FINANCIAL INTERNAL CONTROLS AND PROCEDURES

General Ledger Chart of Accounts

Introduction

The chart of accounts is designed to provide management with the ability to analyze the financial position of the agency and to produce a statement of revenues and expenses and statement of financial position on a timely basis. All financial transactions will be designated with an account code. The account codes employed are selected from the chart of accounts. See appendix A.

Description of Accounts

Assets

All assets accounts are designated within the chart of accounts by the appropriate digit of the account-numbering scheme.

Cash Accounts are debited for bank deposits and when stop payments are placed on previously issued checks. These accounts are credited for funds withdrawn and any miscellaneous bank charges. A debit balance in a cash account indicates the amount of cash available to the agency. A credit balance in a cash account indicates an overdraft position. All cash receipts are deposited into the appropriate general operating account on a weekly basis and the merchant credit card account on a daily basis in accordance with the cash receipts policies. Transfers are made to the appropriate general operating account to maintain a balance of available funds to cover bi-weekly payroll and weekly accounts payable transactions.

Two unrestricted interest-bearing money market accounts are in place and should contain the bulk of the funds owned by the agency at any given time.

A petty cash fund is established for a small administratively defined amount for the leadership office. This account is adjusted only if the petty cash fund balance is altered. Reimbursement for expenses paid from petty cash is made from the operating account. Expenses are charges to the appropriate account at the time of reimbursement.

Accounts Receivable accounts are debited for grant funds due, revenue billed, and any other amount owed to the agency. Accounts receivable are credited for cash collected and any uncollectible amounts. A debit balance represents the balance owed to the agency.

"Allowance for doubtful accounts" is a reserve for contractual discounts and uncollectible items contained in the accounts receivable balance. The purpose of the reserve is to provide for anticipated bad debts ratably at the end of the accounting year. The reserve is established on percentage bases that have been developed based on the historical bad debt experience and are reviewed and revised annually.

Increases to the reserve account are charged to bad debt expense. Accounts receivable that are written off are charged to the reserve and credited to accounts receivable. At the end of each year the adequacy of the reserve is appraised and adjusted by a journal entry to the bad debt expense account. The balance (credit) in the allowance account is the required percentage of the accounts receivable to accurately reflect those items that are not likely to be collected.

Prepaid expenses are debited for significant current cash outlays that are related to future periods. These accounts are credited upon reclassification (amortization) of such amounts to current period expenses. The balance (debit) represents the amount prepaid at month-end. A schedule of prepaid expenses should be maintained by the finance department and updated on a regular basis.

"Inventory account" is for the value of patient chargeable supplies on hand at a given time (usually only counted and priced for adjustment annually at year end). HFNI only counts in the physical inventory items that hold value due to being patient chargeable or being returned (in full cases) to vendors.

Fixed Assets

The agency has established a capitalization procedure for fixed assets purchased with a cost in excess of $5,000.00. Fixed assets are debited for capital expenditures incurred or assets donated, a credit is made to accounts payable. The accounts payable account is then debited when the expense is paid and cash is credited. The fixed asset is then added to the depreciation schedule and depreciation expense is recorded over the useful life of the asset. Donated assets are recorded at market value at the time of acquisition. These amounts are credited, at book value, for any assets sold or otherwise disposed of at the time of disposal. The balance in these accounts represents the total value of the fixed assets in use at the center.

To provide the desired level of management control and winning clerical effort, fixed assets should be classified into the asset classes. See Appendix B.

"Accumulated depreciation" accounts are credited monthly for depreciation charged to operating expenses. The balance of these accounts represents the total accumulated depreciation. The accumulated depreciation is charged to the appropriate grant/funder code.

If the center disposes of any of the assets the fixed assets are then decreased (credited). When a fixed asset is sold or otherwise disposed of, the accumulated depreciation accounts are debited for the accumulated depreciation previously recorded on the book value of the disposed item.

Liabilities

Accounts payable are credited for the amounts owed vendors for receipt of goods and services. An entry is made to an Accounts payable register for vendor's invoices received and approved for payment regardless of what program the expense was incurred for. Accounts payable are debited for cash disbursements against established payables. The balance (credit) reflects outstanding vendor liabilities.

Accrued liabilities should be established for payroll costs (annually), amounts withheld from employees and other accrued liabilities. These accounts are credited for amounts due and debited upon payment or settlement. The balance (credit) represents the amount owed. At the close of each month, the estimated expenses incurred in the current month that have not been recognized are booked in the general ledger as an accrued liability.

Notes payable are established for funds advanced but not immediately payable. If the agency incurs a loan, this account is credited for the principle balance advanced. Upon monthly payment, this account is debited for the principle portion only of the payment. Separate notes payable accounts are established for each type of loan.

Net Assets (2999)

Unrestricted Net Asset accounts are established at the beginning of each year and are adjusted at the end of the year to reflect the year's net operations (revenue less expenses). This type of account has net assets that have not been restricted in any form. Generally speaking, no journal entries should be made directly to unrestricted net asset accounts unless it is an extraordinary item.

Temporarily Restricted Net Assets are established at the beginning of each year and are adjusted periodically to reflect the amount of temporarily restricted assets relieved during each period. Temporarily restricted funds are those that the donor/grantor has provided with time or purpose restrictions. Once the criteria are met, the funds can be released from the account.

Permanently Restricted Net Assets are established at the beginning of each year and are adjusted at the end of the year to reflect any adjustments (interest which has to be retained) to the net assets during the year. An example of assets of this nature may be an endowment established by a contributor of the agency. An endowment is a fund where the original investment cannot be used by the agency. However, the principle earned on the investment can be used for the intended purpose as outlined by the donor(s). An exception to this rule may exist if the donor(s) specifically state that a certain percentage can be withdrawn by the agency each year for a specific purpose.

Revenues

Revenue accounts are established for all types of revenue sources such as grants, contracts, donations, and patient revenue sources. The revenue is recognized for the above as follows:

1. Grant Revenues - The only types of program funds to be charged to grant revenues would be those revenues received directly from the Federal or State Government. These programs are called direct programs and the center should set up a grant revenue account for each grant program. If a separate grant is received from a private foundation the funds can be put into grant revenues but would be done for a separate grant funder code to separate these dollars from our state and federal funds.

2. Patient Revenues - These accounts are established for patient billings to third party payors and individual patients. There is a separate account for each type of major payor (i.e. Medicaid, Medicare, Commercial Insurance and Self-Pay). The Self Pay

category includes all patients who do not have any insurance or the portion of the visit that the patients existing insurance would not cover. These accounts are recorded with the agency's gross charges for procedures.

3. Other Revenue - All other types of revenues not associated with the above accounts are recorded as other revenue. If the amount received is materially large, then the management may consider establishing a separate general ledger account for the type of revenue received.

4. Copier/Rent Revenue – These are monies received from the specific programs hosted at HFNI as a way to track overhead expenses. The agency charges the program for use of the copier as well as for rent.

5. Tenant Revenue – Monies received from outside agencies for use of our facility to conduct services per contracts with the agencies.

6. Realized & Unrealized Gains/Losses – Monies received as part of the investments held by the agency.

7. Donations/Contributions - All monies received from individuals or corporations as a donation/contribution to the center are recorded in this account. When the agency receives a contribution, it must confirm if the donor imposed a time or purpose restriction on the contribution. In such cases, the contribution should be classified as temporarily or permanently restricted revenue. If there is no time or purpose restriction, then the contribution is unrestricted. Restrictions imposed by the Board of Directors are classified as unrestricted.

Expenses

Expense accounts are debited for paid or accrued expenditures. At year-end, the expense account is credited and the appropriate net asset account is credited. Types of expenses include:

1. Personnel - These costs are base salaries and any overtime payments due to an employee. These costs are assigned to specific cost centers based on actual time spent. The personnel costs are recorded to the general ledger based on the gross salaries recorded in the payroll ledger. The payroll ledger has been established to account for the time and effort of each individual employee. Thus, the general ledger accounts properly reflect the amount paid to employees based on program and funding source time and effort.

2. Fringe Benefits - Included in these accounts are the employers portion of FICA expenses, unemployment and disability taxes, medical and group life insurance, worker's compensation and any other employee benefits [such as pension costs]. Applicable costs are distributed to cost centers in proportion to assigned salaries and wages.

3. Profession Services and Fees - These costs include those individuals who the agency issues 1099 statements to at year-end as well as services performed by professional

firms such as auditing firms, legal firms, financial consultants, etc. The associated costs are allocated to the cost center benefiting from the service; in the case that the agency is benefitting from the service the costs are split based on percentage (by hours of operation) to each program and site.

4. Clinical Supplies/RX/Lab - All consumable supplies are recorded in their appropriate account based on type of supply. For instance, laboratory, pharmaceutical, educational materials and clinic equipment all have their own accounts for expenditures related to these specific usages.

5. Technology Fees/Services/Equipment – all costs associated with the technology needs of the company. Examples include computer services, internet access, software and equipment, computers, IT contracting services and web maintenance

6. Office Supplies - All costs associated with the office supply and moving expenses of the agency, as well as equipment needed for office use that is below the capitalization threshold.

7. Telephone - All costs related to telephone and fax lines are booked to the individual telephone general ledger account that corresponds to total operating agency cost. The costs must be charged to the appropriate cost center.

8. Utilities – All costs related to the use of utilities at the agency. The costs are charged to the appropriate site location and split between the programs if at a shared location based on hours of operation.

9. Postage and Shipping – All costs associated with the mailing or shipping needs of the agency including those for supplies by mail. The costs are charged to the appropriate site and cost centers.

10. Printing and Copying - All costs associated with production of fliers, in-house printing, patient receivable statements, etc. are recorded to these accounts. The costs are charged to the cost centers as deemed appropriate.

11. Building Maintenance - All costs associated with the upkeep of the property and non-clinic equipment, cleaning of the facility or the repair of any items is recorded in these accounts. The costs are charged to the specific program area if known or otherwise to the general administration of the agency.

12. Mileage & Work Related Expenses - These costs include all expenses for employee or board members travel plus conference and meeting expenditures. The costs are assigned to the appropriate category as per the chart of accounts and are charged directly to the cost center incurring the cost.

13. Insurance - This account includes all types of insurance including directors and officers, property, professional liability, etc.

14. Conferences, Meetings and Dues - These expenses include all membership dues paid to organizations on behalf of the agency or any employee as well as all subscriptions to magazines, professional journals, etc.

15. Occupancy – These costs include all rents and rent fees for each site location.

16. Promo and Advertising – These costs include all expenses used to produce and display advertising for the agency and programs.

17. Equipment Maintenance – These costs include all expenses used for the upkeep of equipment within the agency and bi-annual/annual/quarterly maintenance checks on such equipment (based on need or requirement).

18. Staff and Board Development - All costs associated with the education and/or training of staff and/or board members is booked to these accounts. The costs must be charged to the appropriate cost center.

19. Recruitment – All costs associated with recruitment of staff is booked to these accounts. The costs must be charged to the appropriate cost center.

20. Interest - All types of interest costs are charged to this line item with the exception of any capitalized eligible interest. The interest should be charged to an administrative/facility account for allocation as part of overhead.

21. Bad Debt - All costs associated with the write off of those patient receivable accounts deemed bad debt are included in this account. The costs should be charged to the appropriate sub-account.

22. Miscellaneous - All accounts not listed separately should be charged to miscellaneous expense. However, the more detailed the general ledger is in regard to the type of expense (vending machine, bank charges, etc.) the easier it will be to prepare regulatory reports.

23. Depreciation - The expense related to the depreciation of the agency's fixed assets are recorded monthly in these accounts that are broken out by type of asset (leasehold improvements, building improvements, furniture and equipment, etc.).

Maintenance of Accounting Records

Introduction

The agency should maintain the following accounting records:

1. Accounts payable journal
2. Cash journal
3. Payroll journal
4. General ledger
5. General journal

Below are descriptions of each of these records and a brief discussion explaining the procedures for how the entries are recorded.

Accounts Payable Journal
All cash disbursements are initially entered in the accounts payable processing module within the agency's computerized accounting software. The expenditures are charged to the appropriate expense or asset accounts. All accounts payable journal entries are reviewed by the COO when keyed by the payroll staff and CEO when signing the checks for payment. A report can be processed of all current Accounts payable posts by printing from the accounting software (Reports/Accounts Payable/Detailed A/P ledger/Analysis) listing all invoices entered and paid for the month.

Cash Journal
Cash receipts are processed through the agency's computerized cash receipts processing module. All patient and non-patient related cash receipts are deposited to the cash journal from the listing of the daily receipts prepared by the billing department and staff checking in the mail (typically payroll/accounts payable staff). Any additional cash transactions are processed with adjusting journal entries or cash receipts (i.e. transfers, ACH payments, etc.) All cash transactions can be tracked and reports ran utilizing the accounting software at any time throughout the year. (Reports/Journals/Cash Journals/Monthly Cash Journals) All cash accounts are balanced monthly by the COO (in the accounting software) the balances are reviewed with the CEO (physically shown to the CEO by the COO within the accounting software) to ensure accuracy and internal control.

Payroll Journal
The payroll journal records all payroll related data obtained through the agency's payroll processing department. A payroll journal batch is created from the bi-weekly payroll data. The payroll register and additional payroll related reports provided by the payroll processing department are stored in the monthly journal entry file for future reference. All times submitted for payroll are approved by the individual's direct supervisor, processed by the payroll staff and verified by the COO.

General Ledger
Entries are posted from the books of original entry (Accounts payable journal, payroll journal, cash journal) to the general ledger. The general ledger is a component of the computerized accounting software. The general ledger may be printed at any time in the accounting software (Reports/General Ledger Analysis/Standard or Expanded General Ledger).

General Journal
General journal entries refer to any correcting entry or adjusting entry made to the general ledger. Standard journal entries are recorded each month. These journal entries consist of those that are recurring in nature and are booked each month. Entries to the general journal are posted monthly to the general journal. At month's end, all general journal batch post reports are printed and stored in a folder with all supporting documentation for future reference. All general journal entries are entered by the COO and approved by the CEO.

Record Retention

Computer

All files are backed up to a server. All computer files and backups are done through a contract with Cornerstone Technology, to meet all health record standards. (For more information see the IT support contract and IT Policies)

Other Records

All other non-computer records must be retained for at least a specific amount of time. Below lists the number of years of which documents must be retained. Upon expiration documents will be appropriately disposed of unless there are extenuating circumstances, such as litigation or an investigation.

Accounting Records	**Number of Years to Retain**
Bank statements and deposit slips	3
Payroll - time cards	3
Expense reports	6
Subsidiary ledger (A/P & A/R)	7
Monthly trial balance	6
Checks (payroll and general)	8
Payroll - time reports, earnings records	7
Vouchers (vendors)	7
Audit reports	Permanently

Corporate Records

Mortgages, notes, leases (expired)	8
Bylaws, charters, operating certificates, minutes, cash books, stock & bond records, checks for taxes, property, important contracts, agreements, copyright & trademark registrations, deeds, labor agreements, patents, proxies and pension records	Permanently
Tax returns and working papers	Permanently

Correspondence

General	3
Purchase, shipping and receiving, license	6
Legal & tax	Permanently

Insurance

Expired policies	4
Accident and fire inspection reports	7
Group disability records, safety reports	7
Claims (after settlement)	10

Personnel

Terminated General Personnel Files	7

Terminated Benefit Personnel Files	7
Terminated Training Personnel Files	7
Terminated Medical Personnel Files	10
Employee Time/Expense Report Records	7

Purchasing and Sales

Purchase orders, requisitions	3
Sales contracts, sales invoices	3

Shipping & Receiving

Export declarations, freight bills	4
Manifest, reports, waybills	4

Further, the Office of Management and Budget Uniform Grant Guidance requires all entities that receive federal funds to retain all documents associated with the funds for a minimum of three years. Similarly, if the agency receives funding from Medicare and Medicaid, all related documents must be retained for a minimum of three years after the date of final settlement on that year's cost report. As a general rule, the documents associated with the Medicare and Medicaid should be retained for at least 5 years. This allows for the time lag between the submission of the cost reports and the settlements from the intermediaries.

Cash Disbursements

Introduction

1. All check and bank drafts are disbursed from the main general operating account. All payroll direct deposit vouchers and any payroll checks are disbursed out of the payroll general operating checking account.
2. Petty cash expended should be reimbursed from the main general operating account once a month or whenever the balance falls below a certain amount specified by management. The expenses are charged at the time of reimbursement.
3. All disbursements are reviewed by the COO and/or CEO.

Disbursement

1. All checks drawn by the agency must be signed by the CEO. In the case that the CEO is not available to sign checks a member of the executive committee of the Board of Directors would be asked to sign in his/her place. Any expenses for one service exceeding $25,000.00, must be approved by the Board of Directors prior to issuing payment or signing contracts.

Disbursement - Non Payroll

1. A multipart voucher is prepared for disbursements paid from the main general operating account. The top copy is used as the check to send to vendors. The other copy is used to provide the agency with adequate documentation for the expenditures. The detailed procedures related to the preparation, distribution, and retention of the disbursement vouchers are prescribed in the accounts payable section.

2. Bank account reconciliation's must be completed each month to ensure that all cash transactions are properly recorded, and that there are no unusual endorsements. Each bank account is reconciled to the appropriate cash balance in the agency's general ledger. The bank reconciliation is performed by the COO and approved by the CEO.

Petty Cash - General

1. The petty cash fund is used for emergency one-time expenditures under $20.00 and receipts must be submitted to substantiate disbursements.
2. The leadership petty cash fund must be maintained by the CEO, who does not have access to accounting software.

Petty Cash

1. The fund's balance should be established so that it requires not more than one reimbursement each month. The fund is reimbursed at the end of the month or whenever the fund's balance falls below an amount determined by the management.
2. Reimbursement is paid from the main general operating account upon submission of an approved requisition. The reimbursement check is drawn to the order of Petty Cash and given to the fund custodian. Expenses paid out of petty cash funds are charged at the time of reimbursement.

Disbursement of Petty Cash Funds

1. Each petty cash disbursement is recorded on the petty cash ledger held by the petty cash custodian.
2. All petty cash disbursements must be approved by a program director in advance of incurring the expense. Only the CEO can approve any deviation from this requirement.
3. Individuals making purchases from the petty cash fund are required to obtain a receipt for the purchase and provide this to the petty cash custodian for the petty cash ledger. If a receipt is not available the staff person's direct supervisor must be advised immediately and give advice on what is to be attached in place of the receipt.

Petty Cash Accounting

1. The petty cash fund custodian enters individual receipts and disbursement transactions onto a petty cash ledger.

Petty Cash Reimbursement

1. Requests for reimbursement are forwarded, together with the petty cash ledger, to the accounting department.
2. The accounting department reviews the reimbursement request. If the disbursements appear to be bona fide expenses and properly approved, the petty cash ledger is submitted to the accounts payable department for processing.
3. The petty cash disbursements are accrued in the accounts payable register. The expenses are charged to the appropriate expense accounts.
4. The reimbursement check is drawn to the order of the fund custodian.

Cash Receipts

Introduction

The agency receives various types of cash receipts on a daily basis. These include cash received via mail such as contract revenue reimbursement, contributions, payment on patient accounts, electronic wire transfers such as Medicaid receipts and grant draw-downs, cash from patients, and other miscellaneous items. The objectives of the cash receipts procedures include:

1. Segregation of duties to assure that receipts are adequately safeguarded and properly deposited.
2. Establishment of controls to insure that all receipts are properly recorded in the accounting records.
3. Identification of receipts in sufficient detail to facilitate preparation of the monthly financial reports.

Receipts – Mail

1. The mail is opened by the payroll clerk in the payroll department. The checks are segregated from other material, and will then forward the other material for distribution to the appropriate individual.
2. The payroll clerk opening the mail prepares a weekly cash receipts log (recording checks received daily and adding to it throughout the week until the deposit is made) and endorses each check with the "For Deposit Only" stamp. The cash receipt log is signed off on daily "prepared by" by the payroll clerk and sent up with the receipt to the COO's office.
3. The cash and checks are stored in the COO's office for safe keeping until deposited each week.
4. The COO prepares the deposit slips each week and enters the cash receipt in the accounting software for each deposit being made.
5. The deposit is then given to the CEO for verification of the amount and weekly cash log for accuracy. Any discrepancies are immediately resolved. The deposits are locked in a banking bag and the key is held by the CEO until the deposit is taken to the bank and deposit tickets are received back at the office.
6. The deposit is taken to the bank by the COO.
7. The explanation of benefits for private insurance and Medicaid is used by the billing staff to apply payments to each individual accounts receivable account on a daily basis. During this process, all payments listed on the explanation of benefits are compared to billings and vouchers and any discrepancies between the payments and the billings are brought to the billing staff assigned to the account type.
8. All payments received from a patient are posted against the accounts receivable for that individual.

Front-Desk Cash Receipts

1. At the start of the day, the receptionist is responsible for counting the cash box in the locked drawer that includes the approved starting cash amount set by management. (Varies by site, $50.00 for smaller site, $150.00 for larger sites, no money kept in WIC).
2. In Reproductive Health, the receptionist will collect the co-pay or minimum charge when the patient checks out at the conclusion of each patient's visit. A bill will be sent

to the patient when the encounter is closed by the provider if there is any outstanding balance.

3. The Front Desk Receptionist then collects the cash, credit card or check from the patient (and endorses the check with the "for deposit only" stamp) and posts the payment on the client balance within the Electronic Health Record. The front desk staff then provides the patient with a copy of the receipt as a payment receipt regardless of the payment methodology.
4. Patients can make payments on their account for other dates of service at the front desk. The Front Desk Receptionist views the patient account on the computerized system to check the account balance and other related information. The patient will provide the amount of payment to be made on the account. The Front Desk Receptionist posts the payment amount and documents the payment method. A receipt is produced and given to the patient.
5. At the conclusion of the day, the Front Desk Receptionist reconciles the cash and checks received from patients to a report pulled from the Electronic Health Record stating all payments for the date of service. Any discrepancies are immediately resolved.
6. The cash box is reconciled to the starting balance. Upon completion of this process, a deposit ticket is created and a copy of the signed Electronic Health Record Report is sent to the billing staff. The cash is taken to the COO (Wausau only); if they are not available the cash is slid under the locked door of the COO's office. If in an outlying site the cash received is taken to the bank for deposit.
7. The COO reconciles the deposit to the deposit ticket created by the clinic staff (Wausau only). If all the items agree, the deposit is held in the COO's office until the weekly deposit is made. The deposit is made as described in the mail receipts procedure; deposits are made by the finance office weekly. The outlying sites take the deposit to the bank and the amounts of the deposits are verified when the bank accounts are verified at the end of each month.
8. At the end of the month or when deemed appropriate by the COO, the total cash received by payor source (as listed on the cash receipts log) should be recorded in one journal entry to the appropriate patient receivable balance in the general ledger.

Standard Journal Entries

Introduction

The standard journal entries described below are prepared each month in order to furnish management with financial information in accordance with cash basis generally accepted accounting principles (GAAP).

The entries are prepared on a journal entry form. At the conclusion of the month, the entries are bound in front of the corresponding month's general ledger or month end working paper file.

The standard entries include the following:

Bank Transfers, Interest Revenues, Client Revenues, Bank Fees, and Tax Liability

Bank transfers are recorded to reduce the amount in the account the dollars were transferred from and increase the amount in account the dollars were transferred to. Bank transfers are done each payroll date for payroll and accounts payable to cover the expenses being charged to these accounts.

Dr. Bank account for dollars transferred to cover expenses

Cr. Bank account for dollars transferred to pay expenses

Interest and bank fees are recorded in the end of month to increase the account by the amount of interest received and client fees paid on each account and reduce the account balance by the amount of fees charged by the financial institution.

Dr. Bank account increased for interest and client revenues received

Dr. Expense account for bank fees

Cr. Revenue accounts for any interest revenue and client revenue received

Cr. Bank account is reduced for bank fees charged

The tax liability is decreased at the end of each month by the amounts that were paid to the state and federal government for payroll taxes.

Dr. Tax Liability

Cr. Appropriate bank account for the payment of taxes

Patient Revenue/Receivable

All financial information with regards to patient services is stored in the billing computerized system. At the conclusion of the month, all data is retrieved from the billing system and aggregated to book to the general ledger. The monthly reports produced from the computerized system indicate the total payments generated by payor source by site.

These reports are then forwarded to the accounting department so the standard journal entry can be entered for patient revenue and receivable. The entries are as follows:

Dr. Patient Revenue by payor for the general location (001)

Cr. Patient revenue by payor by site

The initial entry to record the cash received to the bank account and the Patient revenue general location is made per the cash receipt procedure above for mailed payments and per the Client Revenue procedure above for front desk payments.

This entry should be posted at the conclusion of every month to ensure that each site shows accurate revenues received.

Rent/Copier Revenue

HFNI holds a separate account for the “Agency” as a whole. This account is used to pay expenses for the maintenance and upkeep of the building. The programs housed within the agency then pay overhead costs to the agency to fund this upkeep and allowing the programs to track their overhead costs. The agency owns the copy machine and therefore receives revenues from the programs for use of this equipment. These charges are based on copies made and are reviewed on an annual basis. The programs also pay to the agency rent as an overhead cost to the program and a revenue to the agency. Rent is based on a dollar amount per square footage. Rates are reviewed and established each calendar year.

Dr. Rent expense for each program housed within the Wausau agency building

Cr. Rent revenue for the rent paid to the agency

Supply Room/Health Reimbursement Account (HRA) Location Distributions

When expenses are incurred for the purchase of supplies they are charged to the general location. These supplies are then held in the leadership supply room until requested from specific sites. At the end of each month the Inventory Specialist pulls a report from the inventory software dispersing these items from the general location to the specific site that the supplies were sent to for utilization in the clinics.

Dr. Supply Expense for the site specific locations
Cr. Supply Expense for the general location

When expenses are charged for use of the HRA they are charged to the general location. This is done to ensure the privacy of the staff of the expenses for the HRA. The COO will then pull an end of the month report of which staff members used these funds and move the funds to the appropriate location.

Dr. EBC Expense for the site specific locations
Cr. EBC Expense account for the general location

Grant Receivables

Each month, the COO shall journalize the current months pro-ration of grants receivable by debiting the unearned account and crediting the revenue account for the proper amount.

Dr. Unearned Grant Revenue for each specific site and program for the prorated monthly amount
Cr. Grant Revenue for each specific site and program for the prorated monthly amount

Adjust Base Fixed Assets Inventory to Actual and Depreciation Expense

During the course of the month the agency may purchase or dispose of assets that should be capitalized or were capitalized. As a result, the agency must adjust the fixed asset control accounts for the actual amount of fixed assets by class (land, building, equipment, etc.) at the conclusion of the month. The corresponding accumulated depreciation account is either debited or credited to account for the addition of depreciation or for the removal of assets. If there was a disposal of an asset and a gain or loss occurred, this amount represents the difference between the fixed asset amount and the accumulated depreciation. The sample entries are as follows:

At the conclusion of the month, an entry must be recorded to book the depreciation expense for the month. The offsetting entry is to increase or decrease accumulated depreciation by the same amount.

Monthly Depreciation Expense

Dr. Depreciation Expense by class
Cr. Accumulated depreciation by class

Increase in inventory

Dr. Fixed Asset Class
Cr. Cash or Accounts Payable

Decrease in inventory

Dr. Accumulated depreciation

Cr. Fixed Asset Class
Dr. /Cr. Gain or Loss on disposal of assets

NOTE: Any disposal of an asset is done following all grant requirements regarding the disposal of fixed assets.

Grant and Contracts Services Revenue and Receivables

Introduction

Each month, the agency receives revenue and ultimately cash from grants and contracts (non-patient revenue sources). As such, a procedure must be established to account for the revenue and receivable of such items.

Grant Revenue and Receivable

Grant revenue consists of monies being received from direct Federal and State sources, such as the Department of Health and Human Services, the Department of Education, or the Department of Agriculture to name a few. Most of these awards are received by the center through Notice of Grant Awards (NGAs).

Recognition of Revenue and Receivable

There are two methods to recognize revenue for grants. The methods are either prorated revenue or based on expenditures incurred. If the grant is issued to the agency for operations and generates patient service revenue, then the recognition of revenue should be prorated over the life of the grant. In other words, if the grant was for $1,200,000 dollars, then each month, the agency will recognize $100,000 of revenue.

If the grant is not for operations, and is rather covering costs for a specific purpose, (such as construction), then the grant revenue must be recognized based on the actual expenditures incurred. The revenue and receivable recognition should be generated from detailed general ledger reports or invoices to grantors.

Upon receipt of the NGA, the finance department shall journalize the award to the general ledger (beginning in the period first affected) with the following entry:

Grants Receivable (Debit) Full amount of NGA
Unearned Grants Awarded (Credit) Full amount of NGA

Each month, the COO shall journalize the current months pro-ration by debiting the unearned account and crediting the revenue account for the proper amount. As the grant is drawn down and the cash is received, the receivable is credited for the amount collected and the proper cash account is debited.

Contract Revenue and Receivable Recognition

The agency receives funding from various state and local agencies for many individualized projects or specified operations. As a result, the finance department must submit reimbursement requests in the form of vouchers to each agency. At the conclusion of the month, the COO generates from the general ledger a listing of all expenses and salary costs for each individual program. These expenses and salary items are then transferred to the reimbursement request in the required format.

The revenue and receivable is booked based on the amount of the voucher submitted and when cash is received, the receivable is reduced for the appropriate amount.

Requisitioning, Purchasing, and Receiving

Introduction

The procedures described in this section enable the agency to acquire equipment, supplies, and services while practicing good internal control procedures and follow all federal Uniform Grant Guidance guidelines.

Requirements

1. All agency employees must sign a conflict of interest statement at hire. This conflict of interest statement states that no purchasing of goods can be made from businesses owned or significant investment by employees of the agency.
2. Per Uniform Grant Guidance guidelines, all purchases over $25,000 with Federal Funds must be sent out to bid and approved by the Board of Directors.

Requisitioning

Purchasing

1. All ordered purchases will be made by the inventory specialist only. If an item is needed the request is sent to the inventory specialist. The item is priced for best price and purchase order is completed by the inventory specialist.
2. The purchase order is then approved by the CEO.
3. After the purchase order is completed and approved, the inventory specialist can requisition the goods or service.
4. If purchases are to be made in person (going to a site to purchase goods) the staff person can request the goods be purchased from the CEO and upon return with the goods, provide the inventory specialist with the receipt to complete the purchase order that will then be signed by the CEO.
5. If a grant requires strict policy regarding purchases over a specified dollar amount those guidelines are followed per grant requirements.

Competitive Bid

If goods or services are to be purchased by federal dollars, at least three competitive bids must be obtained for all goods and services over $25,000. Also, at the discretion of the COO or CEO, competitive bids may be obtained for other goods and services as they deem appropriate. Competitive bids should be in writing and contain all payment order specifications.

After the bids are received, the designated personnel requesting the bids will recommend to the CEO as to which bid should be accepted. Since all purchases requiring a competitive bid must be approved by the Board of Directors, then the CEO will present the agency's decision to the Finance Committee for recommendation to the Board of Directors for approval.

Purchase Orders

Preparation of Purchase Order Form

1. The purchase order form will include the following data:

a) The date the order was written
b) The program the order is for
b) Vendor name
c) Description of items ordered
d) Quantity, unit price, and total price for each item
e) Employee completing the order
f) Authorization by Supervisor or CEO

2. The inventory specialist prepares and forwards, after obtaining any required competitive bids, the completed purchase order to the CEO for approval.

3. The CEO then approves and signs the purchase order, if satisfactory, and sends the package back to the inventory specialist for ordering. The CEO's signature indicates that based upon his/her experience and the documentation examined, the purchase is appropriate and within budget, the vendor is suitable, the price is reasonable and in accordance with prevailing market conditions, and that the documentation appears to have been prepared following established procedures.

Receiving of Goods

1. Goods are received at the leadership supply room. The inventory specialist will then notify the CEO or Clinic Coordinators of all goods received if for a specific program. The inventory specialist will then open the goods, verifies the order is complete, and put away the items received that are ordered for supply room stock.

2. If the shipment is complete, a copy of the receiving ticket is signed and given to the accounts payable staff to match to a copy of the original purchase order which is then held for matching to the original invoice. Upon matching with the original invoice, the finance department shall verify the correctness of the invoice for proper pricing and quantities, authorize it for payment and code it for budget allocation. The completed paperwork is then processed for payment by the finance department within terms agreed. If only a partial order is received, the items received are circled on the copy of the purchase order/receiving ticket.

Accounts Payable

Introduction

The agency maintains its accounting records on a cash basis of accounting; the financials are then adjusted at the end of the year to complete the audit on accrual basis. All invoices received by January 15th for a prior year expense will be included within that fiscal year. Any invoices received after the cutoff date, become an expense for the new fiscal year.

Upon the receipt of the invoice the accounts payable staff prepares the payment voucher and records an entry in the Accounts payable journal generally debiting an asset or expense account and crediting accounts payable.

Maintenance of Support Documentation

1. Upon receipt of the vendor's invoice, the documents that were retained in the open purchase order file are matched with the invoice and segregated, according to payment date, for further processing.

Preparation of the Checks

1. The COO reviews all the completed check requisition forms and all supporting documentation. If everything is in order, they will return everything back to the accounts payable staff for check preparation.
2. The check is a single sheet laser form containing the check, two stubs, and such additional accounting information as invoice number, date, a description of expense, purchase price, discount, and net amount paid.
3. The checks are prepared bi-weekly for invoices awaiting payment.
4. The completed check and check register is forwarded to the CEO who will sign the check and check off on the register to approve payments for all checks cut. If questions arise the supporting documentation is given to the CEO to ensure payments are correct. Once signed, the check and all supporting documentation is returned to the COO for mailing and filing.

Payment

1. Part one, consisting of the top stub and the check itself is mailed directly to the vendor by the COO.
2. Part two of the check form (the bottom stub) is attached to the group of invoices paid along and any supporting documentation. The finance staff then file the completed paperwork in vendor files in the accounts payable file cabinet.

Preparation of Monthly Management Reports

Management Report	Responsibility	Recipient	Target Date
Balance Sheet (current year vs prior year)	COO	CEO and BOD	3 weeks after month end
Statement of Financial Activities (current year vs prior year)	COO	CEO and BOD	3 weeks after month end
Statement of Financial Activities (budget vs actual)	COO	CEO and BOD	3 weeks after month end
Productivity by Provider (information obtained from billing system)	Billing Staff	Reproductive Health Director	1 week after month end
Productivity by Encounter/Client Numbers (information obtained from billing system)	Billing Staff	Reproductive Health Director	1 week after month end
Budget Narrative (information obtained from financials and internal spreadsheets)	COO	CEO and BOD	3 weeks after month end

Payroll

Introduction

The agency has established a procedure for the preparation of payroll. The payroll is based upon e-time cards maintained for each employee and advices to report deductions for unauthorized absences, new additions to the staff, and salary changes. Each hourly employee is required to punch in or out each time they begin or end a work cycle respectively. This is completed by clocking in on the EWS website and recording the appropriate amount of hours to each cost center. Salaried staff members are required to only report their hours worked by cost center and not their times in and out.

A log of (hourly, salaried, & contracted) employee's PTO and Holiday pay is also maintained and the time cards are adjusted appropriately for each of these types of days taken.

Change Reports

If a change to benefits, wage, withholdings, etc. are needed the CEO or Clinic Coordinator is responsible for creating a change report that is issued to the payroll department. The payroll department will enter that change within the payroll system and this will be verified before final processing by the COO

Time Approval

The agency prepares the payroll checks from time cards approved by the clinic coordinators and CEO. Each clinic coordinator or program director is responsible for verifying the times entered by their staff members within EWS system. The program directors and clinic coordinators are to compare the times entered with any documentation they received on staff working hours and the original schedules of the staff. No payroll checks should be generated from unapproved time cards.

Payroll Reports Maintained

The following reports are generated by the payroll staff

1. Payroll register that identifies gross pay, less deductions and net pay by employee.
2. Employee's earnings record which identifies cumulative gross pay and cumulative deductions and net pay for individual employees.
3. Available PTO and holiday time availability in hours.
4. Quarterly IRS Form 941, Annual form 940, W-2 & W-3.

Recording Entries to Books of Accounts

Bi-weekly, the payroll costs are accumulated by cost center and posted to the general ledger. Fringe benefits are recorded each payroll period and are apportioned to cost centers in relation to the salary expense for the period. The finance department records the current period payroll to the preceding period's payroll. Any changes must be properly supported by approved time cards or other advices.

Maintenance of Property Records

The agency maintains property records to safeguard assets and provide a basis for the calculation of depreciation. Thus the agency maintains a spreadsheet which lists all the property on the agency's balance sheet by date purchased and description of asset, useful life, and cost of asset. Further, the asset records show the current year depreciation charge and total accumulated depreciation as well as net book value of the asset. As further control, all furniture and equipment are tagged with a serial number and the serial number is noted on the equipment inventory spreadsheet as well.

If the agency receives funding from an outside source (city, state, or federal government) to purchase equipment, the agency should indicate on the asset ledger which items were bought with these funds. It could be possible, depending on the source of funds, that the equipment has reversionary rights. This means that the asset may revert to the funding agency if the agency ceases the line of business that the asset was purchased for.

Disposal of Fixed Assets

Occasionally, an asset is sold or otherwise disposed of. Retirements are credited at cost value (cost less accumulated depreciation) based upon an advice prepared by and approved by the finance department. The gain or loss is calculated by deducting the book value from the proceeds received, if any. Any such gain or loss is treated as miscellaneous revenues or expenses.

Calculation of Depreciation

All capital assets will be depreciated over their estimated useful lives. The straight line basis will be used, with depreciation charged beginning in the month that the asset is placed in service. Useful life is determined by utilize the IRS "Useful Life Schedule."

Month-End Procedures

Patient Revenue and Receivable

Medicaid

Throughout the month the billing department receives Remittance Reports from Medicaid with family planning Medicaid payments which are entered into our billing system. At the end of each month a report is ran by each location and entered into a spread sheet to show totals for each location which is then forwarded to the COO for the journal entry to be completed to move the payments from the general location to the site specific location.

Third Party Insurance

Throughout the month the billing department receives Explanations of Benefit Reports from different insurance companies with service determinations which are entered into our billing system. At the end of each month a report is ran by each location and entered into a spread sheet to show totals for each location, which is then forwarded to the COO for the journal entry to be completed to move the payments from the general location to the site specific location.

Self-Pay

Throughout the month the self-pay payments are entered into the billing system for each client that makes a payment. These payments are allocated directly to the site specific location therefore no journal entry is needed for these payments.

Description of Payors

1. Medicaid - All Medicaid patients seen at the agency generates a patient visit that is billable to the state that provides Medicaid services at a specified rate. Each service provided is billed and reimbursed at a specified rate set by the Medicaid program. Patients are allowed on annual preventative visit each year, with no limit on problem visits. Prescriptions are billed and reimbursed at a specified rate by the Medicaid program when received by the patient, not to exceed 15 cycles within a years' time.

2. Third Party Insurance - The agency contracts with various insurance carriers to provide services to their enrolled patients. The reimbursements for these services are based on a pre-determined fee schedule using Current Procedure Terminology codes (CPT). If the contract requires the patient to pay a deductible or co-payment, then that portion of the cost is reimbursed by the patient.

3. Self-Pay - These patients do not have any health insurance and do not qualify for any Medicaid coverage. The patient would qualify for the sliding fee discount based on income, therefore the patient is responsible for the cost less any discounts received for the services, and payment is required at the time of service for any prescriptions received. All other services can be billed to the patient to be paid within one full calendar year. A sliding fee discount schedule based on the Federal poverty guidelines is updated annually and cost changes by procedure based on the agency's cost for providing services is updated annually.

Determination of Charges

The agency has established a procedure on how often it books charges for each respective payor. The charges are based on the agency's current charge structure regardless of payor. For example, if a patient is seen at the Center and the provider codes the encounter form as a moderate office visit (CPT Code 99213), the Center charges an amount as per its charge structure. This charge should be booked for all payor classes regardless of how the agency is reimbursed. Some agencies are required to charge each patient the same gross amount or else the agency could be in violation of State or Federal laws.

Determination of Contractual Allowance or Sliding Fee Discount

If the agency's charge structure is based on the cost of providing services, the amount booked as the charge most often will exceed the agreed upon reimbursement rate. An adjustment is done to the full charge when payment is received to bring the balance down to adjust for the difference in full fee and the reimbursement rate.

A sliding fee discount represents the difference between the agency's charge and the amount received. This category is solely for those patients who qualify for the sliding fee program under the Federal grant. Each agency can have many sliding fee categories. A patient's category is determined based on the size of their family and their yearly income. As long as the patient's income is below a certain percentage, specified by the Federal poverty guideline, the patient will qualify for the program. Once the determination of sliding fee category is made, the level should be entered into the discount schedule. At the conclusion of a patients visit, the front desk staff should apply the discount to the day's charges and relay the balanced owed to the patient for collection by the health enter.

Travel Policies and Procedures

Introduction

The purpose of the travel policies and procedures is to reimburse employees for funds paid in the course of performing the pre-approved activities of the agency.

It is the procedure of the agency to provide reimbursement for pre-approved travel related expenses, including transportation, hotels, and food. These expenses must be related to activities of the agency, and must be pre-approved by the appropriate level of management.

1. All reimbursement for travel related expenses requires documentation of the expenditure through third party receipts or other verifiable documentation.
2. For local travel related to patient activities, the agency will reimburse an expenditure report submitted by the employee to the accounts payable department. This includes reimbursement for use of taxi and public transportation, and, when pre-approved, use of an employee's personal automobile. Reimbursements of automobile expense for use of an employee's personal automobile are limited to the mileage incurred for the approved travel and will be reimbursed at the federally approved mileage rate.
3. For out of area travel, the agency will reimburse all pre-approved travel related costs of hotel accommodations, transportation to and from the destination, including air, train or bus tickets, taxicab fares, etc.
4. Out of area travel requires approval by the staff member's direct supervisor and in certain instances completion of a Staff Development Request and Contract Form. The approval of the travel expenses by the direct supervisor should include the following items:
   a) Employee's name
   b) Program/Department
   c) Date of the submission
   d) Date of expense
   e) Description of expense
   f) Expense of expense based on category (i.e. airfare, lodging, meals, etc.)
   g) Other: Write all other expenses incurred and purpose
   h) Total amount to be reimbursed

If the form is not required the reimbursement must be submitted on an expense report form by the staff member no later than 45 days from the date incurred with the program director's approval attached as well as any receipts received for the items documented.

Cost allocations

HFNI is required to follow various guidelines for allocating costs which benefit more than one program or grant. A cost allocation plan will be adopted each year which satisfies the requirements of all grants for that year. This cost allocation plan will need to be modified any time a new program is started or at the end or beginning of any fiscal year grants. Due to the frequent modifications to the cost allocation plan, it will be maintained outside of this accounting procedures manual.

Debt

Board approval is required for incurring any debt of HFNI other than operating trade payables and budgeted payroll payables. The CEO will be authorized to negotiate such debt as needed by the Board of Directors.

Any loan covenants and restrictions will be reported to the Board when the debt is authorized. The COO will periodically review these covenants and report to the CEO if there are any violations or potential violations of the covenants.

The CEO and Board President or Treasurer will sign any debt agreements after receiving full Board approval.

The COO will reconcile the general ledger debt balances to statements or amortization schedules each month. In addition, accrued interest will be recorded in the general ledger as needed.

Regulatory Reporting

Introduction

When the agency receives funding from various federal and state sources, it must comply with specific regulatory reporting required by the grants and contracts. Listed below are examples of the regulatory reporting for every agency.

All reports the agency is required to submit to the various agencies and the government are to be submitted timely.

Specific Reports

1. Grant Budgets - Each year, the agency applies for funding from the Wisconsin Department of Health and Human Services (DHHS). Each grant the agency applies for (WIC, Reproductive Health, Snap-Ed, etc.) must have a budget application submitted that follows the required format.

2. WIC Expenditure – WIC expenditures are required to be reported on a monthly basis. The electronic expenditure reports must be submitted electronically to the state WIC office monthly no later than the 20th of the month following the guidelines outlined in the WIC Fiscal Management-Expenditure Reporting document.

3. Reproductive Health Expenditure Reports – Reproductive Health's program generated income and program generated expenses are required to be reported each month to the fiscal agents that pass through the dollars to the agency. These are to be submitted utilizing the CARS report by email to the fiscal partners no later than the 10th of the month.

4. WIC Final Report – At year end a final report is due within 90 days after the grant agreement period ending date.

5. Reproductive Health Final Report – At year end a final report is due within 30 days after the grant agreement period ending date.

6. Annual Audit in Accordance with Government Auditing Standards and Uniform Grant Guidance - When the agency receives funding from the federal government, through the state of Wisconsin, the agency is required to submit an audit from an independent Certified Public Accounting Firm within 180 days of the end of the fiscal year. The audit must be comprehensive in nature and satisfy the requirements as outlined in Uniform Grant Guidance and Government Auditing Standards. HFNI is required to submit this for both the Reproductive Health and WIC programs based on the Grants.

7. IRS Form 990 and State Submission - These reports are the required Annual Informational returns for every agency. If the agency is exempt from income tax under Section 501© (3) these returns are informational in nature and will not yield tax due unless the agency enters into a revenue stream that is unrelated to the Center's exempt purpose. If this happens, the agency must file IRS Form 990-T, unrelated business income tax return.

8. Annual pension/profit sharing plan returns/reports are to be filed timely i.e. IRS Report form 5500.

9. 1099 – These reports are the required Annual Informational returns for every agency.

10. W-2, W-3, WT-7 - These reports are the required Annual Informational returns for every agency.

Responsibility for Reports

The finance department, in conjunction with the CEO and clinic coordinators, shall be responsible for the preparation, board approval and timely filing of regulatory agency reporting.

Year-End Audit Preparation

Due to the size and time constraints of the agency, HFNI operates on a cash basis of accounting throughout the fiscal year. At year end HFNI processes all accruals necessary to have final audit and financial statements completed utilizing the accrual method of accounting. The following are end of year journal entries that are needed to complete this process and prepare for the HFNI audit done by an outside audit firm.

General

The cutoff for information in the year-end statements is one month after the year end.

The COO will maintain a file which includes work-papers which document the balance of each balance sheet account. The file will also include copies of the grant billings. All balance sheet accounts will be reconciled at year-end to help ensure that accurate statements are provided to management and the Board.

The adjusted financial statements are to be delivered to the Board of Directors within three weeks after the end of the month.

End of Year Processing Cycle

Cash Accounts: Reconcile; Write-off stale outstanding checks.

Investments: Reconcile to statements (both balances and income).

Prepaid Expenses: Reconcile; examine all related expense accounts to determine if any payments made should be reclassified to prepaid expense or if any expense on the prepaid schedule has expired but hasn't been recorded.

Inventory: Reconcile to inventory counts at year-end.

Accounts receivable: Reconcile to report from billing system; adjust allowance account.

Grants Receivable: Reconcile to known outstanding balances/amounts invoiced but not paid through year-end.

Fixed Assets: Review maintenance accounts for purchased items that should be considered for capitalization; reclassify any that fit the capitalization policy. Update fixed asset schedule; reconcile to that schedule (including depreciation).

Accounts Payable: Reconcile to AP ledger/AP aging; review for old outstanding AP.

Accrued Payroll Costs

Payroll costs are accrued for the percentage of days from the date of the last payroll to the end of the year for which the accrual is being made. The amount to be accrued each year is based on percentage of time from each year, utilizing separate cost centers and coding for each year's grant.

The entry is reversed on the first day of the following year so that payroll expenditures can be recorded on a cash basis. Related employer costs such as Social Security and Unemployment taxes and benefits should be recorded in relation to the payroll expense. The following journal entry is made:

Dr. Personnel expense by line item and cost center
Dr. Related employer costs
Cr. Salaries and wages payable

Reconcile each type of payroll accrual to the appropriate report from the payroll system which will indicate the balance due for each tax and benefit payable. Calculate PTO accruals and adjust.

Revision of Allowance for Doubtful Accounts

All items billed will not be collected. As such, a reserve is established to account for the estimated non-collection of the patient receivables. This reserve is evaluated each year for appropriateness and adjusted accordingly. The allowance for doubtful accounts is determined by applying the current year actual bad debt rate to the total balance in accounts receivable at year end. The reserve balance could be adjusted up for an additional reserve, adjusted down for overstatement, and uncollectible amounts may be written off also reducing the account. These three types of entries are as follows:

Increase reserve balance:

Dr. Bad debt expense
Cr. Allowance for doubtful accounts

Decrease reserve balance:

Dr. Allowance for doubtful accounts
Cr. Bad debt expense

Write off of uncollectible accounts:

Dr. Allowance for doubtful accounts for amounts written off

Cr. Appropriate receivable account

Mileage Reimbursement

Most employers reimburse at the standard mileage reimbursement rate set by the IRS. The current IRS standard is 58 cents per mile, which is a guideline based on average gas prices and average wear and tear on a vehicle. HFNI will reimburse employees for travel at or slightly below that IRS standard. In 2019, HFNI will reimburse at 58 cents per mile.

Lodging Reimbursement

HFNI will generally reimburse lodging at $81 per night. When this is not obtainable due to location or safety, the employee will seek approval for reimbursement from the CEO.

Meals and Incidental Expenses

Meals will be reimbursed to employees traveling at the following rate, $38 per day, broken down as Breakfast-$8, Lunch $10, Dinner-$20. Breakfast is defined as a morning meal before 7:30am. Lunch is defined as a meal between 11:00am and 1:30pm. Dinner is defined as a meal after 5:00pm. Meals are not reimbursed for staff coverage of other HFNI locations.

Operating Reserve

PURPOSE

The purpose of the Operating Reserve Policy for HFNI is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Reserve may also be used for one-time, nonrecurring expense situations that will build long-term capacity; examples include staff development, research and development, or investment in infrastructure.

Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of HFNI, for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve Policy will be implemented in concert with the other governance and financial polices of HFNI and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as a designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. The target minimum Operating Reserve Fund is equal to two months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes some expenses such as one-time or unusual, capital purchases.

The amount of the Operating Reserve Fund target minimum will be calculated each year before approval of the annual budget, reported to the Finance Committee/Board of Directors, and included in the regular financial reports.

ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the financial records as Board-Designated Operating Reserve. The Fund will be funded and available in cash or cash equivalent funds. Operating Reserves will be maintained in a segregated bank account or investment fund.

FUNDING OF RESERVES

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time gifts or requests, special grants, or special appeals.

USE OF RESERVES

Use of the Operating Reserves requires three steps:
1. Identification of appropriate use of reserve funds.
The CEO and staff will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.

2. Authority to use operating reserves
The CEO will submit a request to use Operating Reserves to the Executive Committee of the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization's goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The Executive Committee will approve or modify the request and authorize transfer from the fund. The use of Operating Reserves will be reported to the Board of Directors at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Operating Reserve Fund to the target minimum amount.

3. Reporting and monitoring.
The CEO along with Finance and Accounting Specialist are responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the CEO will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Board of Directors of progress to restore the Fund to the target minimum amount.

REVIEW OF POLICY

This Policy will be reviewed every other year, at minimum, by the COO and presented to the Executive Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Executive Committee to the Board of Directors.

I. General Procurement Requirements
A. Procurement Process: HFNI has developed procurement processes and procedures to support the following formal Board of Trustees Policies relating to the procurement function:
B. Before starting a procurement process HFNI shall:

1) Review all proposed procurements to avoid unnecessary or duplicative purchases of equipment, supplies, and services.
2) Consider whether it will it save money and/or time to consolidate procurements or to break out to allow for more competition; if so, HFNI shall document the reason for the decision.
3) Where appropriate, perform an analysis of lease versus purchase alternatives, and other appropriate analysis to determine the most economical approach and document decision.
4) Consider shared services and entering into inter-local cooperative agreements with other governmental agencies, to foster greater economy and efficiency,
5) Perform a cost or price estimate on the procurement.
6) Explore state or local intergovernmental agreements (such as competitive bidding group purchasing programs, state term contracts, GSA contracts, or formal intergovernmental agreements that can be utilized to procure equipment, supplies, and services.
7) Use Federal and surplus property. To reduce project costs, it is encouraged to use Federal excess and surplus property as a replacement for purchasing new equipment.

C. During the procurement process:

1) Follow HFNI Procurement Policies and procedures which apply to non-federally funded procurements;
2) Adhere to standards of conduct. Conflict of Interest – must disclose in writing any conflict of interest in the selection, award and contract administration.
3) Require contractor, applicant or any other entity to disclose all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the award.
4) Award contracts only to responsible contractors able to perform successfully under the terms and conditions of the procurement, consider assessment of contractor integrity, compliance with public policy, record of past performance, financial and technical resources. Assessment of these criterions are used during the formal solicitation process as described herein, Section B4.
5) Maintain oversight of contractors to ensure that they perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
6) Include a clear and accurate description of the technical requirements for the material, product or service to be procured, such as qualitative nature, minimum characteristics and standards for conformance. *Avoid too detailed or restrictive specifications.*
7) When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equivalent: description may be used.
8) Include applicable contract provisions in each purchase order or contract as required by Federal statutes and regulations.
9) *Construction Projects* – when feasible, for cost reduction, use value engineering clauses in contracts. When using prequalified lists of suppliers, the list must be current

and include a sufficient number of bidders to ensure maximum open and free competition.

10) HFNI is required to keep and maintain records and documentation to detail the history of the procurement, to include:

a. Why you chose a specific procurement method;

b. The basis for your award (why did you select the contractor or vendor your selected? Why did you reject the others?);

c. The basis for the contract price; and

d. Any other significant decisions that were a part of the procurement process.

II. PROCUREMENT PRINCIPLES AND METHODS

A. Procurement Principles

All procurement transactions must be conducted in a manner providing full and open competition must not restrict competition. *Examples of restricting competition include:*

1) Placing unreasonable requirements on contractors to qualify to do business;

2) Requiring unnecessary experience or bonding (refer to the bonding limits identified in the Uniform Administrative Requirements {§200.325}.

3) Permitting noncompetitive pricing practices between firms or between affiliated companies;

4) Awarding contracts to consultants on "retainer" contracts;

5) Permitting conflicts of interest in contract awards or administration;

6) Specifying a brand name product without allowing an equal product to be offered; (and describing the performance requirements that must be met for a product to qualify as an "equal");

7) Acting arbitrarily in awarding contracts (in other words, be consistent, fair, and transparent).

8) Awarding based on local geographic preferences. (However, geographic location *may* be a selection criteria when awarding contracts for architectural or engineering services, provided that using such criteria "leaves an appropriate number of qualified firms" to compete for the work, "given the nature and size of the project.")

B. Procurement Methods

HFNI must use one of the following methods of procurement:

1. Micro-Purchase procedures are used for procuring equipment, supplies and services not exceeding $3,000. ($2,000 for Construction subject to the Davis-Bacon Act). HFNI shall solicit two-three quotes, as needed, to confirm that the price is reasonable and shall include the quotes with the requisition.

2. Small purchase procedures are used as follows:

Request for Quotations for procuring equipment, supplies and services (other than construction) in which the cost will be less than $35,000. Follow these guidelines for the Request for Quotations:

1) First, use cooperatively bid contracts, such as College Contracts, State Contracts, E & I, NJPA, U.S. Communities, and NASPO. A good resource to access these contracts is through Procure Source at www.procuresource.com.

2) If not available on contract, use a standard Request for Quote Form which includes standard terms and conditions and requires the supplier to hold prices firm for a period of 90 days.

3) Department shall solicit a minimum of three quotes from an adequate pool of suppliers.
4) Include minority and women owned businesses in the list of suppliers.
5) Reverse Auction Bid Service

3. Sealed bidding is required for procuring equipment, supplies, and services in which the cost will exceed $35,000. Sealed bidding is the preferred method for procuring construction contracts and for all other contracts in which the cost will exceed $35,000 and when (1) a complete, adequate, and realistic specification is available, (2) there are two or more responsible bidders available, and (3) the procurement lends itself to contract award based on price.

a. Sealed bidding consists of public advertisement for bids and provides sufficient time for bidders to respond before the date set for the bid opening.
b. Bids must be solicited from "an adequate number of known suppliers".
c. An invitation for bids, including the specifications and attachments, which defines the items or services required in enough detail to allow the bidders to properly respond.
d. Awarding a firm fixed-price contract made in writing to the lowest responsive and responsible bidder. (If specified in the bidding documents, factors such as discounts, transportation costs, and life cycle costs may be considered in determining which bid is lowest.)
e. Any and all bids may be rejected if there is a "sound documented reason."

4. Competitive proposals are used for procuring architectural or engineering services, and for when sealed bids are not appropriate. See competitive proposal process below.
Competitive proposals are used when "conditions are not appropriate for the use of sealed bids," and for the procurement of architectural or engineering services. The requirements for a competitive proposal process are as follows:

a. Requests for Proposal process (RFPs) must be publicized.
b. The RFP must identify all evaluation factors and each factor's relevant importance;
c. proposals must be solicited from "an adequate number of qualified sources" (these terms are not defined);
d. Proposals received must be evaluated based on the criteria in the RFP;
e. Award of the contract is made to the responsible firm whose proposal is "most advantageous to the program, with price and other factors considered".

5. Single Source is a noncompetitive proposal and may only be approved when the following Circumstances apply:

1) The item is available from a single source;
2) After solicitation and competition is attempted (through one of the methods described), it is determined that there is not enough competition available for a competitive procurement;
3) A public emergency is declared that will not allow time for a competitive process;
4) The grant document or the grantor expressly authorizes noncompetitive proposals in writing in response to HFNI requesting special consideration.

C. Contract Cost and Price Analysis

Contract cost and price analysis is required in every procurement in excess of the Simplified Acquisition Threshold, currently at $150,000, including contract modifications. Before receiving bids or proposals, HFNI shall provide sufficient information about the requirements of the procurement in order that the Purchasing Agent can perform an independent price estimate. The as follows:

a. perform a cost analysis (that is, verify the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profits);
b. negotiate profit as a separate element of the contract, considering the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of the contractor's past performance, and industry profit rates in the surrounding area for similar work; and
c. submit the procurement documentation to the awarding agency for pre-award review and approval.

D. Minority- and women-owned Businesses

HFNI should strive to include minority firms, women's business enterprises and labor surplus area firms in the small purchase process. During the competitive bidding process, Procurement must take steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible and are encouraged to participate. These steps include:

a. Place qualified small and minority businesses and women's business enterprises on solicitation lists;
b. Assure that small and minority businesses and women's business enterprises are solicited whenever they are potential sources;
c. Divide total requirements into smaller tasks or quantities to permit maximum participation by small and minority businesses and women's business enterprises;
d. Establish delivery schedules which encourage participation by small and minority businesses and women's business enterprises;
e. Use the services and assistance of the Small Business Administration (http://www.sba.gov) and the Minority Business Development Agency of the Department of Commerce (http://www.nbda.gov); and
f. Require prime contractors, if subcontracts are used, to take the same steps listed above.

E. Procurement of Recovered Materials

HFNI and it's contractors must comply with the Solid Waste Disposal Act, Section 6002, and the EPA 40 CFR part 247 which require:

a. When the price of the item exceeds $10,000, procuring only items that contain the highest percentage of recovered (recycled) materials practicable, while maintaining a satisfactory level of competition. Suppliers can be required to provide the contents of materials supplied.
b. Online resources for sustainable purchasing can be viewed at http://www.epa.gov/epawaste/conserve/tools/cpg/index.htm.
c. In developing plans, drawings, work statements, specifications, or other product descriptions, consider, as appropriate, a broad range of factors including: elimination of virgin material requirements; use of bio-based products; use of recovered materials; reuse of product; life cycle cost; recyclability; use of environmentally preferable products; waste prevention (including toxicity reduction or elimination); and ultimate disposal."
d. Procuring solid waste management services that maximize energy and resource recovery; and
e. Establish an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.
F. Pre-Procurement Review of Technical Specifications

Upon request of the Federal awarding agency, HFNI must make available:

a. Technical specifications on proposed procurements to ensure that the item or service specified is the one being proposed for acquisition;

b. All procurement documents and independent cost estimates;

c. When the procurement is expected to exceed $150,000 and is awarded without competition;

d. When the procurement is expected to exceed $150,000 and specifies a brand product;

e. When, under sealed bid procurement, the contract is awarded to other than the apparent low bidder.

f. When a contract modification will change the scope of the contract or increase the contract amount by more than $150,000.

F. Bonding requirements

To protect HFNI and the Federal Awarding agency, the following minimum bonding requirements have been established for construction or facility improvement contracts and subcontracts exceeding $150,000:

a. A bid guarantee of 5% of the bid price;

b. A performance bond in the amount of 100% of the contract price;

c. A payment bond in the amount of 100% of the contract price.

III. AWARDINGCONTRACTS

A. Debarred/Suspended Contractors and Vendors

Always check the Excluded Parties List System website (https://www.epls.gov/) before awarding a contract. You will lose your grant funding if you award a grant-funded contract to a person or company on that list.

B. Standard of Award

a. Do not award time-and-material type contracts (where HFNI agrees to pay based on the time spent and materials used instead of based on a lump sum bid) unless no other contract is suitable, and then only if the contractor agrees to a maximum price;

b. Do not award "cost plus percentage" contracts, where the bidder is paid a percentage of the contract price on top of the cost of the contract itself.

IV. CONTRACT PROVISIONS

HFNI is required to include special provisions in all contracts, including small purchases, the applicable provisions.

V. BIDPROTESTS

The College will follow established bid protest procedures. If a protest is received, the awarding agency must be notified.

VI. CONTRACT ADMINISTRATION AND RECORDS RETENTION

A. Contract administration regularly monitors contracts and purchases to ensure that each contractor/vendor is complying with their contract terms, conditions, and specifications, including all Federal requirements, and to ensure that performance goals are achieved.

B. Record retention

Solicitation documents and records must be retained in accordance with the HFNI Records Retention Schedule.

HEALTHFIRST NETWORK

Appendix A

2018 Chart of Accounts					
	GL Codes			GL Codes	
1000	Checking Local 1-500-043-5	CSH	4100	CEO	EXP
1010	Payroll 1-509-337-2	CSH	4104	RH DIRECTOR	EXP
1030	Petty Cash	CSH	4105	WIC Clinic Coordinator	EXP
1043	Mid Wisconsin Bank 231722	CSH	4106	COO	EXP
1045	Tomahawk Bank 100030386	CSH	4109	RH Clinic Coordinator	EXP
1046	AbbyBank - Client Revenues	CSH	4110	WIC SUPPORT STAFF	EXP
1047	AbbyBank - A/P Main Account	CSH	4121	OUTREACH COORDINATOR	EXP
1048	AbbyBank - Payroll	CSH	4125	Corporate Receptionist	EXP
1049	AbbyBank - MCH Grant Savings	CSH	4130	RN	EXP
1100	BMO Local 005-190-939-6	CSH	4135	LPN	EXP
1101	MCH Block Grant 5-190-940-9	CSH	4140	RH SPECIALIST	EXP
1103	Grant Related 17602198(PR)	CSH	4141	TRANSLATOR	EXP
1106	Client Advocacy 5-190-862-5	CSH	4145	Clinical Assistant	EXP
1200	Baird Portfolio	OA	4150	DATA PROCESSOR	EXP
1203	Client Fees 4338125	OA	4151	CERTIFIED MEDICAL CODER	EXP
1205	CoVantage 147943	CSH	4152	Payroll Clerk	EXP
1210	CCU Money Market	CSH	4160	Nurse Practitioner	EXP
1215	Interest Receivable	OA	4180	Maintenance	EXP
1310	Payroll Clearing Account	IFR	4200	FICA	EXP
1360	Grants Receivable-RH	OA	4300	Unemployment Comp	EXP
1361	Grant Receivable -WIC	OA	4400	Worker's Comp	EXP
1362	Grant Receivable - SNAP	OA	4500	Pension	EXP
1363	Grant Receivable - FMKT	OA	4600	Health Insurance	EXP
1364	Grant Receivable PEER	OA	4601	LONG TERM DISABILITY	EXP
1400	Accounts Receivable	ARO	4602	SHORT TERM DISABILITY	EXP
1500	Allowance for Doubtful Accounts	OA	4603	LIFE INS	EXP
1800	Inventory	OA	4604	HEALTH REIMBURSEMENT ACCOUNT	EXP
1900	Prepaid Health Insurance	OA	4606	VISION INSURANCE	EXP
1901	Prepaid Dental Insurance	OA	4607	Third Party Sick Pay	EXP
1902	Prepaid Vision Insurance	OA	4700	FSA (SECTION 125)	EXP
1910	PREPAID RENT	OA	5200	Medical Director Services	EXP
1911	Prepaid Advertising	OA	5400	Lab Services	EXP
1912	Prepaid Lease-Equipment	OA	5810	Contractual & Consultant	EXP
1965	Computer Software Asset	FAO	5900	Promo/Advertising Services	EXP
1966	Accumulated Depreciation-Computer Software Asset	FAO	6100	Contraceptives Non Rx	EXP
1970	Furniture & Equipment	FAO	6200	Contraceptives Rx	EXP
1975	Accumulated Depreciation - Furniture and Equipment	FAO	6300	Medications	EXP
1980	Leasehold Improvements	FAO	6400	Lab/Clinic Supplies	EXP
1985	Accumulated Depreciation - Leasehold Improvements	FAO	6500	Education Supplies	EXP
1987	Land	OA	7100	Equipment - Clinic	EXP
1990	Building - 719 N. 3rd Ave.	FAO	7115	HCET LARC SSHC	EXP
1995	Accumulated Depreciation - Building	FAO	7200	Equipment - Office	EXP

1997	Beneficial Interest in Community Foundation	OA	7250	Capital Equipment	EXP
1998	SECURITY DEPOSIT-RENT	OA	8000	Bad Debt Expense	EXP
2011	Payroll Clearing Account	IFP	8100	Rent	EXP
2021	403B LIABILITY	OL	8200	Telephone	EXP
2023	HEALTH INS LIABILITY	OL	8300	Utilities	EXP
2024	FLEX SPENDING ACCT (FSA) LIABILITY	OL	8350	Equipment Maintenance	EXP
2025	DENTAL INS LIABILITY (PRETAX)	OL	8355	Building Maintenance	EXP
2026	VISION INS LIABILITY (PRETAX)	OL	8400	Staff Development	EXP
2060	GRANT LIABILITY	OL	8415	Interpreter Services	EXP
2089	EMPLOYEE TAX GARNISHMENT	OL	8425	Staff Recruitment	EXP
2090	GARNISHMENT LIABILITY	OL	8475	Staff/Board Recognition	EXP
2100	SALARIES PAYABLE	OL	8477	Wellness	EXP
2200	VACATIONS PAYABLE	OL	8500	Copying	EXP
2300	ACCOUNTS PAYABLE	AP	8550	Computer Services	EXP
2302	AP Other	APO	8551	Computer Equipment	EXP
2325	PAYROLL TAX LIABILITY	OL	8552	Leased Computer Equipment	EXP
2350	Notes Payable	OL	8553	Computer Software	EXP
2600	Short Term - Note Payable	OL	8600	Office Supplies	EXP
2700	Deferred Sales	OL	8650	Postage	EXP
2701	Unearned Rent	OL	8651	Shipping	EXP
2800	Unearned Revenue	OL	8700	Travel and Work Related Expense	EXP
2999	Net Assets	NAE	8750	Moving Expenses	EXP
3000	Grant Revenue	REV	8800	Building & Liability Insurance	EXP
3004	Donations	REV	8805	RENT FEES	EXP
3005	Inkind Contributions	REV	8900	Audit	EXP
3011	Tenant Revenue	REV	8925	Legal Fees	EXP
3100	Interest/Dividend Income	REV	8950	Banking Fees	EXP
3110	BAIRD Unrealized Gain (Loss)	REV	8951	Business Fees	EXP
3111	CF-UNREALIZED (GAIN)LOSS	REV	8952	FORWARD HEALTH REIUMBURSEMENT EXPENSE	EXP
3115	BAIRD REALIZED GAIN/LOSS	REV	8960	Investment Fees - Baird	EXP
3116	CF-Realized (Gain) Loss	REV	8961	CF-INVESTMENTS FEES	EXP
3200	Other Income	REV	8976	Fundraising Expense	EXP
3250	Copier Revenue	REV	9300	Loss on Asset Disposal	EXP
3251	Rent Revenue	REV	9400	Depreciation Expense	EXP
3310	Patient Revenues	REV	9500	Interest Expense	EXP
3400	Private Insurance	REV	9600	INKIND EXPENSES	EXP
3450	Title XIX	REV	9995	Gain on Asset Disposal	EXP
3454	BILLING REVENUE	REV			
	Fund Code			**Restriction Codes**	
01	FPHS		1	Unrestricted	
	Project Codes			**Location Codes**	
23000	Telehealth Services		001	General Operations	
24000	HCET LARC SSHC		002	Adams	
24100	HCET LYTEC CONSULTING		003	Juneau	
24200	DPH WI COLLABORATIVE		004	Langlade	

24400	HCET - Equipment		005	Lincoln	
24500	HCET-Rebrand		006	Marathon	
24600	2016 HCET SSHC Colposcopy		007	Portage	
24700	2017 WIC Crock Pot Grant		008	Taylor	
26000	Supplies by Mail		009	Sauk	
28000	Training		016	Keenan	
29000	Fundraising/Development		017	Southside	
85000	MHD WWWP Program		019	Drive-Up	
88000	Get Yourself Tested				
90000	Unrestricted or NA			**Program Codes**	
	Grant Funder Codes		31	Program Administration	
100	FASB CONVERSION FUND		32	Client Services	
280	2018 Reproductive Health Grant		33	Nutrition Education	
281	2018 Program Generated Revenue		34	Breastfeeding Promotion & Support	
380	2018 WIC		40	Client Advocacy	
381	2018 SNAP GRANT (OCT-SEPT)				
383	2018 Farmer's Market				
384	2018 Peer Counseling				
470	2017 Mini Grants				
480	2018 Mini Grants				
870	2017 Agency				
880	2018 Agency				

Appendix B

Asset Classes

1. Land - Land has no value threshold. As long as the Center owns a parcel of land, the land is valued at the cost to the Center. If the land was donated to the Center, then the Center will record the land at the estimated fair market value of the land. Land is never depreciated.
2. Building - The agency must own the building in order to categorize the asset line item as building. All costs associated with the building, or improving the life of the building may be capitalized. Buildings are depreciated over 40 years or the useful life of the building at time of acquisition, whichever is less.
3. Leasehold improvements - Included as leasehold improvements are expenditures in excess of the capitalization procedure amount to improve or otherwise extend the usefulness of leased property. These expenditures are amortized over the useful life of the improvement or the term of the lease, whichever is shorter. Repairs and expenditures, which do not improve the structure, do not qualify as leasehold improvement and are expensed in the period incurred.
4. Furniture and Equipment - Furniture and equipment includes items such as basic office furniture, computers, computer hardware (server, etc.), copiers, telephone equipment, etc. Depreciation is based upon the useful life of the specific item that was capitalized.