

Southwest Area Regional Transit District

ACCOUNTING POLICIES AND PROCEDURES

**Adopted by Board of Directors
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Southwest Area Regional Transit District

Table of Contents

SECTION I. GENERAL	4
PURPOSE	4
POLICY STATEMENT	4
SECTION I. INTERNAL CONTROL	5
GENERAL	5
INTERNAL CONTROL CHECKLIST	6
SECTION II. FINANCIAL POLICY AND ADMINISTRATIVE RESPONSIBILITY	7
RESPONSIBILITIES FOR BASIC POLICY MAKING	7
RESPONSIBILITIES OF THE GENERAL MANAGER	7
RESPONSIBILITIES OF THE ASSISTANT GENERAL MANAGER	8
RESPONSIBILITIES OF THE CHIEF FINANCIAL MANAGER	8
SECTION III. ORGANIZATION AND COMPETENCY OF FINANCIAL PERSONNEL	8
ORGANIZATIONAL STRUCTURE	8
COMPETENCY OF FINANCIAL PERSONNEL	8
SECTION IV. FINANCIAL STATEMENTS AND REPORTS	9
GENERAL STANDARDS	9
A. Fairness of Presentation	9
B. Compliance with Prescribed Requirements.....	10
C. Timeliness	10
D. Usefulness.....	10
EXPLANATION OF BASIC INTERNAL STATEMENTS AND REPORTS	11
A. Statement of Financial Position (Balance Sheet).....	11
B. Statement of Activities (Revenues & Expenditures).....	11
C. Statement of Cash Flows.....	11
D. Bank Reconciliations	11
SECTION V. OVERVIEW OF ACCOUNTING SYSTEM AND INTERNAL CONTROLS	12
A. Chart of Accounts.....	12
B. Cash Receipts – Administrative Office	13
C. Cash Receipts - Operations	14
D. Cash Disbursements.....	14

- E. Procurement - Major purchases 14
- F. Purchase Order Procedure..... 14
- G. Procedure for cash disbursements: 16
- H. PETTY CASH AND CHANGE FUNDS..... 17
- I. PROPERTY AND EQUIPMENT 17
- J. OTHER 18
- K. PERSONNEL AND PAYROLL 18
- L. AUDIT 20
- M. TRAVEL 20
- N. DAVIS BACON PROVISION..... 22
- O. JOURNAL ENTRIES..... 22
- P. CREDIT CARD/DEBIT CARD TRANSACTION RECEIPTS..... 22
- Q. SWART BUSINESS DEBIT/ CREDIT CARD USAGE 23
- SECTION VI. BUDGETARY CONTROL AND CASH MANAGEMENT 24**
- GENERAL 24**
- A. BUDGET REVISIONS..... 24
- B. GRANT / CONTRACT MANAGEMENT 25
- C. DIRECT AND INDIRECT COSTS 26
- D. CASH MANAGEMENT 26
- E. LINE OF CREDIT 26**
- SECTION VII. MAINTENANCE OF FINANCIAL RECORDS 27**
- GENERAL 27**
- RECORD STORAGE 27**

SECTION I. GENERAL

PURPOSE

This Accounting Policies and Procedures Financial Manual (Financial Manual) has been assembled to provide the Southwest Area Regional Transit District (SWART) with guidance in fulfilling its fiscal responsibility to its funding sources. The Financial Manual establishes SWART's policies in various financial-related areas and sets forth the procedures to be followed in adhering to those policies.

This Financial Manual is to be used by SWART and its employees to assure that SWART's financial resources are properly safeguarded and utilized only for authorized purposes.

Management realizes that the procedures set forth in this Financial Manual may become inadequate because of changes in conditions. As such, Management, as authorized by the Board of Directors will revise, modify, and update this Financial Manual as conditions warrant.

SWART will follow the established policies and procedures in fulfilling its fiscal responsibility and in maintaining its accountability to its funding sources.

POLICY STATEMENT

The fiscal department of SWART records and reports the fiscal transactions on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) and generally accepted governmental accounting standards (GAGAS). Our internal control policies were formed using generally accepted auditing standards (GAAS) for proper separation of duties in order to safeguard the assets of SWART and its grantor agencies. The financial policies and procedures are designed to ensure effective financial management of FTA awards and establish a system of internal controls to safeguard against waste, loss, and misuse of federal funds.

These principles are recognized across a wide section of industries and governmental bodies as "accounting standards" of practice. Thus, we have not attempted to include all these principles within this manual.

There are many sources for the various principles and standards referred to above. We have listed some of these sources below. This list is not meant to be all-inclusive.

- Interpretations from Financial Accounting Standards Board (FASB)
- Interpretations from Governmental Accounting Standards Board (GASB)
- Office of Management and Budgets (OMB) Circulars
- OMB "Super Circular" (2 CFR 200)
- Uniform Grant Management Standards
- Government Auditing Standards (Yellow Book)
- 48 CFR Part, 31, Contract Cost Principles and Procedures

- 2 CFR Part 200, Subpart E, Sections 200.402-200.411 Cost Principles and Cash Management
- 2 CFR 200.305 Federal payment (eCFR)

OMB “Super Circular” – The Office of Management and Budget (OMB), in its efforts to deliver on the promise of a 21st-Century government that is more efficient, effective and transparent, has streamlined the OMB Circulars on Administrative Requirements, Cost Principles, and Audit Requirements for all Federal awards into one document, referred to as the Super Circular. The Super Circular combines eight previous federal regulations into comprehensive guidance codified at 2 Code of Federal Regulations (CFR) Part 200 (Subparts A – F). Previous OMB Circulars combined into the new Super Circular include: Cost Principles Circulars A-21 for Education Institutions; A-87, for State & Local Governments; and A-122 for Non-Profit Organizations; the Circular A-89, Catalog of Federal Domestic Assistance; the Administrative Requirements Circulars A-102, for State and Local Governments; A-110 for Institutions of Higher Education, Hospitals and Other Non-Profit Organizations; and the Circulars A-133 Single Audit Guidance and A-50 Audit Follow-up. The new Super Circular breaks down into the following subparts: Subpart A–Acronyms and Definitions; Subpart B–General Provisions; Subpart C–Pre-Federal Award Requirements; Subpart D–Post Federal Award Requirements; Subpart E–Cost Principles; and Subpart F–Audit Requirements.

SECTION I. INTERNAL CONTROL

GENERAL

Internal controls are an integral part of this organization’s financial accounting policies and procedures. Internal controls consist of all the measures adopted by SWART for the purpose of:

- safeguarding its assets and resources against waste, fraud and inefficiency;
- ensuring accuracy and reliability in accounting and operating data;
- contribute to efficient operations;
- securing compliance with the policies of SWART, grant conditions, and applicable laws and regulations; and
- evaluating the level of performance in all organizational units of SWART.

The organization maintains a system of internal controls sufficient to provide reasonable assurance that the above-stated purposes are met and risks to the organization’s objectives are assessed and addressed appropriately. These internal controls include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. Internal controls rely on the principle of checks and balances in the workplace, and include the following control activity:

- **PERSONNEL** need to be competent and trustworthy, with clearly established lines of authority and responsibility documented in written job descriptions and procedures manuals. Organizational charts provide a visual presentation of lines of authority and

periodic updates of job descriptions ensure that employees are aware of the duties they are expected to perform.

- **AUTHORIZATION PROCEDURES** need to include a thorough review of supporting information to verify the propriety and validity of transactions. Approval authority is to be commensurate with the nature and significance of the transactions and in compliance with SWART policy.
- **SEGREGATION OF DUTIES** will reduce the likelihood of errors and irregularities. An individual is not to have responsibility of more than one of the three transaction components: authorization, custody, and record keeping. Duties such as check writing, deposit functions, inventory management, and account reconciliation should be kept separate. Active involvement by officers is critical in areas where staff is small and segregation of duties is not feasible. When the work of one employee is checked by another, and when the responsibility for custody for assets is separate from the responsibility for maintaining the records relating to those assets, there is appropriate segregation of duties. This helps detect errors in a timely manner and deter improper activities; and at the same time, it should be devised to prompt operational efficiency and allow for effective operations.
- **DOCUMENTATION AND RECORD RETENTION** provides reasonable assurance that all information and transactions of value, including receipt and disposition of assets, are fairly and accurately recorded and retained. Records are to be maintained and controlled in accordance with established procedures.
- **PHYSICAL RESTRICTIONS** are protective measures for safeguarding assets, processed and data. Access to checks or petty cash is limited, secured, and documented when used. Access to computer files and databases should be limited to authorized employees.

INTERNAL CONTROL CHECKLIST

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

1. Maintain a current organizational chart.
2. Employees' duties must be reasonably fixed as to responsibilities.
3. Job descriptions for each position, including employees' duties and responsibilities, are maintained current.
4. The accounting routine is established in an accounting policies and procedures manual.
5. The accounting function must be completely separate from the procurement and receiving process.
6. Internal financial reports will be compiled monthly and will adequately reflect abnormal financial figures and other discrepancies.

7. Sufficient controls will be assigned in order to make collusion improbable.
8. An assigned responsible employee will periodically review insurance coverage.
9. Journal entries must be limited, and should adequately explained and supported by substantial documentation.

SECTION II. FINANCIAL POLICY AND ADMINISTRATIVE RESPONSIBILITY

Everyone within the organization has a role in internal controls. The role varies depending upon the level of responsibility and the nature of involvement by the individual. The Board of Directors, General Manager, Assistant General Manager, and Chief Financial Manager (CFM) establish the presence of integrity, ethics, competence, and a positive control environment. Department Directors have oversight responsibility for internal controls within their units. Managers and supervisory personnel are responsible for executing control policies and procedures at the detail level within their specific unit. Individuals within a unit are to be cognizant of proper internal control procedures associated with their specific job responsibilities.

RESPONSIBILITIES FOR BASIC POLICY MAKING

The governing board will formulate through its appropriate policy-making body the financial policies required to assure proper management in accordance with basic management standards and funding agencies' requirements. Once formulated, these policies are administered by SWART'S executive and administrative staff. However, the appropriate policy-making body reviews regularly the operations and activities, including SWART's financial position, to ascertain that its affairs are properly administered, that policy compliance is achieved, and that policy revisions are promulgated as required.

The Board remains ultimately responsible for the proper administration of the financial position and operation of SWART. To fulfill these responsibilities, it is important that the review of operations and activities be conducted in a timely and comprehensive manner. To foster a clear understanding and a proper involvement on the part of all concerned with policy making, advising, and implementing responsibilities, many of these policies are expressed in writing.

RESPONSIBILITIES OF THE GENERAL MANAGER

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

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

RESPONSIBILITIES OF THE ASSISTANT GENERAL MANAGER

In the absence of the General Manager, the Assistant General Manager is responsible for the day-to-day operations of SWART. The Assistant General Manager is primarily responsible for human resources function of SWART, including employee wellness, safety and required training. Assists the General Manager in preparing the Organizational Chart, updating and maintaining staff job descriptions. The Assistant General Manager is responsible for safety and training, information technology, and ensure the proper insurance coverage of SWART's assets.

RESPONSIBILITIES OF THE CHIEF FINANCIAL MANAGER

The Chief Financial Manager is responsible for the overall management of the fiscal operation of SWART in cooperation with the General Manager. The General Manager approves all expenditures and entries to the general ledger, reviews monthly financial statements for accuracy, and maintains spending within budgetary limits. The Chief Financial Manager is responsible for preparing and assisting the General Manager in budget revisions, requests for reimbursements, and financial reports. The Chief Financial Manager is responsible for reviewing and revising of financial policies and procedures as needed.

The Chief Financial Manger should advise the General Manager on all matters affecting financial operations.

SECTION III. ORGANIZATION AND COMPETENCY OF FINANCIAL PERSONNEL

ORGANIZATIONAL STRUCTURE

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

COMPETENCY OF FINANCIAL PERSONNEL

An accounting system is dependent on the people who maintain it. The best accounting system will be worthless if financial personnel are untrained, inexperienced, and unprepared for their duties. All employees having financial responsibilities should have training and experience

commensurate with such responsibilities. The importance of securing financial personnel trained and experienced to perform their duties adequately cannot be overly emphasized.

- The General Manager must have experience in administration of agency or entity relative to assignment. Graduated from an accredited four-year college or university with major course work in a field relevant to assignment. Experience and education may be substituted for one another.
- The Assistant General Manager must have an Associate's degree (AA) or equivalent from a two-year college or technical school; or two-year related experience and/or training; or equivalent combination of education and experience.
- The Chief Financial Manager must have graduated from an accredited four-year college or university with major course work and concentration in a field relevant to finance, accounting, or financial management; or a minimum of five years of experience required in areas of finance, accounting or financial management of governmental affairs or agencies.

SECTION IV. FINANCIAL STATEMENTS AND REPORTS

GENERAL STANDARDS

Internal financial statements and reports are those prepared for internal reporting to administrative and management personnel at various levels and the principal representative Board. They provide activity-management information, overall operating management information, and broad policy-level-management information. They are prepared and issued as often as necessary to be of maximum use to management officials.

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

Financial statements and reports should meet the following standards:

- Fairness of presentation,
- Compliance with prescribed requirements,
- Timeliness, and
- Usefulness.

A. Fairness of Presentation

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

The essentials of full disclosure in financial reporting include the following:

1. Completeness and clarity:

All essential financial facts relating to the scope and purpose of each report and the period of time involved are included and clearly displayed.

2. Accuracy, reliability, and truthfulness:

All financial data presented are accurate, reliable, and truthful. The requirement for accuracy does not rule out the inclusion of reasonable estimates when precise measurement is impracticable, uneconomical, unnecessary, or conducive to delay. However, material estimates are identified as such. Obscuring significant facts and presenting misleading information is avoided.

3. Accounting support:

Financial statements and reports are based on official records maintained under an adequate accounting system that produces information objectively, disclosing the financial aspects of all events or transactions taking place. If financial data is based on sources other than the accounting system, this is clearly explained. Financial statement content is traceable directly to the accounting records.

4. No exclusion of significant costs:

All costs applicable to an activity or program must be included in the financial statements and reports.

5. Form, content and arrangement:

The form, content and arrangement of each financial statement and report is as simple as possible and designed to communicate significant financial information clearly to its reader.

6. Performance under limitations:

Financial performance in relation to statutory or its limitations is specifically reported.

7. Consistency:

The financial data reported is derived from accounts that are maintained in all material respects on a consistent basis from period to period. Material changes in accounting policies, methods, and treatment, if any, and the effects thereof are clearly explained.

8. Terminology:

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

B. Compliance with Prescribed Requirements

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

C. Timeliness

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

D. Usefulness

Financial statements and reports are designed carefully to present information that is needed by and useful to the persons for whom they were proposed. The preparation and distribution of reports that are unnecessary or excessively detailed are avoided. The need is clearly defined before the report is designed. Accounting policies and procedures are periodically reviewed for improvement in accuracy and efficiency of operations.

EXPLANATION OF BASIC INTERNAL STATEMENTS AND REPORTS

A. Statement of Financial Position (Balance Sheet)

The statement of financial position is a financial statement that shows the nature and balance of all significant assets and all material debts that are owned. It lists the types and amount of assets, liabilities, and equity (fund balance) as of a certain date. Also called the balance sheet.

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

Second, liabilities are listed to include, if applicable, accounts payable, inter-fund payables, accrued expenses (escrow fund), and unearned income.

Third, an equity (or fund balance) account holds the difference between assets and liabilities of an organization. Also called Net Assets. This section includes the beginning fund balance, net change in fund balance, and ending fund balance. The net change in fund balance reflects the difference in revenue and expenses, and is updated through the computerized general ledger program.

B. Statement of Activities (Revenues & Expenditures)

The Statement of Activities summarizes the financial operations during the period covered by the report. This report can be presented by Fund. If applicable, non-operating revenue and expenditure accounts are also included on this report. Also called the Statement of Revenues & Expenditures.

First, the statement lists the program resources (revenue) which includes resources classified according to the funding source. Second, the expenditures are summarized to reflect the results of operations during the reporting period. Expenditures are grouped to identify the amount of expenses within each budget category.

C. Statement of Cash Flows

The Statement of Cash Flows is a financial statement that shows how changes in the balance sheet accounts and income affect cash and cash equivalents, and breaks the analysis down to operating, investing, and financing activities. The Statement of Cash Flows includes a section for the balance for cash and restricted cash at the beginning of the year and the end of the year.

D. Bank Reconciliations

Bank reconciliations shall be prepared for all bank accounts on a monthly basis by the SWART Auditing Manager or designee and approved by the General Manager or Assistant General Manager. The staff person who prepares checks shall not perform bank reconciliations. Bank statements and electronic cleared check copies will be inspected for irregularities and appropriate endorsements.

1. The SWART Auditing Manager or designee will prepare a reconciliation between the bank balance and the general ledger balance on a monthly basis. The reconciliation should be completed within 15 days after the bank statements have been received.
2. The bank reconciliation will include a list of any reconciling items such as outstanding checks, deposits in transit, and any other items with an explanation and is notated on the reconciliation. Bank reconciliations are filed in the current year's accounting files.
3. All state checks written off within the same fiscal year as they were written, shall be credited to the same expense or asset account that was debited when the check was written, or when the expenditure was incurred. For state checks, written off in fiscal years subsequent to the year in which the check was written, the credit shall be to other income.
4. All resulting journal entries must be appropriately approved and filed in the current year's accounting files with all supporting documentation.

SECTION V. OVERVIEW OF ACCOUNTING SYSTEM AND INTERNAL CONTROLS

SWART operates on an accrual basis of accounting. Expenditures are booked when the expense is incurred and the invoice is received in the administrative office. Revenues are booked based on the type of contract. On a reimbursement contract, revenue is booked based on monthly expenditures. On a unit cost contract, revenue is booked based on the monthly amounts earned through performance or services rendered. Local and in-kind revenues are booked when received. At SWART's contract year-end, all payables and receivables are booked before the applicable contract is closed.

SWART uses the MIP Accounting System which is a fund accounting software program. The MIP accounting software records transactions by fund, where each fund is a self-balancing, separate set of books. It allows expenses and revenues to be recorded by fund and overlapping of fund years which allows financial reports and detail transaction reports to be generated by fund on the fiscal year of each fund or by combined funds by fiscal year. SWART's fiscal year begins September 1st and ends August 31st of each year.

A. Chart of Accounts

The chart of accounts encompasses the reporting needs of SWART in code type General Ledger accounts for every transaction made, which affects the Assets, Liabilities, and/or Capital of SWART. The accounting system software chart of accounts is set up to allow a fund to represent a contract with a funding source. Account coding in the accounting system software consists of a general ledger, fund, grant year, program and department.

CHART OF ACCOUNTS CODE STRUCTURE				
1	2	3	4	5
General Ledger	Fund	Grant Year	Program	Department
XXXX (4)	XXX (3)	XXXX (4)	XX (2)	XXX (3)
main coding of organization trial balances	grant code	grant funding year	Program Description	department code
1xxx Assets	505 Federal	2019	50 Transportation	101 Administration
2xxx Liabilities	506 State	2020		120 Operations
3xxx Fund Balance	507 HOGG			900 Undistributed
4xxx Revenue	510 Trans Support			
5xxx Expenses	515 Planning			
	525 Elderly & Disabled			

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

SWART operates mainly out of a single cash operating account. The accounting system software automatically sets up inter-fund payables and receivables from the operating fund to the other funds when any cash transaction takes place.

Each month, project reports are generated for the SWART General Manager. Data from these reports are used for programmatic as well as financial reporting to funding sources. A copy of each month’s expenditure reports is kept on file in the office of the SWART Chief Financial Manager.

The procedures and internal controls for specific accounting areas are explained in the following section of the manual.

B. Cash Receipts – Administrative Office

The SWART Assistant General Manager opens incoming mail, along with any check(s) received. Finance endorses the check(s) with the “For Deposit Only, Southwest Area Regional Transit District” stamp. He/she logs receipt of the check(s) in the Incoming Checks Binder and makes copies of the checks to prepare for deposit and gives the check(s) to the SWART Finance Technician.

The SWART CFM or designee prepares the deposit slip, codes the transaction for posting into the accounting system, and takes the deposit slip to the bank. The SWART CFM or designee makes one copy of the deposit slip and check(s). The copy is filed in a monthly deposit folder and SWART CFM or designee makes corresponding entries in the accounting system on a weekly basis.

At the end of each month, the SWART CFM or designee provides a copy of the deposit folder to the SWART General Manager. The SWART Auditing Manager reconciles the deposits against the bank statement each month.

C. Cash Receipts - Operations

Monies collected at transit sites are deposited into locked boxes or safes at the sites and monies collected on SWART vehicles are deposited into locked boxes either in the vehicles and/or locked boxes at the sites.

The vehicle operators must submit monies at the end of service for the day, and place them in a designated secure location in the site. In order to maintain a deposit schedule as well as control the amount of funds in the boxes at any given time, the SWART General Manager, Assistant General Manager or Chief Financial Manager will periodically perform an analysis of historical data and determine the frequency of deposits for each rural site. The analysis will be performed no later than a quarterly basis. The Operations Manager and/or designee is responsible for to count the contributions and fares and complete the deposit slips according to the deposit schedule established by Administration. The contribution boxes and fare boxes will remain locked until the money is to be counted and deposited. The people counting the money should complete and sign the Deposits Record form. The Operations Manager or designee must verify that the information is correct and send copies of the Deposits Record forms to the SWART administrative office according to the deposit schedule. The Chief Operations Manager, Dispatcher or Designee will be responsible for depositing funds at least once a week. Separate deposits are made for each location. Once the deposit is made, the deposit slip along with the supporting documentation, is submitted to the SWART CFM or designee for review and posting to the accounting system.

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

D. Cash Disbursements

SWART operates in numerous sites in eight (8) counties. The SWART General Manager approves all major purchases. The purchase order procedure applies to all purchasing. Staff designated by the SWART General Manager may make small purchases at the local level. All copies of invoices and statements are sent directly to the SWART administrative office and all cash disbursements are made from the SWART administrative office. Listed below are the specific procedures used by SWART for purchasing.

E. Procurement - Major purchases

SWART is regulated by 49 CFR Part 18, specifically Section 18.36 and FTA Circular 4220.1E, "Third Party Contracting Requirements," and will utilize these regulations as standards for the management, procurement and disposal of property.

The contract requirements and federal regulations control the procedure for major purchases of equipment, supplies, or real property. SWART has a Procurement Policy that meets federal guidelines. An exception to this process occurs only when a purchase is made with local, non-federal funds which does not require competitive bids and does not require the process outlined below.

F. Purchase Order Procedure

1. Before ordering or purchasing any single item of equipment costing \$20,000 or more, an approved Purchase Order must be issued with three formal quotes along with approval of the board of directors.

2. Before ordering or purchasing any single item of equipment costing \$19,999 or less, an approved Purchase Order must be issued with three telephone quotes.
3. Purchase Orders will be consecutively pre-numbered by the PO system. The designee completes the purchase order and sends it to the SWART General Manager for approval.
4. When the PO is approved in the system by the SWART General Manager or designee, it will automatically send the approval for payment to the Finance Department.
5. Approved Purchase Orders will become part of check backup documentation.
6. The copies of invoices and approvals are stored in the PO System as backup and audit trail.

- **Disadvantage Business Enterprise**

SWART will adhere to 43 Texas Administrative Code (TAC) §9.300 pertaining to engaging in business with disadvantage businesses. It is the policy of the SWART to:

- (1) Ensure that Small Business Enterprises shall have an equal opportunity to participate in the performance of contracts;
- (2) Create a level playing field on which Small Business Enterprises can compete fairly for contracts and subcontracts;
- (3) Help remove barriers to the participation of Small Business Enterprises in department contracts;
- (4) Assist in the development of firms that can compete successfully in the market place outside the Small Business Enterprise program; and
- (5) Develop and maintain a program in order to facilitate contracting opportunities for small businesses.

SWART will document its good faith effort of meeting this requirement through the following but is not limited to such:

- Mail out annual letters to its vendors informing them of SWART's desire to engage in business with DBE certified business.
- Inform vendors of the process in place to apply to become a certified business enterprise.
- Assist vendors with technical assistance if requested pertaining to the certification program of a disadvantage business enterprise.

- **Historically Underutilized Business**

SWART will adhere to Texas Statutes Government Code, Chapter 216 and the Texas Administrative Code §20.14 pertaining to engaging in minority business. SWART promotes full and equal procurement opportunities for small, minority- and women-owned businesses. Companies interested in doing business with SWART are encouraged to become HUB certified.

- **Other purchases:**

SWART staff, with the permission of the SWART General Manager, may make other purchases, such as for emergency purchases or unexpected expenditures). All invoices and statements must be mailed to the SWART administrative office. Payments will be made through the centralized accounting system.

- **Geographic Preference:**

SWART is prohibited from specifying in-state or local geographic preferences, or evaluating bids or proposals in light of in-state or local geographic preferences, even if those preferences are imposed by state or local laws or regulations. In particular, 49 U.S.C. Section 5325(i) prohibits an FTA recipient from limiting its bus purchases to in-state dealers.

G. Procedure for cash disbursements:

1. Signed copies of original invoices are mailed to SWART administrative office by vendors or field staff. The SWART CFM or designee is responsible for entering data into the accounting system. The original invoice number is used when possible, and the system identifies invoices that have been previously entered, thus, preventing duplicate payment.

When the invoices are posted into the accounts payable system, the expenditure is charged to the fund and general ledger expense account even though a payment has not been made. The accounting system will track accounts payable balances by fund.

2. Generally, accounts payable checks/vouchers are generated once a week. The SWART CFM or designee submits a log of invoices to the General Manager for approval for payment. The original checks must have an original signature. A list of checks is printed from the accounting software indicating at a minimum the check number, check description, vendor name, effective date, and amount. Authorized signatories are the SWART General Manager, SWART Assistant General Manager, if needed, SWART Board Chairperson, and SWART Board Treasurer.
3. When the payment is made and the accounts payable check register is posted, the computer accounting system sets up the appropriate inter-fund payables and receivables for the cash disbursements. All accounts payable checks are issued out of the operating cash account.
4. Once the checks have been printed and the list and/or original checks reviewed and authorized, the original checks with any attachments are mailed to the vendors. The check stubs are attached to the documentation and are filed in numerical order.
5. All accounts payable checks are pre-numbered and kept under lock.
6. Voided checks are accounted for in the computerized accounting system.
7. In the case of manual checks, the coding and documentation process is the same, but the check is typed manually. Manual checks are entered into accounts payable system so the check numbers and detail vendor information will be complete.
8. SWART generally pays suppliers from invoices. The statements received from vendors are checked by the SWART CFM or designee for outstanding balances and/or credit balances. If any discrepancies are found, the statements are fully researched.
9. Blank checks are not signed in advance.

10. Checks made payable to “Cash” are prohibited.
11. Payment is not made before merchandise is received. Signed receiving slips or signed Purchase Orders are required prior to payment of an invoice.
12. There are certain recurring expenses for SWART that are allocated among several funds (i.e. central office utilities, telephone, supplies, etc.). In this case, the SWART CFM or designee will prepare an Accounts Payable Voucher for approval by the SWART General Manager, Assistant General Manager, or Chief Financial Manager.
13. Consumable supplies are allocated based on actual use, when possible. Otherwise, they will be based on the proportion determined by the number of Administration employees versus the number of Operations employees.
14. Bills related to occupied space shared by SWART and other programs such utilities, repair/maintenance, janitorial, etc. are split based on the proportion determined by number of Administrative employees versus the number of Operations employees.

H. PETTY CASH AND CHANGE FUNDS

If contribution monies are available, field staff may use those monies for the purchase of small items or to pay miscellaneous small expenses less than US\$20, such as vehicle washing. For purchases higher than US\$20, a Purchase Order (PO) will have to be entered and approved in the PO system, before acquiring the item with other fund other than Petty Cash. The cash account is controlled, maintained, and administered by the SWART Assistant General Manager and/or SWART Operations Manager. Upon request, records of the cash account are submitted to SWART Chief Financial Manager or designee.

I. PROPERTY AND EQUIPMENT

The purpose of financial property accounting and control is to provide reliable and systematically maintained records of investment in property and equipment in order to protect that investment. Appropriate accounting policies and control procedures are adopted for all property. These controls are established as an integral part of the accounting system. An adequate and reliable system of records and related procedures has been adopted to provide a proper accounting for the investment.

Property control in general includes the following:

1. The property ledger is maintained so that assets costing more than \$1,000, and/or the useful life of more than one year, can be located and identified.
2. A complete physical inventory of the property ledger’s property and equipment is performed annually.
3. The proper classifications are made between fixed assets, expendable, nonexpendable, and donated equipment.
4. Retirements and disposals of equipment are properly approved and recorded.

5. The proceeds of any liquidated property are properly recorded.
6. Damaged or lost property is properly treated on the accounting records.
7. Insurance recoveries are properly recorded.
8. If inventories of consumable supplies exceed \$1,000 dollars in value, adequate controls are established.
9. For fixed assets purchased with federal funds that exceed \$5,000, a proper inventory tag will be attached and recorded (excluding rolling stock).
10. All fixed assets costing over \$10,000 will be controlled and all fixed assets costing over \$10,000 will be depreciated on schedules and not the general ledger.
11. Federal guidelines for disposition of fixed assets purchased with federal funds will be followed.

J. OTHER

1. Employee loans are prohibited.
2. Investments are properly recorded and controlled.
3. The financial system is designed that no only one person has access to all financial operations records at the same time.

K. PERSONNEL AND PAYROLL

Personnel

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

1. Personnel files containing application, W-4, authorization for payment forms, employee evaluations, copies of insurance forms, and other applicable federal and state forms for each employee are maintained by the SWART Assistant General Manager in the SWART Administrative Office.
2. SWART pay periods are from the 1st through the 15th and the 16th through the end of the month. Each hourly employee completes and submits a Time Sheet, which reflects time worked, and annual leave, sick leave, holidays and any other absences from work. Each exempt (FLSA) employee completes and submits an Exempt Employee Leave Usage Form, which reflects leave used. The Assistant General Manager collects and verifies the forms for accuracy. The employee's supervisor or the SWART General Manager or SWART Assistant General Manager signs the forms.

3. An employee is never paid in advance for hours worked. Forms received for the first half of the month are processed, but not paid until the last working day of the month. Paychecks are dated the last day worked by SWART Administration during the following pay period. Paychecks are not released unless an original signed and approved Time Sheet or Exempt Employee Leave Usage Form is received in the SWART Administrative Office.
4. The SWART Chief Financial Manager or SWART Assistant General Manager double-checks and processes approved forms. Data from each form is entered into the accounting payroll program, which calculates pay and deductions. A payroll register is analyzed before checks are prepared.
5. The original paychecks are printed and will have one original signature. A list of paychecks is printed from the accounting software indicating at a minimum the check number, check description, vendor (employee) name, effective date, and check amount.
6. After paychecks are issued, a distribution checklist by location is generated, and the SWART Chief Financial Manager or SWART Assistant General Manager approves the distribution checklist prior to the mailing or release of checks. The SWART CFM or designee distributes the paychecks to SWART administrative staff. The supervisor at each field site is responsible for having each employee sign for his/her paycheck.
7. The computerized payroll program transfers the total salary and fringe amounts into the accounting program and summarizes each pay period. The payroll program merges with the distribution code listing which tells the accounting program which fund to charge each employee's salary and fringe expense.
8. Paychecks are issued out of the operating fund and are reconciled each month with other cash disbursements.

Staff Payroll

1. Originating Document -Employee Data -The Employee Status Form is completed by Human Resources for review of compliance with all personnel policies and procedures. The Assistant General Manager shall then submit the Status Form to the General Manager for approval. After approval, the Status Form is then submitted to the Chief Financial Manager. The Employee Status Form is reviewed by the CFM to determine that funds are budgeted, and available. Once the CFM approves the form, the form is then submitted for payroll processing.
2. Originating Document, Electronic Timesheets, and Leave Requests, the approved electronic timesheet, and Leave Request/ Absence forms, shall be presented to the CFM on the scheduled date. The Finance Department shall perform the following:
3. Ascertain that an electronic timesheet has been submitted for each employee indicated on active file.
4. Review electronic timesheets for accuracy.
5. Imports timesheets in from HR module into the Payroll module.
6. Originating Document - Payroll Check. Upon the completion of the above steps, the Finance Department shall process payroll checks on the computer. The computer payroll

module automatically computes current payroll and cumulative payroll for each active employee on a semimonthly basis. The following reports are generated each pay period:

- a. Check Register -includes date, employee name ID code, check number and net pay amount
- b. Payroll Register includes by employee, current and cumulative, gross pay and deductions.
- c. Direct Deposit File Register

Payroll Taxes and End of Year Reporting

Payroll taxes, quarterly reports, timely submittal of W-2 forms, 1099-MISC forms and end of year reporting will be performed by the SWART CFM or designee.

L. AUDIT

SWART will have its financial statements audited by an independent Certified Public Accounting firm on an annual in accordance with generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States, 1988 Revision. SWART's audit shall also comply with the auditing requirements mandated by OMB Circular A-133.

Copies of the audited financial statements will be distributed to the General Manager, Assistant General Manager and Chief Financial Manager. Upon completion, additional copies will also be distributed to the Board of Directors.

M. TRAVEL

1. Travel will be authorized for SWART purposes only in accordance with SWART's official established travel policies and within the limitations set by the funding agencies. The travel regulations and limitations apply to all SWART employees and to any consultants, advisors, board members, or other parties whose travel is paid or reimbursed from SWART funds. All travel will be authorized in advance. Employee travel advances or other types of business advances are accounted for promptly, within 5 business days after the travel.
2. All reports of travel expenditures by employees will be comprehensive, complete, and supported by proper documentation as outlined in this section. Travel expenditures will be audited in detail and must be fully supported and authorized by SWARTs' General Manager
3. Travel expenditures will not exceed limitations set by SWART financial policies.
4. Travel expenditures will not be paid if the travel is unnecessary or excessive.
5. Travel out of town which requires staying overnight may be requested and approved in advance by use of a Request for Travel form. Travel monies may be advanced when requested on this form up to the amount equal to the estimated cost shown thereon. This form will also be used to report actual expenses upon completion of a trip and will show the following information and be approved by SWART's General Manager or his/her designee.

- Name of person requesting travel authorization
 - Date of request
 - Purpose of travel (justification)
 - Destination
 - Dates of proposed travel
 - Estimated total cost of trip and amount of advance requested (Meals as Per Diem approved by the IRS/ GSA rates)
 - Special or unusual items for which approval is requested
 - Signature of person requesting authorization
 - Signature of person authorizing travel
 - Signature of the traveler
 - Signature of the supervisor and General Manager
6. After completion of the trip, actual cost calculation based on actual room expense with attached receipts for room bills and other significant charges. Additional amount owed to employee by SWART or amount to be reimbursed to SWART by the employee.
 7. Any special or unusual requirements will be specifically authorized, such as auto rental, and will be noted on this form in detail. All information documented on the form will be as specific as possible.
 8. Travel advances will be expensed to the appropriate account at the time the check is written. The disposition of travel monies advanced will be reported on the Request for Travel form within five (5) days after the travel is completed and any unused portion of the travel advance returned at this time. Upon receipt of returned travel monies, the funds will be immediately deposited in the checking account, and the appropriate expenses will be reversed accordingly.
 9. If an advance for travel expense is not requested, employees will be reimbursed for actual expenses as calculated on a Request for Travel form, which should be submitted within 5 days after completion of travel to the SWART General Manager and/or his/her designee. This form will include the destination and purpose of the trip and expenditures made. Receipts should be attached for hotel bills and other significant charges such as transportation ticket stubs. Any monies advanced for travel or direct payment to the hotel will be deducted on the travel report. If a meal is included in registration fees for a specific meeting, one quarter of meal allowance will also be deducted on the travel report, according to the IRS/ GSA Per Diem rates.
 10. Reports of mileage reimbursement for local community or routine out of town travel will be made at least monthly and submitted to the SWART General Manager and/or his/her designee for reimbursement. A Mileage Sheet will be used to document such travel. All expenditures for mileage will be itemized by date. Beginning and ending odometer reading will be furnished along with points visited on each date. Mileage directly to and from an employee's residence and designated job site will not be reimbursed. Advances of monies will not be made for mileage reimbursement. SWART expenditures for mileage reimbursement and per diem will be subject to funding agency policies and will never exceed the Federal Travel Regulation.

N. DAVIS BACON PROVISION

SWART will insure all federally funded construction contracts in excess of \$2,000 which require compliance with Davis Bacon provisions including the prevailing wage rate requirements as part of a written contract/agreement with potential vendor.

SWART will insure that weekly certified payrolls be obtained for all construction projects funded with Federal awards.

The finance department will be responsible for developing and insuring that agreements are executed between the vendors and the SWART General Manager.

The finance department will be responsible for obtaining required documents needed to meet requirements of the Davis Bacon provisions.

O. JOURNAL ENTRIES

In the event that SWART must perform Journal Entries, the following must occur:

1. The request for such Journal Entries will be submitted by the Chief Financial Manager or Auditing Manager and approved by either the General Manager or Assistant General Manager.
2. The Chief Financial Manager or Auditing Manger will determine the nature of the Journal Entry and which program budgets will be affected by such.
3. The General Manager or Assistant General Manager will approve and assign either the Chief Financial Manager or designee the act of performing the Journal Entry through written form.
4. The assignee will log the Journal Entry in the Journal Entry Log and will post the entry into the accounting system within three days.
5. All supporting documentation to the Journal Entry will be filed with the appropriate transaction function.

P. CREDIT CARD/DEBIT CARD TRANSACTION RECEIPTS

1. The District will utilize a 3rd party service to process all credit card/debit card transactions.
2. Dispatch/Schedulers or designated personnel will process credit card transactions through either in person or by telephone.
3. A percentage is charged to each transaction to cover fees charged by credit card institutions.
4. Following each transaction that is created in the system, Dispatchers/Schedulers or designated personnel will obtain the customer signature, produce the receipt of purchase, and obtain a copy for their files.
5. Once the transactions are approved and submitted to the 3rd party service; the General Manager and the finance department will receive a notice of all transactions via email depicting the settlement amount for the day. This amount is then deposited electronically to District's Banking Institution.
6. The finance department will insure that the payment is received in the Bank and will record the revenues in the MIP fund accounting system.
7. On the 1st of each month, the 3rd party service will deduct the processing charge fee from the District's Banking Institution.

8. The Finance Department will post the monthly processing charge fees to the MIP fund accounting system.
9. The Finance Department will reconcile collections/transactions along with fares collected, and manifest recordings with the Dispatchers/Schedule or designated personnel on a monthly basis for auditing purposes.

Q. SWART BUSINESS DEBIT/ CREDIT CARD USAGE

Procedure

1. The safeguarding of SWARTs' Business Debit/Credit Card is the responsibility of the SWART CFM or designee, except when signed out by an employee for a specific purchase.
2. An approved Purchase Order must be presented to the CFM or designee, whose duties include purchasing, before the employee can sign out the debit/ credit card. Purchases made with the debit/credit card must conform to the approved Policies and Procedures set for SWART.
3. Any purchase made with the debit/ credit card must also conform with regards to the Approval Credit Limits and quote requirements.
4. Individuals are responsible for returning the debit/ credit card and receipt promptly to the Finance Department after the purchase.
5. It is the employee's responsibility to have the debit/ credit card signed back in to the CFM.
6. Debit/ Credit Card charges shall be reconciled on a monthly basis by the CFM or designee with the monthly debit/ credit card statements.

Debit/ Credit Card Security

The debit/ credit cards will be secured by the Chief Financial Manager or designee and kept in a safe place. Account numbers should not be posted or left in conspicuous places.

Credit Card Limits

Each purchase will have a limit of \$20,000 for authorized purchases.

Acceptable Uses, Limits, and Procedures

Each issued credit card should be used solely for Agency Official Business. The debit/ credit card shall not be used for personnel or private business practice.

Specialty Credit Cards

Specialty Credit Cards may be used to purchase specific items, such as fuel for fixed routes or goods. All purchasing guidelines set forth in this manual are still mandated. Employees that require a Specialty Credit Card on a long-term basis must sign a Cardholder Agreement. When mileage money is provided, Specialty credit card usage is prohibited. Misusage of credit card will be grounds for disciplinary action, up to and including termination of employment.

Lost or Stolen Credit Card

If a credit card is lost or stolen the cardholder must immediately call the bank that issued the lost or stolen credit card.

SECTION VI. BUDGETARY CONTROL AND CASH MANAGEMENT

GENERAL

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

1. The budget includes all detail supporting information and line item amounts that make up the program account budget approved by the funding agencies. The budget must be comparable with the accounting classification utilized by SWART. Accounting records may be classified into more detailed object line items for internal use, if desired. Internal supporting budget papers will show the following:
2. The grant awarded funds will be spent within the project grant agreement time period.
3. Projected sources of revenue by type and amount.
4. Projected amount to be spent for each classification, i.e., personnel, fringe, travel, equipment, supplies, contractual, and other, with supporting line item detail within each classification.
5. Sources of money are an integral part of the budget. The four main sources of funds for SWART are Federal, State, local, and in-kind. Obviously, the sources of money must at least equal the total money to be expended in the budget.
6. Budgetary control relates to the continual surveillance that must be maintained to assure that both sources of money and expenditures are progressing in accordance with the financial plan, as expressed in the budget. Any deviations from this plan should be determined as early as possible and either eliminated by a change in the expenditure rate or provided for by budget revision.
7. Budgetary control is the responsibility of the SWART General Manager. To accomplish this, it is essential that financial operating information including budgetary comparisons be made available at the end of each month.

A. BUDGET REVISIONS

Certain internal budgetary revisions or transfers are permissible without prior approval of the funding agencies. Revisions or transfers in excess of limitations must receive prior written approval. This may be requested by furnishing the funding agencies with an analysis of SWART

accounts and other categories for which increases are desired (which also shows those categories that are to be decreased by corresponding amounts if appropriate), together with a written justification or explanation of the requested budget revision.

B. GRANT / CONTRACT MANAGEMENT

Federal and State Grant/Contract - Reimbursement of Funds

Grant/contract funds may be requested by SWART under reimbursement arrangements in which SWART bills the grantor for program costs incurred. Some contracts may provide for advance payments or permit SWART to draw against letters of credit as grant expenditures are accrued. The conditions for an advance payment request is the cover the anticipated cash needs for all federal awards such as unexpected time elapsing between the transfer of fund from the US Treasury or the State and the disbursement to SWART geared to cover our payroll and disbursement cycle. The unexpected timing will be described and noted in writing prior to an advance request by the CFM to the General Manager, especially as it relates to payroll and disbursements to vendors and contractors that are scheduled for payment. SWART will make every effort to minimize the time elapsing between the transfer of funds and disbursement of those funds for the purpose of carrying out the purpose of the approved program or project. Once approved, the advance request will be prepared and submitted via the "Request for Advance/Reimbursement Form" as indicated below.

Under normal circumstances, upon receipt of grant award notification, the General Manager will forward the original instrument to the Chief Financial Manager. The CFM shall then use such copy in obtaining grant draw down instructions from the grantor agency. In most state grants, draw down generally be allowed on a combination of reimbursement and advance. Accordingly, the Finance Department will prepare estimates of cash required, as needed. These estimates will consist of both paid program amounts and unpaid invoices.

Upon Completion of the estimate, a "Request for Advance/Reimbursement Form" will be prepared and Submitted to the grantor agency. The General Manager approves the form for final Request to the grantor.

Upon receipt of the cash, the cash receipts internal controls described in Section V of this manual shall be performed.

Non-Federal and State Grant/Contract - Billing of Funds

The General Manager shall review the grant/contract award documents to determine the type of billing or drawdown procedures, information and forms required. Upon making this determination, the Billing Clerks shall prepare the necessary information and forms for a drawdown or billing process.

The CFM or designee will prepare and make journal entry to record each grant award or contract.

The CFM and General Manager will review each award or contract to insure that all financial provisions will be complied with.

C. DIRECT AND INDIRECT COSTS

DIRECT COSTS

SWART utilizes direct costs for federal and state grant/contract reimbursement of funds which is allocated based on time and effort by department.

INDIRECT COSTS

Indirect costs are not utilized by SWART. However, if indirect costs are utilized in the future, approval from the FTA is required.

D. CASH MANAGEMENT

Cash management by the SWART shall minimize the lapse between the receipt of funds and disbursement of those funds. The Chief Financial Manager shall prepare cash analysis report at least monthly for review by the General Manager. This report must evaluate cash needs of itself by using a cash forecasting tool. The excess cash analysis shall compare amounts advanced with the actual expenditures for the same period. This shall require that reconciliation of bank accounts occur in a timely fashion in order that comparisons can be made against budgeted and disbursement needs or accruals of the organization.

The cash forecasting tool will estimate future cash needs and limit the advance requests to the minimum needed. The Chief Financial Manager will recommend cash advance requests to the General Manager based on the actual, immediate cash requirements of carrying out program activities. Thus, the disbursement policy of the SWART is to pay all accounts on a net 30 days from receipt of goods or services, unless special terms are negotiated for payment on demand or net 15 days from receipt of goods or services. These terms shall be defined at the time the purchase order is issued and authorized by the General Manager, verified against the approved budget, and requests for Billing are prepared based on a systematic record of projected disbursement or cash needs.

The CFM shall cause a weekly record, or as often as needed, of all obligations/encumbrances processed through the department. This record shall be compared against the known true balances of all accounts maintained in the Finance Department and shall serve as a basis to forecast cash needs by the SWART. The payment of payroll expenses will be made on a published schedule basis and the accounts payable shall be ordered for payment by the CFM based on the cash available to cover expenditures. At a minimum, the CFM shall authorize checks to be issued by the 15th and the last working day of each month to assure sound planning for Billing of funds from the grantors. Interim checks may be issued as long as sufficient funds are on hand and a balance of cash over expenses is soundly maintained.

E. LINE OF CREDIT

The amount of SWART's line of credit draw down shall be determined by the CFM in writing and approved by the General Manager.

SECTION VII. MAINTENANCE OF FINANCIAL RECORDS

GENERAL

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

RECORD STORAGE

SWART will protect all records adequately against fire or other damage. Records will be stored in such a manner that they are accessible during the retention period without great difficulty. SWART accounting records will be maintained for a minimum of six (6) years but may be maintained longer if an unresolved audit is pending.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT

Documentation of Review and Approval of the Accounting Policies & Procedures Manual

On the ____ day of _____, 2022, at a meeting of the Board of Directors of Southwest Area Regional Transit District, held in the City of Uvalde, Uvalde County, with a quorum of Board of Directors present,

The SWART Accounting Policies & Procedures Manual adopted on May 20, 2020 was reviewed and revised. The SWART Accounting Policies & Procedures Manual was revised and adopted on the ____ day of _____, 2022.

It was duly moved and seconded that the revised SWART Accounting Policies & Procedures Manual be approved.

The motion was passed by a majority of those present and voting in accordance with the By-Laws.

I certify that the above and foregoing constitutes a true and correct copy of part of the minutes of a meeting of the Board of Directors held on the ____ day of _____, 2022.

Judge William Mitchell, Board Secretary