures. No checks are signed prior to the check being completed in its entirety (no signing of blank checks).

Each check is signed by an individual other than the one who approved the transaction for payment. Authorized check signers include the County Treasurer, Administrative Assistant, and the Financial Analyst.

The County Treasurer or his/her designee and Accounts Payable/Payroll Clerk must examine all original supporting documentation to ensure that each item has been properly checked prior to signing a check. Checks must not be signed if supporting documentation appears to be missing or there are any questions about a disbursement.

Mailing of Checks

After signature, checks are prepared for distribution and mailed the same day.

Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "VOID" on the signature area of the check. All voided checks are retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction or an on-line electronic request to the bank by the Financial Analyst. The check is voided through the accounting system.

Record-Keeping Associated with Independent Contractors

Aroostook County obtains a completed Form W-9 from all vendors to whom payments are made. A record is maintained of all vendors to whom a Form 1099 is required to be issued at year-end. Payments to such vendors are accumulated over the course of a calendar year.

PAYROLL AND RELATED POLICIES

Payroll Administration

Aroostook County operates on a weekly payroll. The following forms, documents and information are obtained and included in the payroll files of all employees:

1. Form W-4 Employee Federal Withholding Certificate;
2. Form W-4 ME State Withholding Certificate;
3. Authorization for direct deposit of paycheck, along with a voided check or deposit slip;
4. I-9 Employment eligibility verification.

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

Changes in Payroll Data

All of the following changes in payroll data are authorized in writing:

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 are authorized in writing by the County Administrator.

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

Documentation of all changes in payroll data is maintained in each employee's payroll file.

Payroll Taxes

The Accounting Office is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Accounting Office may utilize the services of an outside payroll service center for the processing of payroll, with the approval of the County Commissioners. Withholding of federal income taxes is based on the most current Form W-4 prepared by each employee. The County will conform to the rules and regulations set forth by the Internal Revenue Service (IRS Publication 505) and Maine Revenue Services.

Preparation of Timesheets

Each Aroostook County employee must submit to the Accounting Office a signed and approved timesheet no later than 10:00 a.m. every Monday. Timesheets are prepared in accordance with the following guidelines:

1. Each timesheet reflects all hours worked during the pay period (time actually spent on the job performing assigned duties), and includes non-worked hours such as holiday, vacation, sick, bereavement, etc.;
2. Timesheets must be computer generated or prepared in ink;
3. Errors are corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initials next to the change (i.e., employees shall not use "white out" or correction tape);
4. Employees identify and record hours worked based on the nature of the work performed;
5. Compensated absences (vacation, holiday, sick leave, etc.) must be clearly identified as such;
6. Timesheets must be signed by the employee prior to submission.

After preparation, timesheets are approved by Supervisors and/or Department Heads or their designees, prior to submission to the Accounting Office. Corrections identified by an employee's supervisor are authorized by the employee by placing the employee's initials next to the change.

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

Processing of Timesheets

Processing of timesheets in the Accounting Office is performed by the Accounts Payable/Payroll Clerk. The clerk checks all timesheets for accuracy then inputs all work time into the payroll system.

The Accounts Payable/Payroll Clerk may not change or correct timesheets. Because of the number of remote locations and tight processing parameters, staff may make telephone adjustment requests to timesheets submitted and initialed. When errors are noted, if a corrected and approved timesheet is not re-submitted in time, the employee may not receive a pay check until the next pay period, pending approval by the County Administrator. An adjustment can be done if the Department Head is not available.

Tampering with, altering, or falsifying time records, recording time on another employee's timesheet, or willfully violating any other timesheet practice or procedure may result in disciplinary action, up to and including termination.

Review of Payroll

Upon production of all payroll reports and checks, the County Treasurer or his/her designee reviews payroll prior to its distribution to employees. The Board of County Commissioners signs the payroll register, indicating approval of the payroll.

Distribution of Payroll

Payroll payments (or deposit advices for electronic deposits) are distributed by the County Treasurer or his/her designee, who does not approve time sheets and is not responsible for hiring and firing of employees.

PRACTICES PERTAINING TO SPECIFIC ASSET AND LIABILITY ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

General Fund Checking Account (operating account)

The primary operating account provides for routine business check disbursements for accounts payable and payroll. All cash and checks are deposited to this account.

Bank Reconciliations

Bank account statements are received each month and forwarded to the Financial Analyst for reconciliation processing.

The reconciliation between the bank balance and general ledger balance is prepared by the Financial Analyst or his/her designee. The bank reconciliation process is completed within two weeks of receipt of each bank statement. All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed and approved by the County Administrator on a monthly basis.

Stale Checks

The Financial Analyst must identify unclaimed property in Aroostook County's possession. Unclaimed property consists of stale accounts payable and/or payroll checks that appears on the outstanding check list(s), which is one (1) year old and has not cleared the bank.

An attempt to locate the owners of unclaimed property is initiated by sending a letter at the owner's last known address during the legal notification period (also called the Due Diligence Period), which is not more than 120 days or less than 60 days before the Unclaimed Property Report is filed on November 1.

When effective communication has been made with the respective owner(s), replacement checks are issued after the original check has been determined to be missing, destroyed or has been returned. The banking institution that the check is drawn on must also be notified to stop payment on all missing checks that have been voided.

All other unclaimed property or abandoned property is reported and forwarded to the State Treasurer by due date of November 1st of each year.

Building	30 to 40 yrs
Building Improvements	5 to 10 yrs
Furniture and fixtures	Up to 10 yrs
Equipment	3-5 yrs
Computer software	3-5 yrs
Leased assets	life of lease
Leasehold Improvements	remaining lease term.

For accounting and financial reporting purposes, depreciation expenses are recorded on an annual basis.

Repairs of Fixed Assets

Expenditures to repair capitalized assets are expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets are capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs are depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property is also depreciated over its new, extended useful life.

Dispositions of Fixed Assets

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing.

Write-Offs of Fixed Assets

The Department Head 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 Department Head. If not located, this property is written off the books with the proper notation specifying the reason.

NOTES PAYABLE

Record-Keeping

Aroostook County maintains a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This schedule is based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender;
2. Date of agreement or renewal/extension;
3. Total amount of debt or available credit;
4. Amounts and dates borrowed;
5. Description of collateral, if any;
6. Interest rate;
7. Repayment terms;
8. Maturity date;
9. Address to which payments should be sent;
10. Contact person at lender.

Accounting and Classification

An amortization schedule is maintained for each note payable. Based upon the amortization schedule, or payment voucher, the principal portion of payments due within the year are classified as a current liability in the statement of financial position of Aroostook County. The principal portion of payments due beyond one year is classified as long-term/non-current liabilities in the statement of financial position.

Demand notes and any other notes without established repayment dates are always classified as current liabilities.

A detailed record of all principal and interest payments made over the entire term is maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger are reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences are investigated.

PRACTICES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements 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 organization. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

The basic financial statements of Aroostook County that are maintained on an organization-wide basis include:

1. **Statement of Financial Position** - reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or non-current/long-term;
2. **Statement of Activities** - presents support, revenues, expenses, and other changes in net assets of the organization, by category of net asset (unrestricted, temporarily restricted and permanently restricted);
3. **Statement of Cash Flows** - reports the cash inflows and outflows of the organization in three categories: operating activities, investing activities, and financing activities;
4. **Statement of Functional Expenses** - presents the expenses of the organization in a natural, or objective, format and by department (i.e., which program or supporting service was served).

Frequency of Preparation

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

A standard set of financial statements described in the preceding section is produced on an annual basis by the County Auditor. In addition, monthly reports, prepared by the Financial Analyst, are distributed to all department heads as follows:

1. Individual statements of activities on a departmental and functional basis (and/or program/grant basis);
2. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts.

Review and Distribution

All financial statements and supporting schedules are reviewed and approved by the County Administrator. A complete set of monthly actual year-to-date revenue and expense accounts with budgeted amounts is distributed to the following individuals:

1. Board of County Commissioners;
2. County Administrator;
3. Department Heads and any other employee with budget-monitoring responsibilities.

Annual financial statements may include an additional supplemental schedule prepared or compiled by the County Administrator. The purpose of this schedule is to provide known explanations for material budget variances in accordance with budget monitoring practices described later in this manual (under the "Financial Management Practices" section).

Special Distribution

On a periodic basis, a summary set of Aroostook County year-to-date revenue and expenses with budgeted amounts is distributed to the County Commissioners, Department Heads, and the Finance Committee.

Annual Financial Statements

A formal presentation of the organization's annual financial statements is provided by the County Auditor to the Board of County Commissioners.

GOVERNMENT RETURNS

Overview

To legitimately conduct business, Aroostook County must be aware of its tax and information return filing obligations and comply with all such requirements of federal, state and local jurisdictions. Filing requirements include, but are not limited to, filing annual information returns with IRS, information returns for retirement plans, annual reporting of compensation paid and payroll tax withholding tax returns.

Filing of Returns

Aroostook County researches its obligations in each jurisdiction and complies with all known filing requirements. The Financial Analyst is responsible for identifying and complying with all filing requirements. Aroostook County files complete and accurate returns with all authorities, making every effort to avoid filing misleading, inaccurate or incomplete returns.

Filings made by Aroostook County include, but are not limited to, the following returns:

1. **W-2's and 1099's** - Annual report of employee and non-employee compensation, based on calendar-year compensation, on a cash basis. These informational returns are due to employees and independent contractors by January 31 and to federal government by February 28 for W-2's and March 31, when filing 1099's electronically;
2. **Form 941** - Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter;
3. Quarterly Unemployment Reports to the State of Maine;
4. Quarterly State Tax Returns;
5. Monthly Maine Personnel Employee Retirement System reports.

Aroostook County fiscal and tax year-end is December 31.

FINANCIAL MANAGEMENT PRACTICES

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 and human resource 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.

Preparation and Adoption

Aroostook County prepares an annual budget on the accrual basis of accounting. To prepare the budget, the County Administrator gathers proposed budget information from Department Heads and prepares the first draft of the budget. Budgets proposed and submitted by each department are accompanied by an explanation of the sources and uses of funds and all material fluctuations in budgeted amounts from prior year.

After appropriate revisions and a compilation of all department budgets by the County Administrator, a draft of the organization-wide budget, as well as individual department budgets, is presented to the Board of County Commissioners for discussion, revision, and initial approval. The revised draft is then submitted to the Finance Committee for approval. Aroostook County adopts a final budget in November before the beginning of the new fiscal year, in order to allow adequate time for the Accounting Office to input the budget into the accounting system and establish appropriate accounting

and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

Monitoring Performance

Aroostook County monitors its financial performance by comparing and analyzing actual results with budgeted results. This function is 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 are produced by the Accounting Office and distributed to each employee with budgetary responsibilities.

ANNUAL AUDIT

Role of the Independent Auditor

Aroostook County arranges for an annual audit of the organization's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by Aroostook County communicates directly with the County Administrator upon the completion of their audit.

Audited financial statements, including the auditor's opinion thereof, are presented to the Board of County Commissioners by the independent accounting firm.

How Often to Review the Selection of the Auditor

Aroostook County reviews the selection of its independent auditor every 3 years to ensure competitive pricing and a high quality of service.

When Aroostook County requests a written Request for Proposal (RFP) to be sent to prospective audit firms, the following information is included:

1. Period of services required;
2. Complete description of the services requested (audit, management letter, tax returns, etc.);
3. Organizational chart of Aroostook County;
4. Chart of accounts information;
5. Financial information about the organization;
6. Copy of prior year reports (financial statements, management letters, etc.);
7. Identification of need to perform audit in accordance with OMB Circular A-133 10, and other information as considered appropriate;
8. Description of proposal and format requirements;
9. Due date of proposals;
10. Overview of selection process (i.e., whether finalists will be interviewed, when a decision will be made, etc.);
11. Identification of criteria for selection;
12. Penalty for non-delivery according to the time period required.

Minimum Proposal Requirements from prospective CPA firms are:

1. Firm background;
2. Biographical information (resumes) of key firm members who will serve Aroostook County;
3. Client references;
4. Information about the firm's capabilities;
5. Firm's approach to performing an audit;
6. Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings;
7. Other resources available with the firm;
8. Expected timing and completion of the audit;
9. Expected delivery of reports;
10. Cost estimate, including estimated number of hours per staff member;
11. Rate per hour for each auditor;
12. Other information as appropriate.

Preparation for the Annual Audit

Aroostook County is actively involved in planning for and assisting with the independent accounting firm in order to ensure a smooth and timely audit of its financial statements. The Accounting Office provides assistance to the independent audit firm in the following areas:

Planning - The Financial Analyst is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. Assignments are based on the list of requested schedules and information requested by the independent accounting firm.

Involvement – County staff do as much work as possible in order to assist the auditors, to reduce the cost of the audit.

Throughout the audit process, Aroostook County makes 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 Aroostook County from its independent auditor, the County Administrator and Financial Analyst 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 of Aroostook County;
3. Review each footnote for accuracy and completeness.

Any questions or errors noted as part of this review are communicated to the independent auditor in a timely manner and resolved to the satisfaction of the County Administrator.

The County Administrator reviews and responds, in writing, to all management letter items or other internal control and compliance report findings and recommendations made by the independent auditor. The Management Letter and the County Administrator's written response is presented to the Board of County Commissioners.

INSURANCE

Overview

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

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

Insurance Definitions

Workers' Compensation and Employer's Liability

Contractors are required to comply with applicable Federal and State workers' compensation and occupational disease statutes. If occupational diseases are not compensated under those statutes, they must be covered under the employer's liability insurance policy, except when contract operations are so commingled that it would not be practical to require this coverage.

Fidelity Bond

For all personnel handling cash, preparing or signing checks, Aroostook County obtains insurance that provides coverage in a blanket fidelity bond. The specific needs of the organization determine the dollar limit of this coverage.

Comprehensive Liability

This type of coverage may include directors, officers and employee general liability insurance, buildings, contents, computers, boilers and machinery.

RECORD RETENTION

The County of Aroostook follows Chapter 10: Rules for Disposition of Local Government Records as promulgated by the Maine State Archives. A hard copy of this disposition schedule is in the Accounting Office or can be downloaded electronically from the State of Maine website.

FUNCTIONAL EXPENSE ALLOCATIONS

Overview

As one of its financial management objectives, Aroostook County strives to determine the actual costs of carrying out each of its program service and supporting activities. Aroostook County charges expenses to the appropriate category of program service or supporting activity. Expenses that serve multiple functions or are not readily identifiable with one function are allocated between functions whenever possible.

Program and supporting service functions of Aroostook County are:

Programs:

A "program" is an activity or category of activities that accomplishes one or more of an organization's tax-exempt purposes. A program may be as narrow as a single grant or as broad as an entire department. The "programs" identified and accounted for here should enable readers of the financial statements to determine how an organization has allocated its resources.

Supporting Services:

1. Management and general;
2. Building location costs;
3. Communication costs;
4. Photocopying costs;
5. Insurance costs.

Direct Charging of Costs

Certain internal costs are directly charged to the appropriate Aroostook County function based upon underlying documentation. The following costs are directly charged based on the documentation or factor listed next to each:

<u>Cost</u>	<u>Basis for Charge</u>
Salaries	Timesheets (hours) or number of employees in a function
Employee Benefits	Actual use, based on billing
Long-Distance Telephone	Actual use, based on billing
Postage	Actual use, based on postage requisitioned
Supplies	Actual, per billing
Travel, Meals, Lodging	Actual use, based on employee expense reports
Consultants	Actual use, based on vendor invoice

All costs are recorded directly to each program or department as incurred.

PRACTICES PERTAINING TO FEDERAL AND STATE AWARDS

Separate accounts are created detailing all Federal and State grants, awards and contracts to show, in detail, all expenses and revenues. From these accounting records, all reporting requirements for Federal or State agencies are created and submitted.

ADMINISTRATION OF FEDERAL OR STATE AWARDS

Post-Award Procedures

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

1. Verify the specifications of the grant or contract. The Accounting Office reviews the terms, time periods, award amounts and expected expenditures associated with the award. All reporting requirements under the contract or award are summarized;
2. As needed, new accounts are established for the receipts and expenditures of the grant or contract budget;
3. A file is established by the Accounting Office for each grant or contract. The file contains the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funding sources.

Compliance with Laws, Regulations and Provisions of Awards

Aroostook County recognizes that as a recipient of Federal and State funds, it is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants and applies the following practices to every grant or contract received directly or indirectly from a Federal or State agency:

1. For each Federal or State award, an Aroostook County employee within the department responsible for administering the award is designated as "Grant/Project Manager" (GPM);
2. If necessary, each GPM attends a class on grant management prior to beginning their role as a GPM (or as early in their functioning as a GPM as practical). Thereafter, all GPMs attend refresher/update courses on grant management every two years, if necessary;
3. The GPM takes the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
 - a. Read each award and prepare a summary of key compliance requirements and references to specific laws and regulations;
 - b. Review the "OMB Circular A-133 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;
 - c. Review the section of the Catalog of Federal Domestic Assistance applicable to the award.
4. The GPM and/or the Accounting Office identifies and communicates any special changes in practices and procedures necessitated by Federal awards as a result of the review of each award;
5. The GPM takes all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard include reviewing subsequent grant and contract renewals, reviewing annual revisions to the "OMB Circular A-133 Compliance Supplement", and communications with Federal and State awarding agency personnel;
6. The GPM cooperates with Aroostook County's Independent Auditors by informing the CPA firm as to applicable laws, regulations, and provisions of contracts and grants and communicating known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Billing and Financial Reporting

Aroostook County strives to provide management, staff, and funding sources with timely and accurate financial reports applicable to Federal and State awards. These reports include quarterly, semi-annual and cumulative expenditures, a project budget, and a balance remaining column. Fiscal year-to-date and contract year-to-date reports show actual budget variances.

Aroostook County prepares and submits financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports is the responsibility of various central and departmental accounting staff.

The following practices apply to the preparation and submission of billings to Federal and State agencies under awards made to Aroostook County:

1. Aroostook County requests reimbursement after expenditures have been incurred, unless an award specifies another method;
2. Each award normally specifies a particular billing cycle; 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;
3. Requests for reimbursement of award expenditures use the actual amounts as posted to the general ledger as the source for all invoice amounts. If a source other than the general ledger is used for preparing requests for reimbursement, this alternate source is reconciled to the general ledger balances on a monthly basis;
4. All financial reports required by each Federal or State award are prepared and filed on a timely basis. To the extent Aroostook County year-end audit results in adjustments to amounts previously reported to federal or state agencies, revised reports are prepared and filed in accordance with the terms of each Federal or State award.

Billing records are reconciled to the general ledger on a monthly basis.

Procurement under Federal and State Awards

Procurement of goods and services whose costs are charged to Federal or State awards received by Aroostook County are subject to all of the specific Aroostook County purchasing practices described earlier, under "Purchasing Practices and Procedures". In addition, procurements associated with Federal and State awards are subject to the following supplemental practices:

1. Aroostook County avoids purchasing items that are not necessary for the performance of the activities required by a Federal or State award;
2. Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal or State government;
3. Documentation of the cost and price analysis associated with each procurement decision is retained in the procurement files pertaining to each Federal or State award;
4. Aroostook County makes all procurement files available for inspection upon request by a Federal or State Awarding Agency;
5. All contracts with vendors require the vendor to certify in writing that it has not been suspended, or disbarred from doing business with any Federal or State agency.

In addition, no employee, officer, or agent of Aroostook County may participate in the selection, award or administration of a contract supported by Federal or State funds if a real or apparent conflict of interest would be involved. Such a conflict arises when the employee, officer, or agent, any member of her or his immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award.

Solicitations of Bids from Vendors

Aroostook County retains the option to sole source with vendors who offer proprietary products or services, or when the vendor has institutional knowledge that benefits Aroostook County.

All other practices and procedures associated with procurement under Federal and State awards are governed by the practices applicable to all purchases by Aroostook County, described in the section of this manual on "Practices Associated with Expenditures and Disbursements."

Provisions Included in all Contracts

Aroostook County includes all of the following provisions, as applicable, in all contracts (including small purchases) with vendors and sub-grants to grantees:

1. **Copeland "Anti-Kickback" Act (18 U.S.C. 874 and 40 U.S.C. 276c):** All contracts and subgrants in excess of \$2,000 for construction or repair awarded by Aroostook County and its subrecipients shall contain a provision for compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations 29 CFR part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States." This Act provides that each contractor or subrecipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or

she is otherwise entitled. It is the policy of Aroostook County to report all suspected or reported violations to the Federal awarding agency;

2. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7):** If included in the federal agency's grant program legislation, all construction contracts of more than \$2,000 awarded by Aroostook County and its subrecipients shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). Under this Act, contractors are required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. It is the policy of Aroostook County to place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. Aroostook County shall also obtain reports from contractors on a weekly basis in order to monitor compliance with the Davis-Bacon Act. Aroostook County shall report all suspected or reported violations to the Federal awarding agency;
3. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333):** Where applicable: All contracts awarded by Aroostook County in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Works Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5). Under Section 102 of the Act, each contractor is required to compute wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in the work week. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence;
4. **Rights to Inventions Made Under a Contract or Agreement:** Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and Aroostook County in any resulting invention in accordance with 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency;
5. **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended:** Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA);
6. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or sub-grants of \$100,000 or more, Aroostook County shall obtain from the contractor or sub-grantee a certification that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Likewise, since each tier provides such certifications to the tier above it, Aroostook County shall provide such certifications in all situations in which it acts as a sub-recipient of a sub-grant of \$100,000 or more;
7. **Debarment and Suspension (E.O.s 12549 and 12689):** For all contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000), Aroostook County shall obtain from the contractor a certification that neither the contractor nor any of its principal employees are listed on the General Services Administration's List of Parties Excluded from Federal Procurement or non-procurement Programs;
8. **Remedies:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000) shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms;

9. **Termination:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000) shall contain suitable provisions for termination by Aroostook County, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated due to circumstances beyond the control of the contractor.

Standards for Financial Management Systems

In accordance with OMB Circular A-110, Aroostook County maintains a financial management system that provides for the following:

1. Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements of Circular A-110 and/or the award;
2. Records that identify adequately the source and application of funds for federally-sponsored activities. These records contain information pertaining to Federal awards, authorizations, obligations, un-obligated balances, assets, outlays, and income;
3. Effective control over and accountability for all funds, property and other assets. Aroostook County adequately safeguards all such assets and assures they are used solely for authorized purposes;
4. Comparison of outlays with budget amounts for each award. Whenever possible, financial information is related to performance and unit cost data.

Budget and Program Revisions

Aroostook County requests prior approval from Federal or State awarding agencies for any of the following program or budget revisions:

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. The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director;
4. The need for additional Federal or State funding;
5. The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the Federal or State awarding agency;
6. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-122;
7. The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense;
8. Unless described in the application and funded in the approved awards, the sub-award, 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).

Close Out of Federal or State Awards

Aroostook County follows the close out procedures described in OMB Circular A-110 and in the grant agreements as specified by the granting agency.

Aroostook County and all sub-recipients liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

CHARGING OF COSTS TO FEDERAL OR STATE AWARDS

Overview

Only costs that are reasonable, allowable and allocable to a Federal or State award are charged by Aroostook County to that award directly or indirectly. All unallowable costs are appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal or State 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 or state award:

1. The budget and grant or contract for each award is reviewed for costs specifically allowable or unallowable;
2. Accounting personnel are familiar with the allowability of costs provisions of OMB Circular A-122, "Cost Principles for Non-Profit Organizations", particularly:
 - a. The list of specifically unallowable costs found in Attachment B (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.;
 - b. Those costs requiring advance approval from Federal or State agencies in order to be allowable in accordance with Attachment B, such as foreign travel, equipment purchases, etc.;
3. No costs are charged directly to any Federal or State award until the cost has been determined to be allowable under the terms of the award and/or OMB Circular A-122;
4. As needed, for each Federal or State award, an appropriate set of general ledger accounts is established in the chart of accounts of Aroostook County 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, are reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a Federal or State award or to activity associated with a Federal or State award. The reduction in expenditures is 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 is not amended for the credit.)

Criteria for Allowability

All Aroostook County costs must meet the following criteria in order to be treated as allowable direct or indirect costs under a Federal or State 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 organization 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 organization, 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 or State award;
 - b. The cost benefits both the Federal or State 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 organization, but, 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 OMB Circular A-122 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 organization;
5. Costs must be consistently treated over time;
6. The cost must be determined in accordance with generally accepted accounting principles;
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.

GENERAL SCHEDULE OF DUTIES FOR ACCOUNTING OFFICE

Weekly

Payroll Processing
Accounts Payable Reconciliation and Processing
Purchasing as needed

Monthly

Bank Reconciliations
Post Cash Receipts for all Funds
MPERS Reporting
YTD Budget and Revenue Reports for all Funds
YTD Trial Balance for all Funds
YTD Capital Reserve Report
MDEA Billing
MMEHT insurance billing reconciliation
Employee wage increases reporting to MMEHT
Employee stipend listing
AFLAC billing
CRAS reporting for Jail Expense and Revenues

Quarterly

941 Reports
Unemployment Report
Victim Advocate YTD Expense and Revenue
EMA Salaries and Benefits
Billing for Fort Kent and Houlton Extension Offices
Any current Grant reporting

Semi-Annually

YTD Budget and Revenue Summary Reports for all Funds

Annually

W-2's
1099's
Budget Preparation for all Funds
County Tax Assessment Limit (LD1) Forms to Municipalities
County Tax Billing
Victim Advocate Annual Budget
Volunteer Firefighter Policy Billing to Municipalities
Billing for EMA Share of WAN, Parking Lot Snow Removal and Spring Cleanup
Fixed Asset Reporting for Audit
Cash Flow for Line of Credit Borrowing
Insurance Updates (vehicle, property, etc.)
Audit