



# **PIEDMONT AUTHORITY FOR REGIONAL TRANSPORTATION**

**FINANCIAL OPERATIONS  
POLICIES AND PROCEDURES**

## **FINANCIAL OPERATIONS POLICIES AND PROCEDURES**

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## **FINANCIAL POLICIES**

### **101 Financial Operations**

#### **101.1 Overview**

The Chief Financial Officer, together with the assistance of her/his staff, is responsible for preparing financial reports for appropriate employees officials, board members, and outside agencies. Written monthly operating reports are provided to PART Executive Director, the Board of Trustees Finance Committee, and the full Board of Trustees. The Chief Chief Financial Officer together with PART management is responsible for preparing PART's annual audited financial statements which are certified by an independent Certified Public Accountant firm.

Monthly financial reports are produced for department heads, and the Executive Director for the purpose of reviewing the accuracy and propriety of revenue and expense transactions made in accounts for which they have responsibility. These reports show monthly and year-to-date revenues, expenditures, and budget balances by account. Additionally, they present the original annual budget and revised budgets for these accounts. Quarterly financial reports are also produced for department heads, the Executive Director, and Board members

The Chief Chief Financial Officer oversees the following activities:

- Budget Management
- Risk Management
- Cash Management and Investments
- Accounts Payable
- Fixed Assets
- Contract and Grant Accounting
- Payroll
- Taxation and Special Funds Reporting
- Financial Reporting/General Accounting/Auditing

#### **101.2 Responsibilities of Financial Operations**

The primary responsibilities of Financial Operations consist of:

- General Ledger
- Budgeting
- Cash and Investment Management
- Fixed Asset Management
- Grants and Contracts Administration
- Cash Receipts
- Cash Disbursements
- Accounts Payable
- Payroll and Employee Benefits
- Financial Statement Processing

External Reporting of Financial Information  
Bank Reconciliations  
Reconciliation of Sub-Ledgers  
Compliance with Government Reporting Requirements  
Annual Audit  
Insurance

## **102 General Ledger and Chart of Accounts**

### **102.1 Introduction**

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of Piedmont Authority for Regional Transportation (“PART”), and is supported by subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

PART uses the QuickBooks Software System to record accounting transactions. PART is in the process of reviewing other software systems for fund accounting and anticipates migrating to a new system in 2012. QuickBooks provides for separate, self-balancing sets of accounts in accordance with generally accepted accounting principles and procedures.

### **102.2 Policy**

PART’s policy is to establish a chart of accounts which accumulates all financial transactions. The chart of accounts includes fund/account/project codes for general ledger activity.

### **102.3 Chart of Accounts**

The chart of accounts is the framework for the general ledger system, and therefore the basis for PART’s accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense and gain and loss.

PART’s chart of accounts is comprised of five types of accounts:

Assets  
Liabilities  
Equity  
Revenues  
Expenses

### **102.4 Distribution of Chart of Accounts**

All PART employees involved with account coding responsibilities or budgetary responsibilities will be issued a current chart of accounts. On a monthly basis, as the chart of accounts is revised, an updated copy is emailed to these individuals.

### **102.5 Control of Chart of Accounts**

PART's chart of accounts is monitored and controlled by the Chief Chief Financial Officer. Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the Chief Chief Financial Officer, who ensures that the chart of accounts is consistent with the organizational structure of PART and meets the needs of each division and department.

### **102.6 Fund Format – General Ledger**

The Fund Format consists of a four digit general ledger fund account. The first digit identifies the Fund's purpose. The second two digits identify the departments/grants or programs within the fund.

General ledger funds examples consist of:

#### 1XXX General Fund

- 1010 PART Express
- 1020 Planning
- 1030 Administration

#### 2XXX Grants Fund

- 2000 FTA Grants
- 2010 FTA Grant NC-03-0070
- 2020 FTA Grant NC-04-0024
- 2030 FTA Grant NC-04-0003
- 2040 FTA Grant NC-39-0000
- 2050 FTA Grant NC-85-X001
- 2060 FTA Grant NC-95-X026
- 2070 FTA Grant NC-96-X020
  
- 2100 HUD Grants
- 2110 Sustainable Communities Grant
  
- 2500 NCDOT Grants

#### 3XXX Proprietary Fund

- 3010 Transportation Demand Management  
(Ride Sharing/Van Pool)

### 102.7 Account Code Format – General Ledger

For the general ledger, there are four digit account codes which identify specific assets, liabilities, and equities, revenues and expenses/expenditures.

The general ledger account codes follow this pattern:

1XXX Assets

- 0XXX Cash (Interfund)
- 11XX Cash (Non Interfund)
- 12XX Investments
- 13XX Receivables
- 14XX Other Receivables
- 15XX Unused
- 16XX Prepaid and Clearing
- 17XX Fixed Assets

2XXX Liabilities

- 21XX Accounts Payable
- 22XX Payroll-Related Payables
- 24XX Accruals
- 26XX Long Term Debt

3XXX Fund Balance

Account codes are used for revenue or expense/expenditure and permit sorting for various purposes. The format is as follows:

4XXX Income

5XXX Expense/Expenditure

- 51XX Operating Expense
- 52XX Contract Services
- 53XX Marketing
- 54XX Administration
- 55XX Professional Services Expense
- 56XX Supplies and Purchased Services
- 57XX Travel and Professional Development
- 58XX Space and Furnishings Expense
- 59XX Other Non-Operating Expense

71XX Transfers and Debt Service

81XX Capital Expense

Interfund Cash Accounts and Equity in Cash Accounts allow using pooled cash concept in order to maximize efficiency and investment income opportunities. These accounts are as follows:

9XXX Interfund Cash Account(s) and Interfund Equity in Cash

A complete list of account codes is available by email from the Financial Management Department. The report also shows how codes are grouped and totaled for various reporting purposes.

### **102.8 Project Code Format – General Ledger**

The purpose of the general ledger project code format is to record actual revenue and expenditures, budgets, and commitments by projects. The project code four digit format is structured as follows:

1XXX Grants and Contracts

12XX Federal Transit Administration

1201 FTA Grant NC-03-0070

1202 FTA Grant NC-04-0024

1203 FTA Grant NC-04-0003

1204 FTA Grant NC-39-0000

1205 FTA Grant NC-85-X001

1206 FTA Grant NC-95-X026

1207 FTA Grant NC-96-X020

1220 Housing and Urban Development Grants

1221 Sustainable Communities

1250 NCDOT Grants

### **102.9 Accounting Estimates**

PART utilizes numerous estimates in the preparation of its interim and annual financial statements. Some of those estimates include:

1. Useful lives of property and equipment
2. Adequacy of receivables
3. Fair market values of investments
4. Values of contributed services
5. Allocations of income between departments/programs
6. Joint cost allocations
7. Allocations of indirect costs
8. Allocations of time/salaries

It is PART's policy that all such estimates shall be reassessed, reviewed, and approved by the Chief Chief Financial Officer on an annual basis. Documentation shall be maintained supporting

all key conclusions, bases, and other elements associated with each accounting estimate. All material estimates, and changes in estimates from one year to the next, shall be disclosed to PART's external audit firm.

### **102.10 Journal Entries**

All general ledgers entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, which shall include a reasonable explanation of each such entry. Examples of such journal entries include:

1. Recording of non-cash transactions
2. Corrections of posting errors
3. Non-recurring accruals of income and expenses
4. Year-end adjustments

Certain journal entries, called recurring journal entries, may occur in every accounting period, quarterly, or annually. These entries may include, but are not limited to:

1. Depreciation of fixed assets
2. Amortization of prepaid expenses
3. Accretion of discounts on promises to give
4. Accruals of recurring expenses
5. Amortization of deferred revenue

Support for recurring journal entries shall be in the form of a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, in the form of a journal voucher.

It is the policy of PART that all journal entries shall be reviewed and authorized in writing by the Chief Financial Director by initialing or signing the entries.

## **103 Internal Controls**

### **103.1 Policy**

PART is responsible for establishing and maintaining adequate system of administrative internal controls in all its financial, accounting, and operational functions that ensure effective accountability for all financial activities including grants and subgrants, cash, real and personal property, and other assets. PART's internal controls must ensure that resources are properly used and safeguarded, and that they are used solely for authorized purposes. Assets and resources must be used in accordance with State, local and Federal laws, regulations and policies, and agreements for sponsored activities.

### **103.2 System of Internal Controls**

The system of internal controls will facilitate:

1. operate efficiently and economically;
2. keep obligations and costs within the limits of authorizations and budgetary requirements;
3. safeguard assets against waste, loss, and misuse;
4. ensure timely collection and proper accounting of the revenues; and
5. ensure accuracy and reliability in financial, statistical, and other reports.

### **103.3 Standards of Internal Controls**

The system of administrative internal controls should provide reasonable assurance for safeguarding and protecting of assets. Internal control objectives and standards should consider the following:

1. management policies must be clearly stated, understood throughout the organization, and conformed to applicable legislative and administrative requirements;
2. the organization structure must clearly define, assign, and delegate appropriate authority for all duties;
3. responsibility for duties and functions must be segregated to ensure that adequate internal checks and balances exist with regard to authorization, performance, recording, asset control, and review functions;
4. planning and budgeting should be based upon financial, property, and personnel resource availability and needs;
5. written procedures should be simply stated, yet meet operating, legal, and regulatory requirements;
6. procedures should consider such factors as feasibility, cost, risk of loss or error, and availability of suitable personnel;
7. an information system must reliably provide needed operating and financial data for decision-making and performance review;
8. personnel must be properly qualified for their assigned responsibilities, duties, and functions and such qualifications such as education, training, experience, competence, and integrity should be considered in assigning work;
9. expenditures must conform to applicable statutes, regulations, and comply with policies and specifications related to quality, quantity, price, and time of delivery; and
10. all resources and assets including real property, equipment, expendables, and funds must be safeguarded to prevent misuse, misappropriation, waste, or unwarranted deterioration or destruction.

## **104 Administration of Grant and Contracts**

### **104.1 Overview**

Contract and Grant Accounting policies are intended to provide the management framework to ensure that policies and procedures, technical resources and staff, organizational assignment of responsibilities, individual position descriptions, matching requirements and methods to measure

performance are adequate to meet Federal regulations and guidelines and ensure adequate grants management for proper use and safeguarding of Federal grant funds and assets acquired with Federal grant funds. Financial Management Services is the office that is responsible for all post award accounting activities related to grant projects. This office also maintains accounting control to ensure that all budget, revenue, and expense transactions are properly recorded.

The Chief Chief Financial Officer and Grants Accountant work closely with the Program Manager and Operations Manager to ensure that financial administration of grants and awards made to PART are carried out in accordance with sponsored agreements until agreement is financially closed.

PART receives financial assistance from several agencies including federal, state, and local governments, and private sources. Types of funding support include:

**Grants:** A financial assistance award given to the organization to carry out its programmatic purpose.

**Contracts:** A mutually binding legal agreement where the organization agrees to provide supplies or services and the donor agrees to pay for them.

**Cooperative Agreements:** A legal agreement where the organization implements a program with the direct involvement of one or more funding sources. This type of agreement is generally a contract or may be a memorandum of agreement.

## 104.2 Policy

It is the policy of PART to maintain a financial management system that provides accurate, current, and full disclosure of operating results. This will assist in ensuring compliance with laws, regulations, and provisions of awarding agencies and to ensure bills and required reports are filed timely.

## 104.3 Compliance with Laws, Regulations and Provisions of Awards

PART recognizes that as a recipient of funds, it is responsible for compliance with all applicable federal and state laws, regulations, and provisions of contracts and grants. To ensure that PART meets this responsibility, the Program Manager and Chief Financial Officer must be familiar and comply with directives of the Office of Management and Budget (OMB) and other publications, including:

1. **OMB Circular A-87** – establishes principles for determining allowable costs applicable to Federal awards and grants, contracts, and other agreements with State and local government and agencies. All federal agencies that sponsor awards and grants to State and local governments and agencies apply the provisions of this circular in determining allowable costs.

2. **OMB Circular A-133** – establishes audit requirements for federally sponsored awards and defines federal responsibilities for implementing and monitoring higher education and other non-profit institutions that receive federal awards.
3. **The North Carolina State Treasurer and the Local Government Commission** has established audit requirements for local governments and agencies within the state.
4. **Code of Federal Regulations, Title 49 – Transportation (CFR 49)** establishes uniform administrative rules for Federal grants and cooperative agreements and subawards to State, local and Indian tribal governments.

The Chief Chief Financial Officer will cooperate with PART's independent auditors by discussing applicable laws, regulations, and provisions of contracts and grants. Also, she/he should communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

#### **104.4 Preparation and Review of Proposals**

Individual departments are responsible for preparing proposals for projects that are suitable for the mission of PART. All proposals shall be reviewed by Executive Director and Chief Chief Financial Officer prior to submission to government agencies or other funding sources. Final proposals shall be reviewed and approved in writing the Executive Director, Chief Chief Financial Officer, and submitted to the Board of Trustees.

#### **104.5 Post-Award Procedures**

After an award has been received, the following steps should be taken:

1. Verify specifications of the grant or contract. Compare the terms, time periods, award amounts and expected expenditures per the award with data included in the project digest forwarded by the department head or Program Manager. All financial accounting and reporting requirements under the contract or award should also be reviewed.
2. Create new grant and general ledger account numbers in the Grants Fund. A separate fund code and project code number must be established for each grant, which will include subproject numbers for each major activity, acquisition or construction project to be funded by the grant. Review the propriety of budgeted account codes established for all receipt and expenditure categories. 49 CFR 18.20(a) (2) states: "Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."
3. Prepare a Grant Documentation File and gather information for each grant or contract. The file should contain the proposal, all correspondence regarding the grant or contract,

the final signed award document and all reports submitted to the funding sources. The file should also contain a summary record of all requests for reimbursement, amounts received and remaining funds available under the grant.

#### **104.6 Billing and Financial Reporting**

PART strives to provide management, staff and funding sources with timely and accurate financial reports applicable to all grants and awards. PART will prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports will be the responsibility of the Grants Accountant, Program Manager and Chief Chief Financial Officer.

The following policies shall apply to the preparation and submission of billings to agencies under awards made to PART:

1. PART will periodically request reimbursement after expenditures have been incurred, unless an award specifies another method. In some cases when electronic payments have been authorized and large commitments are becoming due the reimbursement may be made in advance, but less than three (3) days of the actual disbursement.
2. Requests for reimbursement of grant expenditures will use the actual amounts posted to the general ledger as the source for all invoice amounts. Copies of actual invoices that are being reimbursed shall be maintained in the grant documentation file.
3. All financial reports required under each award will be prepared and filed on a timely basis by the Grants Accountant, Program Manager and Chief Chief Financial Officer. To the extent the year-end audit results in adjustments to amounts previously reported to agencies, revised reports will be prepared and filed in accordance with the terms of each award.

#### **104.7 Cash Draw Downs Under Letters of Credit**

PART has established letters of credit (LOC) with the Federal Transit Administration and the Department of Housing and Urban Development. Cash draw downs under LOC's will be made by the Chief Chief Financial Officer, based upon expenditure information provided by the Grants Accountant and Program Manager. All federal funds will be deposited into a cash account under the cash receipts policies and procedures described in this manual.

Draw downs of Federal grants will be accompanied by corresponding draw downs from NCDOT or other agencies of the matching amount. These simultaneous draw downs will also be supported by copies of source documentation evidencing the expenditure. Draw downs that may be necessitated to meet a large invoice or the delivery of a large commitment, such as rolling stock, may be made under the 3-day expenditure rule for Federal grants. However, the invoicing or draw down or invoicing of the matching amount from NCDOT or other agencies should be made as soon as practicable, but at least within five work days.

#### **104.8 Standards for Financial Management Systems for Grants**

In accordance with FTA C 5010.1D, Chapter VI, it is the policy of PART to maintain a financial management system that provides for the following:

1. Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements.
2. Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall be supported by source documents and shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
3. Effective control over and accountability for all funds, property and other assets. PART shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
4. Comparison of outlays with budget accounts for each award. Whenever possible, financial information shall be related to performance and unit cost data.

#### **104.9 Budget and Program Revisions**

It is the policy of PART to request prior approval from federal awarding agencies for any of the following programs or budget revisions:

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (project director, etc.) specified in the application or award document.
3. The need for additional Federal funding.
4. The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the Federal awarding agency.
5. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-87.
6. Unless described in the application and funded in the approved awards, the sub-award, transfer or contracting out of any work under an award (however, this provision does not apply to purchases of supplies, materials, equipment or general support services).

### **104.10 Close Out of Federal Awards**

PART shall follow the close out procedures described in grant agreements as specified by the granting agency. PART financial records on federal contracts and grants generally should be closed within 90 days, state contract 45 days, of the stated termination date in the awarding document. Upon termination, no further expenses or encumbrances should be charged to the project account number. The Chief Chief Financial Officer and Program Manager will prepare the final fiscal report after determining that all appropriate expenditures have been charged against the account, including both direct and allowable indirect costs, if any. When cost sharing is included as part of the agreement, the Chief Chief Financial Officer must determine that PART has met cost share requirements.

## **105 Procurement.**

### **105.1 Policy**

PART will follow the policies and procedures established by governmental agencies by North Carolina General Statutes for non-Federal funds and Federal funds. In addition, PART will ensure that every purchase order or other contract using Federal funds will conform to applicable Federal law and the standards and include any clauses required by Federal statutes and executive orders and their implementing regulations. PART will establish and maintain a contract administration system which ensures that procurement of goods and services is provided in accordance with the terms, conditions, and specifications of its contracts or purchase orders.

PART employees, officers or any agent of PART shall not participate in selection or in the award or administration of a contract if a conflict of interest, real or apparent, would be involved. A conflict would arise when a. an employee, officer or agent, or b. any member of his/her immediate family, or his or her partner, or an organization which employs, or is about to employ, any of the above, has a financial or other interest in the firm selected for the purchase or contract. In addition, PART's employees, officers or agents may not neither solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties benefiting by agreements with PART.

Grantee and subgrantees may set minimum rules where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value. To the extent permitted by State or local law or regulations, such standards or conduct will provide for penalties, sanctions, or other disciplinary actions for violations of such standards by the grantee's and subgrantee's officers, employees, or agents, or by contractors or their agents. The awarding agency may in regulation provide additional prohibitions relative to real, apparent, or potential conflicts of interest.

### **105.2 Procurement Standards**

Procurement standards are as follows:

- a. a review of proposed procurements should avoid purchase of unnecessary or duplicative items;

- b. procurements to should be made with the most reasonable and economical specifications;
- c. where appropriate, an analysis should be made of buy versus lease purchase alternatives to determine the most economical approach;
- d. State and local intergovernmental agreements for procurement or use of common goods and services should be considered when practical;
- e. Federal excess and surplus property may be more economical rather than purchasing new equipment and property;
- f. The use of value engineering clauses or other systematic and creative analyses in contracts for construction projects may provide cost reductions; and
- g. Procurement awards should be made only to responsible contractors possessing the ability to perform all specifications successfully under the terms and conditions of a proposed purchase or contract.

All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of 49 CFR Sec. 18.36. Some of the situations considered to be restrictive of competition include but are not limited to:

- a. placing unreasonable requirements on firms in order prevent them from qualifying to do business;
- b. requiring unnecessary experience and excessive bonding;
- c. noncompetitive awards to consultants that are on retainer;
- d. conflicts of interest;
- e. specifying only a "brand name" product instead of allowing "an equal" product to be offered; and
- f. Any other arbitrary action that interferes with competition in the procurement process.

**105.3 Procurement Procedures**

PART will ensure that all procedures used in acquiring goods and services ensure maximum open and free competition. The following table shows procurement contracts subject to competitive bidding under North Carolina State Statutes.

**Contracts Subject to Competitive Bidding**

	Contracts for the purchase of supplies, materials or equipment	Construction and repair contracts
Formal bidding (GS §143-129)	\$90,000 or above	\$500,000 or above \$100,000 or above for Federal grants (41 U.S.C. 403(11))
Informal bidding (GS § 143-131)	\$30,000 to less than \$90,000	\$30,000 to less than \$500,000 Under \$100,000 for Federal grants (41 U.S.C. 403(11))
Competitive bidding not required	Less than \$30,000	Less than \$30,000

Small purchase procedures for Federal grants are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). In this instance using Federal grant funds although the simplified acquisition threshold is fixed at \$100,000 the NCGS limit of \$90,000 should be used. If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources and may be evidenced by a purchase order or contract.

Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforms to all the material terms and conditions of the invitation for bids, and is the lowest in price. The sealed bid method is the preferred method for procuring construction for Federal grants, if the conditions in 49 CFR Sec. 18.36(d)(2)(i) apply.

- a. In order for sealed bidding to be feasible, the following conditions should be present:
  1. a complete, adequate, and realistic specification or purchase description is available;
  2. two or more responsible bidders are willing and able to compete effectively and for the business; and
  3. The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.
- b. If sealed bids are used, the following requirements apply:
  1. the invitation for bids will be publicly advertised and bids shall be solicited from an adequate number of known suppliers, providing them sufficient time prior to the date set for opening the bids;
  2. the invitation for bids, which will include any specifications and pertinent attachments, shall define the items or services in order for the bidder to properly respond;
  3. all bids will be publicly opened at the time and place prescribed in the invitation for bids;
  4. a firm fixed-price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs shall be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
  5. any or all bids may be rejected if there is a sound documented reason.

Procurement by competitive and non-competitive proposals may be allowable under certain circumstances and requirements are outlined in 49 CFR 36 (d) (3) and (4).

Contracting with small and minority firms, women's business enterprise and labor surplus area firms should be taken by affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible.

Bonding requirements for construction or facility improvement contracts or subcontracts exceeding the simplified acquisition threshold must protect the Federal grantors interests. If a

determination by the Federal agency has not been made that the bonding policy and requirements adequately protect the awarding agency's interest, the following minimum requirements shall be followed:

- a. A bid guarantee from each bidder equivalent to five percent of the bid price. The "bid guarantee" shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified;
- b. A performance bond on the part of the contractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.
- c. A payment bond on the part of the contractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

#### **105.4 Procurement Contract Provisions**

PART contracts must contain the following provision: Federal agencies are permitted to require changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy. The following lists some additional provisions that must be included:

- a. Administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as may be appropriate. (Contracts more than the simplified acquisition threshold)
- b. Termination for cause and for convenience by the grantee or subgrantee including the manner by which it will be effected and the basis for settlement. (All contracts in excess of \$10,000)
- c. Compliance with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60). (All construction contracts awarded in excess of \$10,000 by grantees and their contractors or subgrantees)
- d. Compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR part 3). (All contracts and subgrants for construction or repair)
- e. Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts in excess of \$2000 awarded by grantees and subgrantees when required by Federal grant program legislation)
- f. Compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts awarded by grantees and subgrantees in excess of \$2000,

and in excess of \$2500 for other contracts which involve the employment of mechanics or laborers)

- g. Notice of awarding agency requirements and regulations pertaining to reporting.
- h. Notice of awarding agency requirements and regulations pertaining to patent rights with respect to any discovery or invention which arises or is developed in the course of or under such contract.
- i. Awarding agency requirements and regulations pertaining to copyrights and rights in data.
- j. Access by the grantee, the subgrantee, the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions.
- k. Retention of all required records for three years after grantees or subgrantees make final payments and all other pending matters are closed.
- l. Compliance with all applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. 1857(h)), section 508 of the Clean Water Act (33 U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 CFR part 15). (Contracts, subcontracts, and subgrants of amounts in excess of \$100,000)
- m. Mandatory standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (Pub. L. 94-163, 89 Stat. 871).

### **105.5 Equipment and Furniture Purchased with Federal Funds**

PART may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a federal agency. For purposes of federal award accounting and administration, "equipment" shall include all assets with a unit cost equal to or greater than \$1,000. All purchases of "equipment" with federal funds shall be approved in advance in writing by the federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

A physical inventory of the property must be taken and the results reconciled with the property records at least annually. A control system must be developed to ensure adequate safeguards for preventive maintenance and to prevent loss, damage, or theft of the property. Insurance policies should be adequate to cover risk of loss, damage, or theft of the property

A physical inventory of all equipment purchased with federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of and Federal reports filed by PART.

## **REVENUES AND CASH RECEIPTS**

### **106 Revenue**

#### **106.1 Revenue Recognition Policies**

PART receives revenue from several types of transactions. Revenue for each of these types is recognized in the financial statements in the following manner:

- PART Express fares
- Rental vehicle tax
- Vehicle registration tax
- Contributions from Counties
- FTA grants
- HUD grants
- NCDOT grants and matching funds for FTA grants
- MPO revenues
- Ridesharing-van pool lease revenue
- Planning income
- Transportation Model income
- Other income

Government Grants includes all amounts received or made available by grants, contracts, and cooperative agreements from government agencies.

Interest and dividend revenue is recognized when cash is received.

Realized Gain (Loss) On Sale Of Property is recognized when all services that need to be performed by the sell are made.

Other income may be used for revenue not categorized above such as vending machine income, etc.

## **EXPENDITURES AND DISBURSEMENTS**

### **107 Accounts Payable Management**

#### **107.1 Overview**

PART strives to maintain efficient business practices and good cost control. The accounts payable function assists in accomplishing this goal through processing invoices and making payment for authorized transactions.

The recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the vendor invoice for the related goods or services. The vendor invoice is supported by an approved purchase order where necessary, and is reviewed and approved by a department head prior to being processed for payment. Invoices and related general ledger account distribution account codes are reviewed prior to posting to the subsidiary system.

### **107.2 Policy**

PART policy related to processing and payment of invoices requires that:

1. The vendor master file be maintained and updated on a regular basis;
2. Only original invoices will be accepted for payment in order to prevent duplicate payments;
3. Disbursements must be properly authorized and reviewed by the Chief Chief Financial Officer;
4. Invoices be processed in a timely manner; and
5. Vendor credit terms and operating cash must be managed for maximum benefits.

### **107.3. Vendor Master File**

When an invoice for payment is submitted for a new vendor, the department will forward the appropriate documentation listed below to accounts payable staff for processing. Accounts payable personnel will check to see that the following information is provided:

1. Completed IRS Form-1099 for domestic payments
2. Completed IRS Form-W-8-Ben for foreign payments
3. Vendor's legal name and any DBA name(s)
4. Street Address
5. Telephone Number
6. Fax number, if applicable
7. Contact name

When the preceding information is not complete, all paperwork will be returned to the originator for completion.

On an annual basis, vendors that have not been utilized over the preceding 24-month period will be eliminated. In addition, accounts payable staff will review payment histories for signs of repeat invoice numbers or other signs of duplicate payments.

### **107.4 Receipt and Recording of Payment Requests**

Invoices with a value of \$200 or must be reviewed for available budget balances prior to processing by accounts payable staff. All invoices received by accounts payable staff, including

those under \$200, will be date stamped with the date of receipt. The accounts payable clerk forwards all documentation to Chief Chief Financial Officer for review and approval.

All accounts payable transactions must be supported by adequate documentation that explains the nature and purpose of the expense. Accounts payable transactions are processed for payment on the next check run, unless a future date is specified. Information is entered into the appropriate accounts and shown on accounts payable listing for approval prior to check printing. The accounts payable clerk forwards all documentation to Chief Chief Financial Officer for review and approval.

When the original invoice is not available, a duplicate copy may be submitted to process the payment, but verification must be made that the invoice has not been paid previously and it must be approved by the Chief Chief Financial Officer. Vendor statements shall not be used to support payments.

#### **107.5 Processing of Invoices**

The accounts payable clerk should perform the following steps to process invoices for payment:

1. Check the mathematical accuracy of each vendor invoice;
2. Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, if applicable;
3. Verify the general ledger account distribution and budget availability, using PART's current chart of accounts; and
4. Verify the approval of the department head (or their designee) associated with the goods or services purchased. Approvals shall be documented with initials or signatures of the approving individual.

#### **107.6 Vendor Discounts**

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

#### **107.7 Processing Checks**

Checks are processed on periodically or as needed using positive pay. Checks shall be utilized in numerical order (unused checks are stored in a locked safe in the accounts payable area). A continuous check log is maintained by the accounts payable clerk showing all checks used in the current sequence. Checks will never be made payable to "bearer" or "cash". Checks will never be signed prior to being prepared.

Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors. Generally, all vendors should be paid by the corresponding due date shown on the invoice after delivery of the requested goods or services. Payments must be made by due date to avoid late payment penalties. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of

any checks. Printed checks are forwarded to the Chief Chief Financial Officer or review and approval.

All checks greater than \$1,999 require two signatures. Check signers should examine all original supporting documentation to ensure that each item has been properly reviewed prior to signing a check. Checks should not be signed, if supporting documentation is missing or there are any questions about the disbursement.

### **107.8 Mailing Checks**

Checks are returned to the accounts payable individual who prepared them for signature. This person then immediately mails the signed checks. Checks are not mailed by or returned to individuals who authorize expenditures.

### **107.9 Voided Checks and Stop Payments**

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

Stop payment orders are made for checks lost in the mail or other valid reasons. Stop payments are communicated electronically to the bank by the Grants Accountant, who records the stop payment in general ledger to void the transaction.

### **107.10 Unclaimed Property**

PART complies with the State of North Carolina laws regarding unclaimed property. Accordingly, if uncashed checks are subject to state reporting and transfer requirement, PART will file timely all appropriate forms and remit unclaimed property to the appropriate jurisdiction.

## **108 Petty Cash**

### **108.1 Policy**

PART may use petty cash for small purchases. By establishing an imprest funds (for minor office expenditures, not for travel or employee advances). Accounts payable staff monitors the petty cash fund(a) and replenishes these funds up to its authorized balance.

### **108.2 Procedures for a Petty Cash Fund**

Opening a Petty Cash Fund Account – If a petty cash fund to support operations is needed, an employee must be designated as custodian of the monies. All disbursements from the petty cash fund must be accompanied by a completed and approved petty cash voucher. Receipts are

required for all disbursements from petty cash. It is the responsibility of the petty cash custodian to ensure that the petty cash fund is locked and secured at all times.

Replenishing a Petty Cash Fund – Petty cash custodian(s) should replenish petty cash funds when approximately fifty per cent of the funds have been expended. However, at fiscal year end, custodians should replenish funds within two weeks of the close of each fiscal year, to ensure expenditures are recorded in the proper fiscal year. Custodians and accounts payable staff periodically review the frequency of replenishments to determine whether a fund needs to be increased, decreased, or closed.

Closing a Petty Cash Fund - Reconciliation of petty cash funds must be made whenever the current custodian is no longer responsible for the funds for whatever reason. If the need for the fund still exists, a new custodian must be designated.

## **109 Credit Cards**

### **109.1 Policy**

PART utilizes a widely accepted VISA credit card to make walk-in purchases, place telephone orders, place web orders and receive and confirm purchases.

The credit card should be the primary means to obtain approved goods, supplies or services costing \$1,000 and less (including tax and shipping) per transaction. Cardholders are encouraged to use the credit card for low value purchases to achieve cost savings and improve processing time.

The card is intended for low dollar value transactions for goods, supplies and services. If there are questions regarding qualifying supplies and services, contact the Chief Financial Officer. The Chief Financial Officer may authorize a credit card transaction limit greater than \$1,000 where circumstances warrant.

### **109.2 Prohibited Uses of the Credit Card**

The credit card may not be used in the procurement of the following items:

- Alcoholic Beverages
- Animals
- Cash Advances
- Firearms, ammunition
- Food (except for instructionally work-related purposes)
- Hazardous Materials, gases
- Leases, contracts, maintenance agreements; on-going in nature
- Large volume, routine repetitious purchases from one supplier (coordinate with Finance Department to establish an open purchase order or request for check)
- Narcotics and other controlled substances
- Personal purchases (**travel, transportation, fuel, meals, incidentals, etc...\***)

- Software Licenses (request for check needed)
- Split purchases to circumvent the dollar limitation

(\*) Personal purchases with the credit card will not be tolerated or excused. Employees using the credit card for any other manner or purpose than PART work-related purchases will require repayment to PART, will be subject to disciplinary action and will be subject to termination.

### 109.3 Authorized Credit Card Purchases

**Routine Purchases** – Generally, goods, supplies and services costing \$1,000 and less, including tax and shipping, may be purchased with the credit card. (Note previous section for prohibited uses).

**Non-routine Purchases** - Purchases that are not routinely purchased should be approved by the departmental Program Manager and/or Chief Financial Officer prior to purchasing.

### 109.4 Procedures - Cardholder

1. Responsibility. The Cardholder is an employee of PART and is responsible for ensuring the credit card is used in accordance with PART's Credit Card Policy and Procedures.
2. Security. The Cardholder is responsible for the security of the credit card. \*It is important that the Cardholder is the only one to use their credit card.
3. Determine the Need and Fund Availability.
  - a. Cardholder determines the need to purchase authorized goods, supplies and services within approval limits including tax and shipping.
  - b. Cardholder screens requests for purchases to determine if the request is an appropriate use of the credit card.
4. Obtain Commodity.
  - a. Cardholder may go to the place of business and obtain the commodity or place order by phone/fax, web or mail. In some cases, Cardholder should advise supplier not to charge the credit card until material is shipped.
  - b. Cardholder will require the supplier to itemize the receipt/invoice or packing slip with the following information for commodity purchases:
    - Description of commodities purchased.
    - Quantity purchased.
    - Price per item.
    - Amount of sales tax.
    - Shipping charges, if applicable.
    - Total amount.
5. Obtain Service (Except Service performed by an Individual/Sole Proprietor).

- a. Repair (Immediate repairs, one time only). The Cardholder will require the supplier to itemize the receipt and/or invoice with the following information:
  - Complete description of service
  - Date by which service is to be performed or completed
  - Total amount (Generally no sales tax on service)
  - Warranty Information, if any.
- b. Subscriptions, Membership (newspaper, magazine, journal and publications): The Cardholder will place the order by phone/fax, web or mail and obtain an invoice and/or receipt.

### **109.5 Monthly Credit Card Purchase Log**

The monthly credit card purchase log is used to record purchases of goods, services or activity with PART vendors/suppliers. This purchase log facilitates record keeping, and includes the following information:

- Cardholder Name.
- Credit card Number (last 4 digits only).
- Transaction Date.
- Post Date.
- Supplier Name.
- Description of Purchase.
- Total Amount.

### **109.6 Disputed Charges**

If an item is billed incorrectly, the Cardholder must circle the dollar amount and write “In dispute” on the statement. In addition, the Cardholder is responsible for disputing the charge by contacting the vendor/supplier directly regarding questionable items or disputed items which appear as a transaction on the card statement. This contact must be as soon as it is noticed and no later than 60 days after purchase.

If items purchased with the credit card are found defective, the Cardholder has the responsibility to return the item(s) to the merchant for replacement or to receive a credit on the purchase. If the merchant refuses to replace the defective item, and fails to issue a credit, then the purchase will be considered IN DISPUTE. Cardholder must file a dispute for each item in dispute.

The following is a list of common reasons for dispute:

1. Unauthorized Charge – Charge was not authorized by cardholder.
2. Duplicate Processing – Cardholder has been billed more than once for the same transaction.
3. Alteration of Amount – Cardholder has been billed for the wrong amount.
4. Merchandise/Services not received – Cardholder has not received the merchandise or services ordered.

5. Credit not Received – Merchant was to issue credit for good returned. The credit has not posted to Cardholders account.
6. Unrecognized Charge – Need invoice/receipt copy.
7. Quality of Goods/Services – Cardholder has contacted the merchant to resolve dispute about the quality of goods/services and is still not satisfied.
8. Other Disputer Reasons – None of the above.

Regulations regarding your dispute require that you notify the bank within 60 days of the date of the purchase. Attempts should be made with the merchant to resolve the dispute before notifying the bank. Any response received after the above-mentioned time frame may result in the banks inability to assist you with your dispute.

### **109.7 Ordering Credit Cards**

It is the Finance Department's responsibility to initiate ordering credit cards. The following steps must be taken:

1. Finance Department will process form and request the credit card from the bank.
2. Finance Department will notify Cardholder when the credit card is available and have Cardholder to sign credit card procurement policy prior to release of card.

### **109.8 Replacing Credit Cards**

Occasionally, it may be necessary to replace credit cards or obtain additional cards. It will be the Finance Department's responsibility to initiate this process.

1. Reporting Lost or Stolen credit cards.
  - a. Cardholder contacts Bank immediately.
  - b. Cardholder contacts Finance Department immediately after contacting Bank.
  - c. Finance Department contacts the Bank to obtain a replacement card.
  - d. Bank will mail replacement card to Finance Department within five to seven working days of notification.
  - e. Finance Department will notify Cardholder when replacement card is available.
2. Replacement of Worn Out/Defective Cards.
  - a. Finance Department should be notified before replacing.
  - b. The worn/defective credit card must be hand carried to the Finance Department. **DO NOT FOLD, SPINDLE, and OR MUTILATE CREDIT CARD** before giving to Finance Department.
  - c. Finance Department contacts the Bank to obtain a replacement card.
  - d. Bank will mail replacement card to Finance Department within five to seven working days of notification.
  - e. Finance Department will notify Cardholder when replacement card is available.

3. Replacement Due To Employee Turnover
  - a. When a Cardholder leaves, the Cardholder must return card immediately to Finance Department.
  - b. The Cardholder must hand deliver the credit card to the Finance Department. DO NOT MAIL CARD OR GIVE IT TO ANYONE ELSE TO RETURN.
  - c. The Cardholder must complete documentation stating they no longer have a credit card.

## **110 Travel Policy**

### **110.1 Overview**

PART recognizes that, for many employees, travel expenses are incurred in order to further the mission of PART. By setting forth the requirements necessary for obtaining approvals and reimbursement of these expenses, PART endeavors to assist its travelers. This policy establishes the procedure for authorizing and reimbursing travel expenses. Travel is necessary and useful for the accomplishment of many regional transportation functions. This policy and procedures statement is designed to promote efficient operations and to allow flexibility when traveling on authorized PART business.

### **110.2 Budget Appropriation.**

The amount needed for annual travel must be included in the preparation of the annual budget and requests should include the estimated travel costs of anticipated business, meeting, conference, and professional training travel. PART currently has the following departments within the General Fund: PART Express, Planning, Administration and a separate fund, Travel Demand Management.

Authorization. The responsibility for monitoring and adhering to appropriated budget rests with each department and the official or employee authorizing the travel. Travel authorization of all trips involving the use of budgeted funds will be obtained as follows:

- a) Executive Director must approve travel by department heads.
- b) Department heads and office heads must approve travel by employees within their department or office. The Executive Director and the Chief Financial Officer or their designee must approve all out-of-state travel requests.
- c) Trips that involve expenses more than the total amount budgeted for travel in any department will require additional approval and transfer of appropriated amounts from other accounts by the Budget Director.

A Request for Travel Authorization form must be completed before each trip that will last longer than one-day and that an employee expects to have reimbursed. A properly approved Travel Authorization Form must be submitted with all documents presented for reimbursement. This

procedure ensures that the appropriate approval for all travel was obtained before the trip is taken.

### **110.3 Combining Business and Vacation.**

If the employee wishes to combine a business trip with vacation leave:

- a) The employee's department head must approve the travel and request for vacation leave.
- b) PART will provide only reimbursement for the most economical mode of transportation to the business destination and other costs related to expenses while on leave will be the responsibility of the employee.
- c) PART will provide only reimbursement covering the actual expenses of the business portion of the trip.
- d) The employee must specify on the Travel Authorization Form the dates of the conference or meeting and the total days of the trip.

Travel with Spouse and/or Family. A spouse and/or other family member(s) may accompany an employee on official trips. However, PART provides reimbursement for only those expenses, which the employee would normally incur if traveling alone.

### **110.4 International Travel.**

International is not expected and must be approved by the Executive Director. A memorandum explaining the benefit of the requested travel along with all supporting details of the requested travel, purpose of the travel, any pertinent brochures and other documents should also be submitted to the Executive Director. PART will reimburse international travel costs (lodging, meals, etc) based on the exchange rate shown on the employee's credit card statement, whenever charged. When using cash, it is the employee's responsibility to show evidence of the conversion from foreign currency to U.S. currency to support reimbursement calculations.

### **110.5 Transportation.**

Ordinarily, the most economical and expeditious form of transportation should be used. If there is some doubt as to the best method of travel, the matter should be taken up with the department head, and if necessary, the Chief Financial Officer.

- a) Travel by Air. Only tourist class air travel will be reimbursed by the PART. If an employee chooses to fly other than economy class, the employee will pay the total cost differential. Insurance purchased for air transportation or baggage damage/loss will not be reimbursed by PART. PART employee credit card provides insurance coverage for travel on commercial transportation provided the ticket was purchased using the credit card. An employee should purchase airline tickets at least 21 days prior to departure date, to the extent possible, in order to get a discounted price.

- b) **Travel by PART Vehicle.** Only PART employees authorized by the department head will be permitted to travel in PART vehicles. Reimbursement will be made for repairs, gasoline, oil, storage, parking, tolls, and other necessary expenses for the use of the PART vehicle. A paid receipt must support all reimbursement requests of this nature, except for tolls. The Executive Director or his designee must approve travel by PART vehicle outside North Carolina. The PART employee must be included on the PART insurance policy and is the only person authorized to drive a PART vehicle as specified in the PART vehicle insurance policy.
- c) **Travel by Private Car.** The use of a private car will normally be confined to destinations within the state or where it is more advisable to travel by car because of expediency and destination accessibility. Reimbursement for travel by private car is at the mileage rate allowable by the Internal Revenue Service and is paid directly to the employee. Reimbursement will be made on this mileage basis unless it is more expensive than what it would cost to reach the same destination by air, in which case the employee will be reimbursed in the amount equivalent to the cost of airfare. The cost of air travel tourist class is used for this comparison.

No reimbursement will be made for expenses incurred in making repairs or for the towing of a private car. Coverage of these expenses is provided in the mileage rate. The employee will be reimbursed for parking fees and tolls.

- d) **Use of a Rental Car.** PART will only cover rental car costs up to the amount needed to travel back and forth to the airport unless the employee can demonstrate a business need for the car for the duration of the business trip.

The PART credit card should be used to pay for the rental car since it provides coverage on a 24-hour basis for damage due to collision or theft. To activate this coverage, the employee should initiate and complete the entire rental transaction with their PART credit card and decline the car rental company's collision damage waiver (CDW/LDW) option at the time the vehicle is rented. If a PART credit card has not been issued to the employee and other credit card coverage is not available, the employee's personal automobile insurance shall be primary coverage. PART will not reimburse the employee for insurance purchased for the use of a rental car.

#### **110.6 Meals and Lodging during Business Travel:**

Per Diem rates for lodging and meals during business travel shall be based upon rates provided by the General Services Administration at <http://www.gsa.gov/>. The rates are based upon travel destinations for meals and lodging. For example, in Guilford County the maximum lodging rate is \$85.00 plus taxes and the daily per diem for meals is \$56.00. These rates are set to cover average costs by location within the United States. The per diem for meals is set for each meal as provided in the table below:

<b>Subsistence</b>	
Breakfast	Limited to up to 22% of the daily amount
Lunch**	Limited to up to 28% of the daily amount*
Dinner	Limited to up to 50% of the daily amount*
Lodging (actual plus Tax, up to the GSA rate)	GSA rate unless the accommodation is related to a conference or other previously approved event.

- \* The reasonable actual costs of lunch and dinner meals may be paid in certain circumstances, such as meetings or convenience to lodging provide an itemized bill is submitted. Costs of alcoholic beverages shall not be reimbursed.
- \*\*The costs of meals included in registration fees, conference costs, hotel registration, etc. cannot be duplicated in reimbursement requests.

Reimbursement for meals during Overnight Travel: The travel must involve a travel destination located at least 35 miles from the employee’s regular assigned duty station or home.

Break fast	Depart duty station prior to 6:00 a.m. and extend the workday by 2 hours.
Lunch***	Depart duty station prior to 12:00 noon (day of departure and be away overnight) or return to duty station after 2: p.m. (day of return from an overnight stay).
Dinner	Depart duty station prior to 5:00 p.m. (day of departure) or return to duty station after 8:00 p.m. (day of return) and extend the work day by 3 hours.

- \*\*\*Allowance cannot be paid to employees for lunch if travel does not involve an overnight stay. However, employees can be eligible for *breakfast* and *dinner* if they meet the criteria above and the destination is 35 miles from the employee’s regular assigned duty station or home.

**110.7 Business Meals.**

PART will reimburse employees for reasonable meal expenses incurred for themselves and other individuals while conducting appropriate in-town or out-of-town PART business. Reimbursement procedures require the employee to provide an itemized meal receipt, the nature of the business, the number of guests and department head approval. The cost of alcoholic beverages will be deducted without exception from reimbursements.

**110.8 Lodging.**

PART will reimburse employees for reasonable lodging rates. If the amounts listed for these items appear unreasonable, the expense report will be returned for an explanation. When

traveling with family, if there is a difference between the single and double rate, which is usually shown on Internet advertisements, PART will only reimburse the employee for the single rate.

### **110.9 Other costs**

PART employees will not be reimbursed for telephone expenses. Reimbursement is permitted for reasonable tips (bellhop, taxi, etc). A meal tip of approximately 18% is considered reasonable. A tip for hotel maid service is not a reimbursable expense.

### **110.10 Travel Procedures**

**Before the Trip** - A Request for Travel Authorization form shall be completed by the employee for all travel requests and submitted to the appropriate approval. If the request is for out-of-state travel, the request for Travel Authorization form requires both the Executive Director and the Chief Financial Officer or their designee's signature. A copy of the properly approved Travel Authorization form must be submitted with Travel Expense Report-Reimbursement form together with all documents presented for reimbursement, as well as, on the credit card log reports for any expenses paid with the employee's PART credit card.

If there are not sufficient travel funds in the department's budget for the travel:

- a) The request, plus a justification statement, is forwarded to the Chief Financial Officer for additional approval and transfer of appropriated amounts from other accounts.
- b) If approved by the Chief Financial Officer, the request is returned to the supervisor.

#### **Payment Procedures**

- a) **PART Credit Card.** Payment for airfares and registrations should be made with the employee's PART credit card (if acceptable). Appropriate expenditure codes should be used on any travel expenses paid by PART credit card. If the employee has a PART credit card, it may be used for any other expenses of travel (lodging, meals, car rental, etc.). This will minimized or eliminate the need for a travel advance. Employees who travel frequently are expected to apply for and use a PART credit card for their travel expenses.
- b) **Travel Advances.** Travel advances may be made to employees who do not have a PART credit card because of infrequent travel. In order to obtain a travel advance, the employee shall submit the Request for Travel Authorization Form at least five days before the trip date. The issuance of a check for travel advances will only be considered when the issuance of a PART credit card has not been made to the employee and cannot be issued prior to the departure date.

**Charge Codes** - PART is in the process of establishing account codes that will include Responsibility Codes (Fund, Department, etc.) and Account Codes (Revenue, Expenditure, etc.)

When travel forms are prepared, the object codes should be used along with the department's responsibility and/or program codes:

- a) Expenditure Code xxxx (TBD) – Registration and Fees. Required cost for registration or fees for attending various national, state, and regional conventions and conferences, as well as, enrollment fees for various special training seminars. Use this account for registration and fees associated with required professional certifications; such as CDL, licenses, and notary certifications.
- b) Expenditure Code xxxx01 (TBD) – Business and Meeting Travel. The cost of attending conferences or other meetings of professional associations (national, state, or local meetings) including transportation, meals, lodging, and other similar items. This code is for travel that is not training related. This would include the travel categories of Professional Development, PART Business, and Other.
- c) Expenditure Code XXXX02 (TBD) – Seminar/Training Travel. Costs associated with attendance at seminars, training sessions or conventions where the primary emphasis is upon employee development including transportation, meals, lodging, and other similar items. This code is only for training related travel. This would include the travel categories of Training for Required Certification and Other Training.

After a Trip - Within ten business days after any travel, the employee must complete the standard Travel Expense - Reimbursement form, and submit it to his supervisor for approval and signature. The Travel Expense -Reimbursement form must have a copy of the appropriately approved Travel Authorization form. The supervisor forwards the documentation to the Chief Financial Officer for audit. Bills and receipts supporting the following expenditures must be attached:

- Lodging
- Transportation
- Registration fees
- Car rental
- PART vehicle expenditures (repairs, gas, oil, storage, parking, etc)
- Meals, including conference banquets, if the reimbursement requested is in excess of the per diem amount.
- Taxi fares

Registration fees or hotel guarantees made by the PART credit card should be noted on the Travel Expense Reimbursement form and copies of these receipts should be attached. These amounts will be paid directly to the Card Company and not reimbursed to the employee.

Amount Due PART or Due to the Employee. If a travel advance was made to an employee and the amount exceeds actual travel expenses, the employee must submit a check for the amount due PART within ten days after the trip. Cash should not be used to reimburse PART, but whenever it is, it must be hand delivered and a receipt obtained. Cash must not be sent through interoffice mail.

The employee will be reimbursed for any allowable expenses paid by the employee. If a PART credit card was used for the expenses, the employee is responsible for paying those expenses with the reimbursement received from PART for the travel.

Audit. The Chief Financial Officer reviews the Travel Expense - Reimbursement form. If the report is in order and appears reasonable, the employee will be reimbursed. If there are questions about any item on the Travel Expense form, the Chief Financial Officer or his/her designee will consult with and/or return the Travel Expense form to the department head.

### **110.11 Forms.**

**Request for Travel Authorization Form** - This is the travel form originated by the employee wishing to travel. This form must be completed prior to the trip for all business trips whether the employee is requesting a cash advance or not.

**Travel Expense Reimbursement Form** - This is the final report to be completed by a traveling employee as a record of all reimbursable expenses and must have the same trip number that was listed on the Request for Travel Authorization form. It must be completed for reimbursement of any travel expenses. The form must be completed, showing a recap of all trip expenses, even if no reimbursement is needed.

## **111 Payroll and Related Policies**

### **111.1 General**

The PART Employee Handbook states: “As an employee of PART, you are a member of a family of workers dedicated to providing quality service to our customers, the citizens. We have a strong commitment to excellent service, and each of us has a tradition to live up to.” The handbook is employees’ guide to understanding all aspects of the job, benefits and the policies and procedures of the Authority. PART strives to offer employees a career that is challenging, rewarding and fulfilling

### **111.2 Payroll Administration**

An official personnel file is established and maintained all PART employees in Human Resources, that includes payroll data, such as Form W-4, *Employee Federal Withholding Certificate*, approved salaries, and payroll account distribution. The employee personnel file shall also indicate whether the employee is exempt or non-exempt under the provisions of the Fair Labor Standards Act. PART operates on a bi-weekly payroll.

The following forms, documents and information shall be obtained and included in the payroll files of all new employees:

- Direct Deposit Forms
- Changes to W-4 form

- Employee benefit enrollment forms
- Supporting documentation for payroll deductions
- Changes in income tax withholding status
- Court-ordered payroll deductions
- Applications and resumes
- Changes in position
- Personnel evaluation forms
- Performance information
- Disciplinary information
- Leave and absentee forms on all employees
- Changes in income tax withholding status
- Terminations

### **111.3 Payroll Taxes**

The Payroll Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid, including state and federal taxes. State taxes are remitted to respective states bi-weekly, monthly, or quarterly.

### **111.4 Preparation of Timesheets**

PART's work week is Saturday through Friday. Employees must submit a signed and approved timesheet to payroll no later than 12:00 noon on Monday after the close of each pay period. Timesheets should be prepared in accordance with the following guidelines:

- Each timesheet should reflect all hours worked during the pay period (time actually spent on the job performing assigned duties), whether exempt or non-exempt under FLSA;
- Timesheets should be prepared in ink;
- Errors should be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initials next to the change (i.e. employees should not use "white out" or correction tape);
- Employees should identify and record hours worked based and if work is related to a specific project, the hours worked must be recorded for that project;
- Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified; and
- Timesheets should be signed by the employee and approved by department heads or their designees prior to submission.

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

### **111.5 Processing of Timesheets**

All time sheets are reviewed by the Chief Chief Financial Officer or her/his designee. Processing of timesheets in the payroll department is performed by finance personnel. They check all timesheets for mathematical accuracy, then input all timesheets data into the payroll system.

Finance personnel may not change or correct timesheets. When errors are noted, time sheet must be returned to the supervisor or her/his designee to have the correction made. If a corrected and approved timesheet is not re-submitted in time to be processed with the normal payroll, the employee may have to wait for a manual check to be prepared.

Improper actions with regard to the timesheet policy or procedure may result in disciplinary action, up to and including discharge.

### **111.6 Review of Payroll**

Upon production of all payroll reports and each employee's direct deposit report, which shows total hours worked, gross pay, withholding amounts, retirement and benefit deductions, pay deferrals, and net pay the Chief Chief Financial Officer reviews payroll prior to direct deposit information being transmitted to the bank and direct deposit reports distributed to employees. The Chief Chief Financial Officer should sign the payroll register, indicating approval of the payroll.

## **ASSETS**

### **112 Cash and Cash Management**

#### **112.1 Policy**

PART seeks to maximize its return on surplus operating funds. To meet this objective, the master depository account maintains only those funds sufficient to cover immediate needs. Excess surplus funds are transferred to the North Carolina Capital Management Trust, or other authorized for short-term investments are acquired.

#### **112.2 Overview**

Under NCGS § Chapter 159, The Local Government Finance Act the Chief Chief Financial Officer has the responsibility to establish, maintain, direct, and monitor all functions related to cash and cash management. Bank accounts may be established in any financial institution authorized by NCGS § 159.31 and all deposits must be insured by FDIC or collateralized in the manner authorized by the North Carolina State Treasurer. Daily excess funds in the master depository account may be transferred into an overnight repo account, provided adequate collateralization is maintained.

#### **112.3 Establishment of Accounts**

The Executive Director and Chief Financial Officer may establish bank accounts as required for efficient operation of financial activities. The Executive Director and Chief Chief Financial

Officers are designated as signatories for all bank accounts and other PART staff may be designated as signatories by the Executive Director. It is the policy of PART to promptly notify PART's financial institution of changes in authorized signatures upon the departure/resignation of any authorized signer.

#### **112.4 Bank Reconciliations**

The Chief Financial Officer receives bank statements directly from PART's financial institutions, usually within three business days following the close of each month. The employee assigned to reconcile a bank account opens the statement and reviews its contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. Unusual and unexplained items shall be reported to the Chief Chief Financial Officer immediately. The employee assigned to reconciling bank accounts should not have check signing authority, check preparation responsibilities, or cash recording responsibilities.

All bank reconciliations are reviewed and approved by the Chief Chief Financial Officer on a monthly basis. Any adjusting journal entries resulting from preparing bank reconciliations are approved by the Chief Chief Financial Officer. Reconciling items that require research are followed up by the individual performing the reconciliation with the appropriate department.

#### **112.5 Cash Flow**

The Chief Chief Financial Officer and accounts payable staff monitors cash flow needs on a daily basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis. Wire Transfers may be made between accounts by the Chief Chief Financial Officer.

### **113 Investments**

#### **113.1 Policy**

PART's overall investment policy is to preserve and protect PART's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriated return on investments. With this policy understood, it is the PART's goal to maximize investment earnings opportunities with appropriate considerations for SAFETY, LEGALITY, and YIELD.

#### **113.2 Statutory Authority and Accounting**

The Chief Chief Financial Officer has the responsibility and authority to manage PART's investments under NCGS § 159.25 and all investments must be made in accordance with NCGS § 159.30. All investments must be Short-term investments generally have a maturity of three months to one year from the purchase date. PART has investments classified as short-term with maturities beyond one-year due to their highly liquid nature. All short-term investments are recorded at market value using the specific identification method; unrealized gains and losses are

reflected in net unrealized gain or loss on securities. Long-term investments have a maturity beyond one-year from the purchase date. PART generally does not have long-term investments.

## **114 Prepaid Expenses**

### **114.1 Policy**

It is the policy of PART to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses, such as insurance, and to amortize these items over the corresponding time period. For purposes of this policy, payments of less than \$500 will be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements will be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date will be classified as non-current assets.

## **115 Property and Equipment**

### **115.1 Policy**

It is the policy of PART to capitalize property and equipment with a unit cost of \$1,000 or higher, in accordance with OMB Circular A-87. Items with a unit cost below this threshold shall be expensed in the year purchased. PART complies with FASB 93, of the Financial Accounting Standards Board in recognizing depreciation on long-lived assets and providing proper disclosure in the financial statements.

### **115.2 Depreciation and Useful Life**

Both real and personal property are recorded at cost and depreciated using the straight-line method of depreciation. PART uses a half-year convention in the year of acquisition and disposition. This means depreciation is calculated for a half year only, in the year of acquisition and disposition, regardless of how long the asset is held that year. Estimated useful lives are established by class of asset and range from 5 to 50 years.

### **115.3 Fixed Assets**

Fixed assets include the following major classifications of assets:

1. Real Property
  - Land
  - Buildings
  - Improvements other than buildings

- 2. Personal Property
  - Vehicles
  - Furniture and Equipment

- 3. Construction in Progress

## Real Property

**Land.** All land is recorded at the amount paid, including all costs such as appraisal fees, broker fees, legal fees, recording and environmental fees.

**Buildings.** All structures used for operating purposes. Included are all permanently attached fixtures, including machinery, and other components that cannot be removed without damaging the buildings. If a component can be removed without damaging the building, it is considered equipment and should not be included in the value of the building.

All direct costs of construction are applied to a building's value. Significant structural changes to a building that increases the building's usefulness, efficiency or asset life also should be accounted for and added to its value.

**Improvements other than buildings.** Improvements to land other than buildings, such as park and ride lots, parking lots, landscaping and utility distribution systems. The valuation method is the same as for buildings.

## Personal Property

Personal property includes all fixed assets that are not real property. The value of personal property is purchase price and other costs associated to making the property suitable for its intended purpose, such as licensing fees, signage, accessories, freight, etc.

**Equipment.** Capital equipment includes all personal property having (1) an acquisition value of \$1,000 or more per unit, except for certain property that is considered part of a component of computers if their cost basis is less than \$1,000; and (2) an expected useful life in excess of more than one year. This period will vary depending upon the fixed asset's class. For example, items classified as furniture and fixtures will have an expected useful life of 12 years, whereas, computer equipment will be 3 years.

If all three of the above conditions are met, an item will be capitalized and depreciated. Property that fails to meet any one of these tests will be expensed in the current period. However, if an item fails to meet the value test but has a unit cost basis of between \$500 and \$999, a PART property decal should be placed on the asset and department heads will be held accountable for protecting the item.

## Construction in Progress

This classification includes all projects for construction of buildings, other improvements and equipment in progress at a fiscal year-end.

#### **115.4 Recording of Fixed Assets**

Land - manual records satisfactorily document the transactions. Actual costs of property, together with the authorization of the purchase and supporting legal documents are on file. Records of subsequent additions and deletions will be updated and maintained, whenever necessary, to provide for proper disclosure in PART's financial Statements.

Buildings - inventory data relative to buildings entered in the capital asset database includes:

- Building code.
- Name of the building
- Original cost, or if not available, the fair market value
- Number of years to depreciate
- Residual Value
- Current year depreciation
- Accumulated depreciation

Separate files for buildings contain such data as: (1) date of construction or acquisition; (2) location; (3) source of funds (federal, state etc.); (4) date nature and cost of significant alterations or structural changes that increases the usefulness, efficiency or asset life of existing buildings; and (5) date, description and value of deletions reducing recorded costs. As additions or deletions are made to existing buildings, cost and other appropriate data will be entered to update the system. PART buildings will be depreciated using a useful life of 40 years under the straight-line method.

Improvements other than Buildings - manual records document the transactions for acquisition or construction of improvement other than buildings. Cost information and other relative data for such improvements (landscaping, parking lots, sidewalks, curbs, utility systems, flagpoles, fences and other similar improvements) are maintained by PART. Depreciation will be recorded over a useful life of 40 years under the straight-line method.

Equipment may be acquired through different methods and under a variety of conditions. They include: (1) purchase; (2) financing agreements; and (3) government surplus property. Data included in the master control inventory file for equipment is as follows:

- Tag number.
- Effective date of purchase.
- Fund, function and object code that the equipment has been charged to.
- Building code and room number where the item is located.
- Equipment code designating the class of asset, such as furniture and fixtures, computer equipment etc.
- Original cost and residual value.

- Purchase order and vendor numbers.
- Manufacturer, Make/Model and Serial number.
- Useful life and equipment condition.
- Type code.

The type code is used to identify depreciable and non-depreciable items and to distinguish between University and government-owned property, and property on loan. In addition, this code enables us to determine the total value, on an annual basis, of various dispositions of equipment, for example, trade-ins and lost and stolen property.

### **115.5 Physical Inventory**

Physical inventories of fixed assets acquired with Federal or State grant funds should be made annually. Inventory results will be conveyed to the Chief Financial Officer and Program Manager along with sufficient information to file any report or closing papers, if necessary.

The disposition of property purchased under state and federal grants and contracts will be handled in accordance with the applicable government regulations and specific instructions from contracting agencies.

## **LIABILITY AND NET ASSET ACCOUNTS**

### **116 Accrued Liabilities**

#### **116.1 Policy**

The accounting department shall establish a list of commonly incurred expenses that may need to be accrued at the end of an accounting period. Expenses that shall be accrued by PART at the end of an accounting period include:

Salaries and wages	Interest on notes payable
Payroll taxes	Rent
Vacation pay	Utilities and other accounts payable

PART records a liability for deferred revenue (revenue received but not yet earned) in accordance with revenue recognition policies.

#### **116.2 Accrued Leave**

##### **Vacation Pay**

Personnel policies of PART permit employees to carry forward up to 30-days of unused leave per calendar year. Any unused leave is payable to an employee upon termination of employment. Accordingly, PART records a liability for accrued leave to which employees are entitled. The total liability at the end of the fiscal year shall equal the total earned but unused accumulated hours of leave multiplied by each employee's current hourly pay rate.

Sick Leave shall not be accrued as a liability of PART because it may only be used for prescribed purposes and is not payable to an employee upon termination.

## **117 Fund Balances**

### **117.1 Policy**

It is the policy of PART to classify net assets or fund balances based upon the existence or absence of restrictions as follows:

**Reserved by State Statutes** – Net assets that are restricted by state statutes are not available to support expenditures in the upcoming fiscal year budget. The reserved fund balance is the difference between total fund balance and the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year.

**Unreserved Fund Balance** – Net assets may be designated or undesignated. For example appropriation of fund balance in the succeeding fiscal year budget must be designated for expenditure in the subsequent fiscal year. The remaining fund balance is recorded as undesignated.

Net assets accumulated by PART that the board of trustees has earmarked for specific uses, are segregated in the accounting records as “board-designated” funds within the unrestricted category of net assets.

## **FINANCIAL REPORTING**

### **118 Financial Statements**

#### **118.1 Policy**

PART’s policy is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. The financial statements described below will be produced on a quarterly and annually basis. These financial statements shall be prepared on the accrual method of accounting.

#### **118.2 Financial Statements**

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the organization. Financial statements may reflect year-to-year historical comparisons or current budget to actual comparisons.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires PART to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The basic financial statements of PART that are maintained on an organization-wide basis are:

**Statement of Financial Position** – reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or non-current/long-term.

Assets are probable future economic benefits obtained or controlled by the organization as a result of past transactions or events. Assets of PART are classified as current assets, fixed assets, contra-assets, and other assets.

Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.

Fixed assets (property and equipment) are tangible assets with a useful life of more than one year that are acquired for use in the operation of the organization and are not held for resale.

Other assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property, and long-term investments.

Liabilities are probable future sacrifices of economic benefits arising from present obligations of the organization to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities of PART are classified as current or long-term.

Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples are accounts payable, accrued liabilities, short-term notes payable, and deferred revenue.

Long-term liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example is the non-current portion of a mortgage loan.

Net assets are the difference between total assets and total liabilities.

**Statement of Activities** – presents revenues, gains, and other support, expenses, and changes in net assets of PART.

Revenues are inflows or other enhancements of assets, or settlements of liabilities, from rendering services, delivering or producing goods, or other activities that constitute ongoing major or central operations. Examples include fees, government grants, passenger fares, rental vehicle tax and TDM operations.

Expenses are outflows or other using up of assets or incurrences of liabilities from rendering services, delivering or producing goods,, or carrying out other activities that constitutes PART's ongoing major or central operations. Expenses are classified by functions, such as, PART Express, Planning, Administration and TDM.

**Statement of Cash Flows** – reports the cash inflows and outflows of the organization in three categories: operating activities, investing activities, and financing activities.

### **118.3 Review and Distribution of Financial Statements**

Quarterly and annual financial statements and supporting schedules shall be reviewed and approved by the Chief Chief Financial Officer and Executive Director prior to being issued. Once approved, a complete of set of quarterly and annual financial statements shall be distributed to employees, and at the next meeting of the Finance Committee of the Board of Trustees.

## **119 Tax Reporting**

### **119.1 Policy**

It is the policy of PART to comply with all obligations for tax and information returns filed with federal, state and local jurisdictions. The Chief Finance Official shall be responsible for identifying all filing requirements and assuring that PART is in compliance with all such requirements.

**W-2's and 1099's** – Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to federal government by February 28.

**Form 940** – Annual federal unemployment tax return filed with IRS. The return is due January 31.

**Form 941** – Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter.

Federal and all applicable state payroll tax returns are prepared and PART complies with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each PART employee.

## **FINANCIAL MANAGEMENT**

### **120 Budgeting**

#### **120.1 Overview**

Budgeting is an integral part of managing PART and is concerned with meeting organizational goals and objectives. The budget is designed and prepared to direct the efficient and prudent use of PART's financial and human resources. The budget is management's commitment to a plan for present and future organizational activities to ensure a going concern. It provides an opportunity to examine the composition and viability of the university's programs and activities simultaneously in light of available resources.

#### **120.2 Preparation and Adoption**

PART is required to prepare a budget annually in accordance with NCGS § 159-7 through § 159-20. PART'S Executive Director is considered by the statute as the Budget Officer. The budget process provides for proposed budget information from all department heads and other staff to be submitted to the Chief Chief Financial Officer, who prepares the first draft of the budget. Budgets proposed and submitted by each department should be accompanied by a narrative explanation of the sources and uses of funds and explaining all material fluctuations in budgeted amounts from prior years.

After appropriate revisions and a compilation of all department budgets, a draft of the PART-wide budget, as well as individual departmental budgets, is presented to the Executive Director by the Chief Chief Financial Officer for discussion, revision, and initial approval. The final draft is then submitted to the Finance Committee of the Board of Trustees, and finally to the entire Board of Trustees for adoption. The annual budget must be adopted before June 30 of each fiscal year.

It is the policy of PART to adopt a final budget as early as practical before the beginning of the fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the accounting department to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

#### **120.3 Monitoring Performance**

It is the policy of PART to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the financial reporting process. On a quarterly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the budget department and distributed to each department head with budgetary responsibilities. PART plans to have the budget reports prepared on a monthly basis before the end of fiscal year 2012.

#### **120.4 Budget Modification and Amendments**

After the budget has been adopted by the Board of Trustees, reclassifications of budgeted revenue and expense amounts, which do not change the total budget, may be made by the Chief Chief Financial Officer with approval from the Executive Director. Modifications of budgeted revenues and expense amounts resulting in an increase in budgeted expenses and/or decrease in budgeted revenues must be approved by the Executive Director and Board of Trustees

### **121 Annual Audit**

#### **121.1 Policy**

It's the policy of PART to arrange for an annual audit of its financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by PART will be required to communicate directly with the Board of Trustees upon the completion of their audit. Every 5 years to ensure competitive pricing and a high quality of service PART should review the selection of its independent auditors. This is not a requirement to change auditors every five years, simply to re-evaluate the selection.

#### **121.2 Preparation for the Annual Audit**

PART will be actively involved in planning and assisting the university's independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the accounting department will provide assistance to the independent auditors in the following areas:

**Planning** – The Chief Chief Financial Officer is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. Assignments will be based on the list of requested schedules and information provided by the independent accounting firm.

**Involvement** – PART staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

**Interim Procedures** – To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to PART's year-end. By performing significant portions of the audit work as of an interim date, the work required subsequent to year-end is reduced. PART staff will assist as much as possible in order to provide requested schedules and documents to auditors during any interim fieldwork that is performed.

Throughout the audit process, it will be the policy of PART to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

### **121.3 Concluding the Audit**

North Carolina statutes require the audit and Annual Financial Report to be completed by October 31 after the end of each fiscal year. Upon receipt of a draft of the audited financial statements of PART from its independent auditor, the Chief Chief Financial Officer will perform a detailed review of the draft, consisting of the following procedures:

- Carefully read the entire report for typographical errors.
- Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of PART.
- Review each footnote for accuracy and completeness.

Any questions or errors noted as part of this review will be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Chief Chief Financial Officer. The Chief Chief Financial Officer will prepare Management's Discussion and Analysis section for the Annual Financial Report.

It will also be the responsibility of the Chief Chief Financial Officer to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor.

## **122 Insurance**

### **122.1 Policy**

PART's policy is to maintain an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of PART. PART will maintain adequate insurance against general liability, as well as coverage for buildings, contents, vehicles, equipment, machinery and other items of value. In addition, PART will require contractors to maintain adequate general and vehicular liability insurance for its vehicles operated under contractual agreement, as well as property damage insurance.

### **122.2 Coverage Guidelines**

As a guideline, PART will arrange the following types and level of insurance at a minimum:

General Liability	\$ 1,000,000
Excess Liability	\$ 2,000,000
Automobile (PART Owned, leased, borrowed)	\$ 1,000,000
Automobile (TDM Owned, leased, borrowed)	\$ 5,000,000
Crime (Employee dishonesty)	\$ 50,000

Property	\$ 1,000,000
Worker’s Compensation	Statutory Limits
Public Officials Liability	\$ 1,000,000
Bonds (Executive Director)	\$ 500,000
Bonds (Chief Chief Financial Officer)	\$ 250,000

PART should maintain a detailed listing of insurance policies in effect. This listing should include the following information, at a minimum:

- Description (type of coverage)
- Agent and insurance company, including all contact information
- Coverage and deductibles
- Premium amounts
- Policy effect dates

### **123 Record Retention**

#### **123.1 Policy**

PART maintains a separate policy that requires PART to retain records as required by law with disposition when appropriate. The destruction of records must be approved by the appropriate department head.