

# **Southwest Area Regional Transit District**

## **ACCOUNTING POLICIES AND PROCEDURES**

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## Southwest Area Regional Transit District

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## 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 for adhering to those policies.*

*This Financial Manual is to be used by SWART and its employees to ensure 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 due to changes in conditions. As such, Management, as authorized by the Board of Directors, will revise, modify, and update this Financial Manual as the conditions warrant.*

*SWART will follow the established policies and procedures to fulfill its fiscal responsibility and maintain 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 many industries and governmental bodies as "accounting standards" of practice. Thus, we have not attempted to include all these principles in this manual.

There are many sources for the various principles and standards referred to above. We have listed some of these sources below; however, this list is not intended to be exhaustive.

- Interpretations from the Financial Accounting Standards Board (FASB)
- Interpretations from the 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)
- 2 CFR 200.318 General Procurement Standards
- 2 CFR 200.318 (c)(1) & (2)
- 2 CFR 200.318(k) Protest Procedures (See Attachment A)

**§ 200.318 General procurement standards.**

(a) Documented procurement procedures. The recipient or subrecipient must maintain and use documented procedures for procurement transactions under a Federal award or subaward, including for acquisition of property or services. These documented procurement procedures must be consistent with State, local, and tribal laws and regulations and the standards identified in §§ 200.317 through 200.327.

(b) Oversight of contractors. Recipients and subrecipients must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. See also § 200.501(h).

**(c) Conflicts of interest.**

(1) The recipient or subrecipient must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts. No employee, officer, agent, or board member with a real or apparent conflict of interest may participate in the selection, award, or administration of a contract supported by the Federal award. A conflict of interest includes when the employee, officer, agent, or board member, any member of their immediate family, their partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from an entity considered for a contract. An employee, officer, agent, and board member of the recipient or subrecipient may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors. However, the recipient or subrecipient may set standards for situations where the financial interest is not substantial or a gift is an unsolicited item of nominal value. The recipient's or subrecipient's standards of conduct must also provide for disciplinary actions to be applied for violations by its employees, officers, agents, or board members.

(2) If the recipient or subrecipient has a parent, affiliate, or subsidiary organization that is not a State, local government, or Indian Tribe, the recipient or subrecipient must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest mean that because of relationships with a parent company, affiliate, or subsidiary organization, the recipient or subrecipient is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

(d) Avoidance of unnecessary or duplicative items. The recipient's or subrecipient's procedures must avoid the acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. When appropriate, an analysis should be made between leasing and purchasing property or equipment to determine the most economical approach.

(e) Procurement arrangements using strategic sourcing. When appropriate for the procurement or use of common or shared goods and services, recipients and subrecipients are encouraged to enter into State and local intergovernmental agreements or inter-entity agreements for

procurement transactions. These or similar procurement arrangements using strategic sourcing may foster greater economy and efficiency. Documented procurement actions of this type (using strategic sourcing, shared services, and other similar procurement arrangements) will meet the competition requirements of this part.

(f) Use of excess and surplus Federal property. The recipient or subrecipient is encouraged to use excess and surplus Federal property instead of purchasing new equipment and property when it is feasible and reduces project costs.

(g) Use of value engineering clauses. When practical, the recipient or subrecipient is encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering means analyzing each contract item or task to ensure its essential function is provided at the overall lowest cost.

(h) Responsible contractors. The recipient or subrecipient must award contracts only to responsible contractors that possess the ability to perform successfully under the terms and conditions of a proposed contract. The recipient or subrecipient must consider contractor integrity, public policy compliance, proper classification of employees (see the Fair Labor Standards Act, 29 U.S.C. 201, chapter 8), past performance record, and financial and technical resources when conducting a procurement transaction. See also § 200.214.

(i) Procurement records. The recipient or subrecipient must maintain records sufficient to detail the history of each procurement transaction. These records must include the rationale for the procurement method, contract type selection, contractor selection or rejection, and the basis for the contract price.

(j) Time-and-materials type contracts.

(1) The recipient or subrecipient may use a time-and-materials type contract only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. Time-and-materials type contract means a contract whose cost to a recipient or subrecipient is the sum of:

(i) The actual cost of materials; and

(ii) Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

(2) Because this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the recipient or subrecipient awarding such a contract must assert a high degree of oversight to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

(k) Settlement of contractual and administrative issues. The recipient or subrecipient is responsible for the settlement of all contractual and administrative issues arising out of its procurement transactions. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the recipient or subrecipient of any contractual responsibilities under its contracts. The Federal agency will not substitute its judgment for that of the recipient or subrecipient unless the matter is primarily a Federal concern. The recipient or subrecipient must report violations of law to the Federal, State, or local authority with

proper jurisdiction.

(l) Examples of labor and employment practices.

(1) The procurement standards in this subpart do not prohibit recipients or subrecipients from:

(i) Using Project Labor Agreements (PLAs) or similar forms of pre-hire collective bargaining agreements;

(ii) Requiring construction contractors to use hiring preferences or goals for people residing in high-poverty areas, disadvantaged communities as defined by the Justice40 Initiative (see OMB Memorandum M-21-28), or high-unemployment census tracts within a region no smaller than the county where a federally funded construction project is located. The hiring preferences or goals should be consistent with the policies and procedures of the recipient or subrecipient, and must not prohibit interstate hiring;

(iii) Requiring a contractor to use hiring preferences or goals for individuals with barriers to employment (as defined in section 3 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3102(24))), including women and people from underserved communities as defined by Executive Order 14091;

(iv) Using agreements intended to ensure uninterrupted delivery of services; using agreements intended to ensure community benefits; or

(v) Offering employees of a predecessor contractor rights of first refusal under a new contract.

(2) Recipients and subrecipients may use the practices listed in paragraph (1) if consistent with the U.S. Constitution, applicable Federal statutes and regulations, the objectives and purposes of the applicable Federal financial assistance program, and other requirements of this part.

▪ 2 CFR 200.319 Competition

§ 200.319 Competition.

(a) All procurement transactions under the Federal award must be conducted in a manner that provides full and open competition and is consistent with the standards of this section and § 200.320.

(b) To ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids must be excluded from competing on those procurements.

(c) Examples of situations that may restrict competition include, but are not limited to:

(1) Placing unreasonable requirements on firms for them to qualify to do business;

(2) Requiring unnecessary experience and excessive bonding;

(3) Noncompetitive pricing practices between firms or between affiliated companies;

(4) Noncompetitive contracts to consultants that are on retainer contracts;

(5) Organizational conflicts of interest;

(6) Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and

(7) Any arbitrary action in the procurement process.

(d) The recipient or subrecipient must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

(1) Are made in accordance with § 200.319(b);

(2) Incorporate a clear and accurate description of the technical requirements for the property, equipment, or service being procured. The description may include a statement of the qualitative nature of the property, equipment, or service to be procured. When necessary, the description must provide minimum essential characteristics and standards to which the property, equipment, or service must conform. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to clearly and accurately describe the technical requirements, a “brand name or equivalent” description of features may be used to provide procurement requirements. The specific features of the named brand must be clearly stated; and

(3) Identify any additional requirements which the offerors must fulfill and all other factors that will be used in evaluating bids or proposals.

(e) The recipient or subrecipient must ensure that all prequalified lists of persons, firms, or products used in procurement transactions are current and include enough qualified sources to ensure maximum open competition. When establishing or amending prequalified lists, the recipient or subrecipient must consider objective factors that evaluate price and cost to maximize competition. The recipient or subrecipient must not preclude potential bidders from qualifying during the solicitation period.

(f) To the extent consistent with established practices and legal requirements applicable to the recipient or subrecipient, this subpart does not prohibit recipients or subrecipients from developing written procedures for procurement transactions that incorporate a scoring mechanism that rewards bidders that commit to specific numbers and types of U.S. jobs, minimum compensation, benefits, on-the-job-training for employees making work products or providing services on a contract, and other worker protections. This subpart also does not prohibit recipients and subrecipients from making inquiries of bidders about these subjects and assessing the responses. Any scoring mechanism must be consistent with the U.S. Constitution, applicable Federal statutes and regulations, and the terms and conditions of the Federal award.

(g) Noncompetitive procurements can only be awarded in accordance with § 200.320(c).

- 2 CFR 200.320 Method of Procurement

#### § 200.320 Procurement methods.

There are three types of procurement methods described in this section: informal procurement methods (for micro-purchases and simplified acquisitions); formal procurement methods (through sealed bids or proposals); and noncompetitive procurement methods. For any of these methods, the recipient or subrecipient must maintain and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319.



(a) Informal procurement methods for small purchases. These procurement methods expedite the completion of transactions, minimize administrative burdens, and reduce costs. Informal procurement methods may be used when the value of the procurement transaction under the Federal award does not exceed the simplified acquisition threshold as defined in § 200.1. Recipients and subrecipients may also establish a lower threshold. Informal procurement methods include:

(1) Micro-purchases —

(i) Distribution. The aggregate amount of the procurement transaction does not exceed the micro-purchase threshold defined in § 200.1. To the extent practicable, the recipient or subrecipient should distribute micro-purchases equitably among qualified suppliers.

(ii) Micro-purchase awards. Micro-purchases may be awarded without soliciting competitive price or rate quotations if the recipient or subrecipient considers the price reasonable based on research, experience, purchase history, or other information; and maintains documents to support its conclusion. Purchase cards may be used as a method of payment for micro-purchases.

(iii) Micro-purchase thresholds. The recipient or subrecipient is responsible for determining and documenting an appropriate micro-purchase threshold based on internal controls, an evaluation of risk, and its documented procurement procedures. The micro-purchase threshold used by the recipient or subrecipient must be authorized or not prohibited under State, local, or tribal laws or regulations. The recipient or subrecipient may establish a threshold higher than the Federal threshold established in the Federal Acquisition Regulations (FAR) in accordance with paragraphs (a)(1)(iv) and (v) of this section.

(iv) Recipient or subrecipient increase to the micro-purchase threshold up to \$50,000. The recipient or subrecipient may establish a threshold higher than the micro-purchase threshold identified in the FAR in accordance with the requirements of this section. The recipient or subrecipient may self-certify a threshold up to \$50,000 on an annual basis and must maintain documentation to be made available to the Federal agency or pass-through entity and auditors in accordance with § 200.334. The self-certification must include a justification, clear identification of the threshold, and supporting documentation of any of the following:

(A) A qualification as a low-risk auditee, in accordance with the criteria in § 200.520 for the most recent audit;

(B) An annual internal institutional risk assessment to identify, mitigate, and manage financial risks; or,

(C) For public institutions, a higher threshold is consistent with State law.

(v) Recipient or subrecipient increase to the micro-purchase threshold over \$50,000. Micro-purchase thresholds higher than \$50,000 must be approved by the cognizant agency for indirect costs. The recipient or subrecipient must submit a request that includes the requirements in paragraph (a)(1)(iv) of this section. The increased threshold is valid until any factor that was relied on in the establishment and rationale of the threshold changes.

(2) Simplified acquisitions —

(i) Simplified acquisition procedures. The aggregate dollar amount of the procurement transaction is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If simplified acquisition procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. Unless specified by the Federal agency, the recipient or subrecipient may exercise judgment in determining what number is adequate.

(ii) Simplified acquisition thresholds. The recipient or subrecipient is responsible for determining an appropriate simplified acquisition threshold based on internal controls, an evaluation of risk, and its documented procurement procedures, which may be lower than, but must not exceed, the threshold established in the FAR.

(b) Formal procurement methods. Formal procurement methods are required when the value of the procurement transaction under a Federal award exceeds the simplified acquisition threshold of the recipient or subrecipient. Formal procurement methods are competitive and require public notice. The following formal methods of procurement are used for procurement transactions above the simplified acquisition threshold determined by the recipient or subrecipient in accordance with paragraph (a)(2)(ii) of this section:

(1) Sealed bids. This is a procurement method in which bids are publicly solicited through an invitation and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid conforms with all the material terms and conditions of the invitation and is the lowest in price. The sealed bids procurement method is preferred for procuring construction services.

(i) For sealed bidding to be feasible, the following conditions should be present:

(A) A complete, adequate, and realistic specification or purchase description is available;

(B) Two or more responsible bidders have been identified as willing and able to compete effectively for the business; and

(C) The procurement lends itself to a firm-fixed-price contract, and the selection of the successful bidder can be made principally based on price.

(ii) If sealed bids are used, the following requirements apply:

(A) Bids must be solicited from an adequate number of qualified sources, providing them with sufficient response time prior to the date set for opening the bids. Unless specified by the Federal agency, the recipient or subrecipient may exercise judgment in determining what number is adequate. For local governments, the invitation for bids must be publicly advertised.

(B) The invitation for bids must define the items or services with specific information, including any required specifications, for the bidder to properly respond;

(C) All bids will be opened at the time and place prescribed in the invitation for bids. For local governments, the bids must be opened publicly.

(D) A firm-fixed-price contract is awarded in writing to the lowest responsive bid and responsible bidder. When specified in the invitation for bids, factors such as discounts, transportation cost, and life-cycle costs must be considered in determining which bid is the lowest. Payment discounts must only be used to determine the low bid when the recipient or subrecipient determines they

are a valid factor based on prior experience.

(E) The recipient or subrecipient must document and provide a justification for all bids it rejects.

(2) Proposals. This is a procurement method used when conditions are not appropriate for using sealed bids. This procurement method may result in either a fixed-price or cost-reimbursement contract. They are awarded in accordance with the following requirements:

(i) Requests for proposals require public notice, and all evaluation factors and their relative importance must be identified. Proposals must be solicited from multiple qualified entities. To the maximum extent practicable, any proposals submitted in response to the public notice must be considered.

(ii) The recipient or subrecipient must have written procedures for conducting technical evaluations and making selections.

(iii) Contracts must be awarded to the responsible offeror whose proposal is most advantageous to the recipient or subrecipient considering price and other factors; and

(iv) The recipient or subrecipient may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby the offeror's qualifications are evaluated, and the most qualified offeror is selected, subject to negotiation of fair and reasonable compensation. The method, where the price is not used as a selection factor, can only be used to procure architectural/engineering (A/E) professional services. The method may not be used to purchase other services provided by A/E firms that are a potential source to perform the proposed effort.

(c) Noncompetitive procurement. There are specific circumstances in which the recipient or subrecipient may use a noncompetitive procurement method. The noncompetitive procurement method may only be used if one of the following circumstances applies:

(1) The aggregate amount of the procurement transaction does not exceed the micro-purchase threshold (see paragraph (a)(1) of this section);

(2) The procurement transaction can only be fulfilled by a single source;

(3) The public exigency or emergency for the requirement will not permit a delay resulting from providing public notice of a competitive solicitation;

(4) The recipient or subrecipient requests in writing to use a noncompetitive procurement method, and the Federal agency or pass-through entity provides written approval; or

(5) After soliciting several sources, competition is determined inadequate.

- 2 CFR 200.321 Contracting with small and minority businesses, women's business enterprises labor surplus area firms

§ 200.321 Contracting with small businesses, minority businesses, women's business enterprises, veteran-owned businesses, and labor surplus area firms.

(a) When possible, the recipient or subrecipient should ensure that small businesses, minority businesses, women's business enterprises, veteran-owned businesses, and labor surplus area

firms (See U.S. Department of Labor's list) are considered as set forth below.

(b) Such consideration means:

- (1) These business types are included on solicitation lists;
  - (2) These business types are solicited whenever they are deemed eligible as potential sources;
  - (3) Dividing procurement transactions into separate procurements to permit maximum participation by these business types;
  - (4) Establishing delivery schedules (for example, the percentage of an order to be delivered by a given date of each month) that encourage participation by these business types;
  - (5) Utilizing organizations such as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
  - (6) Requiring a contractor under a Federal award to apply this section to subcontracts.
    - 2 CFR 200.322: Domestic preferences for procurement
- § 200.322 Domestic preferences for procurements.

(a) The recipient or subrecipient should, to the greatest extent practicable and consistent with law, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States (including but not limited to iron, aluminum, steel, cement, and other manufactured products). The requirements of this section must be included in all subawards, contracts, and purchase orders under Federal awards.

(b) For purposes of this section:

- (1) "Produced in the United States" means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.
- (2) "Manufactured products" means items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.
- (c) Federal agencies providing Federal financial assistance for infrastructure projects must implement the Buy America preferences set forth in 2 CFR part 184.

▪ 2 CFR 200.323: Procurement of recovered materials

§ 200.323 Procurement of recovered materials.

(a) A recipient or subrecipient that is a State agency or agency of a political subdivision of a State and its contractors must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 as amended, 42 U.S.C. 6962. The requirements of Section 6002 include procuring only items designated in the guidelines of the Environmental Protection Agency (EPA) at 40 CFR part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired during the preceding fiscal year exceeded \$10,000; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

(b) The recipient or subrecipient should, to the greatest extent practicable and consistent with law, purchase, acquire, or use products and services that can be reused, refurbished, or recycled; contain recycled content, are biobased, or are energy and water efficient; and are sustainable. This may include purchasing compostable items and other products and services that reduce the use of single-use plastic products. See Executive Order 14057, section 101, Policy.

- 2 CFR 200.324: Contract cost and price
- 2 CFR 200.324: Used of Independent Cost estimates
- 2 CFR 200.324: Prohibition of cost plus percentage of cost contracts
- 2 CFR 200.324 (b): Negotiation of contractor profit

§ 200.324 Contract cost and price.

(a) The recipient or subrecipient must perform a cost or price analysis for every procurement transaction, including contract modifications, in excess of the simplified acquisition threshold. The method and degree of analysis conducted depend on the facts surrounding the particular procurement transaction. For example, the recipient or subrecipient should consider potential workforce impacts in their analysis if the procurement transaction will displace public sector employees. However, as a starting point, the recipient or subrecipient must make independent estimates before receiving bids or proposals.

(b) Costs or prices based on estimated costs for contracts under the Federal award are allowable only to the extent that the costs incurred or cost estimates included in negotiated prices would be allowable for the recipient or subrecipient under subpart E of this part. The recipient or subrecipient may reference its own cost principles as long as they comply with subpart E of this part.

(c) The recipient or subrecipient must not use the “cost plus a percentage of cost” and “percentage of construction costs” methods of contracting.

- 2 CFR 200.326: Bonding requirements

§ 200.326 Bonding requirements.

The Federal agency or pass-through entity may accept the recipient's or subrecipient's bonding policy and requirements for construction or facility improvement contracts or subcontracts exceeding the simplified acquisition threshold. Before doing so, the Federal agency or pass-through entity must determine that the Federal interest is adequately protected. If such a determination has not been made, the minimum requirements must be as follows:

(a) A bid guarantee from each bidder equivalent to five percent of the bid price. The bid guarantee must 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 the bid, execute any required contractual documents within the specified timeframe.

(b) A performance bond on the contractor's part for 100 percent of the contract price. A performance bond is a bond executed in connection with a contract to secure the fulfillment of all the contractor's requirements under a contract.

(c) A payment bond on the contractor's part for 100 percent of the contract price. A payment bond is a bond executed in connection with a contract to assure payment as required by the law of all persons supplying labor and material in the execution of the work provided for under a contract.

- 2 CFR 200.327: Contract provisions

§ 200.327 Contract provisions.

The recipient's or subrecipient's contracts must contain the applicable provisions described in Appendix II of this part.

- 49 USC 5325 (h): Prohibition of exclusionary or discriminatory specifications

#### §5325. Contract requirements

(a) Competition.—Recipients of assistance under this chapter shall conduct all procurement transactions in a manner that provides full and open competition as determined by the Secretary.

#### (b) Architectural, Engineering, and Design Contracts.—

(1) Procedures for awarding contract.—A contract or requirement for program management, architectural engineering, construction management, a feasibility study, and preliminary engineering, design, architectural, engineering, surveying, mapping, or related services for a project for which Federal assistance is provided under this chapter shall be awarded in the same way as a contract for architectural and engineering services is negotiated under chapter 11 of title 40 or an equivalent qualifications-based requirement of a State adopted before August 10, 2005.

(2) Additional requirements.—When awarding a contract described in paragraph (1), recipients of assistance under this chapter shall comply with the following requirements:

(A) Performance of audits.—Any contract or subcontract awarded under this chapter shall be performed and audited in compliance with cost principles contained in part 31 of title 48, Code of Federal Regulations (commonly known as the Federal Acquisition Regulation).

(B) Indirect cost rates.—A recipient of funds under a contract or subcontract awarded under this chapter shall accept indirect cost rates established in accordance with the Federal Acquisition Regulation for 1-year applicable accounting periods by a cognizant Federal or State government agency, if such rates are not currently under dispute.

(C) Application of rates.—After a firm's indirect cost rates are accepted under subparagraph (B), the recipient of the funds shall apply such rates for the purposes of contract estimation, negotiation, administration, reporting, and contract payment, and shall not be limited by administrative or de facto ceilings.

(D) Prenotification; confidentiality of data.—A recipient requesting or using the cost and rate data described in subparagraph (C) shall notify any affected firm before such request or use. Such data shall be confidential and shall not be accessible or provided by the group of agencies sharing cost data under this subparagraph, except by written permission of the audited firm. If prohibited by law, such cost and rate data shall not be disclosed under any circumstances.

(c) Efficient Procurement.—A recipient may award a procurement contract under this chapter to other than the lowest bidder if the award furthers an objective consistent with the purposes of this chapter, including improved long-term operating efficiency and lower long-term costs.

#### (d) Design-Build Projects.—

(1) Term defined.—In this subsection, the term “design-build project”—

(A) means a project under which a recipient enters into a contract with a seller, firm, or consortium of firms to design and build a public transportation system, or an operable segment of such

system, that meets specific performance criteria; and

(B) may include an option to finance, or operate for a period of time, the system or segment or any combination of designing, building, operating, or maintaining such system or segment.

(2) Financial assistance for capital costs.—Federal financial assistance under this chapter may be provided for the capital costs of a design-build project after the recipient complies with Government requirements.

(e) Multiyear Rolling Stock.—

(1) Contracts.—A recipient procuring rolling stock with Government financial assistance under this chapter may make a multiyear contract to buy the rolling stock and replacement parts under which the recipient has an option to buy additional rolling stock or replacement parts for not more than 5 years after the date of the original contract.

(2) Cooperation among recipients.—The Secretary shall allow at least two recipients to act on a cooperative basis to procure rolling stock in compliance with this subsection and other Government procurement requirements.

(f) Acquiring Rolling Stock.—A recipient of financial assistance under this chapter may enter into a contract to expend that assistance to acquire rolling stock—

(1) based on—

(A) initial capital costs; or

(B) performance, standardization, life cycle costs, and other factors; or

(2) with a party selected through a competitive procurement process.

(g) Examination of Records.—Upon request, the Secretary and the Comptroller General, or any of their representatives, shall have access to and the right to examine and inspect all records, documents, and papers, including contracts, related to a project for which a grant is made under this chapter.

(h) Grant Prohibition.—A grant awarded under this chapter or the Federal Public Transportation Act of 2005 may not be used to support a procurement that uses an exclusionary or discriminatory specification.

(i) Bus Dealer Requirements.—No State law requiring buses to be purchased through in-State dealers shall apply to vehicles purchased with a grant under this chapter.

(j) Awards to Responsible Contractors.—

(1) In general.—Federal financial assistance under this chapter may be provided for contracts

only if a recipient awards such contracts to responsible contractors possessing the ability to successfully perform under the terms and conditions of a proposed procurement.

(2) Criteria.—Before making an award to a contractor under paragraph (1), a recipient shall consider—

(A) the integrity of the contractor;

(B) the contractor's compliance with public policy;

(C) the contractor's past performance, including the performance reported in the Contractor Performance Assessment Reports required under section 5309(l)(2); and

(D) the contractor's financial and technical resources.

(Pub. L. 103–272, §1(d), July 5, 1994, 108 Stat. 825; Pub. L. 104–287, §5(16), Oct. 11, 1996, 110 Stat. 3390; Pub. L. 105–178, title III, §3022, June 9, 1998, 112 Stat. 363; Pub. L. 105–206, title IX, §9009(n), July 22, 1998, 112 Stat. 857; Pub. L. 107–217, §3(n)(2), Aug. 21, 2002, 116 Stat. 1302; Pub. L. 109–59, title III, §3025(a), Aug. 10, 2005, 11

- 49 USC 2323 (j)(1): Compliance with Buy America and Build America, Buy America requirements

§5323. General provisions on assistance

(a) Interests in Property.—

(1) In general.—Financial assistance provided under this chapter to a State or a local governmental authority may be used to acquire an interest in, or to buy property of, a private company engaged in public transportation, for a capital project for property acquired from a private company engaged in public transportation after July 9, 1964, or to operate a public transportation facility or equipment in competition with, or in addition to, transportation service provided by an existing public transportation company, only if—

(A) the Secretary determines that such financial assistance is essential to a program of projects required under sections 5303, 5304, and 5306;

(B) the Secretary determines that the program provides for the participation of private companies engaged in public transportation to the maximum extent feasible; and

(C) just compensation under State or local law will be paid to the company for its franchise or property.

(2) Limitation.—A governmental authority may not use financial assistance of the United States Government to acquire land, equipment, or a facility used in public transportation from another governmental authority in the same geographic area.

(b) Notice and Public Hearing.—

(1) In general.—For a capital project that will substantially affect a community, or the public transportation service of a community, an applicant shall—



- (A) provide an adequate opportunity for public review and comment on the project;
- (B) after providing notice, hold a public hearing on the project if the project affects significant economic, social, or environmental interests;
- (C) consider the economic, social, and environmental effects of the project; and
- (D) find that the project is consistent with official plans for developing the community.

(2) Notice.—Notice of a hearing under this subsection—

- (A) shall include a concise description of the proposed project; and
- (B) shall be published in a newspaper of general circulation in the geographic area the project will serve.

(3) Application requirements.—An application for a grant under this chapter for a capital project described in paragraph (1) shall include—

- (A) a certification that the applicant has complied with the requirements of this subsection; and
- (B) in the environmental record for the project, evidence that the applicant has complied with the requirements of this subsection.

(c) Fares not Required.—This chapter does not require that elderly individuals and individuals with disabilities be charged a fare.

(d) Condition on Charter Bus Transportation Service.—

(1) Agreements.—Financial assistance under this chapter may be used to buy or operate a bus only if the applicant, governmental authority, or publicly owned operator that receives the assistance agrees that, except as provided in the agreement, the governmental authority or an operator of public transportation for the governmental authority will not provide charter bus transportation service outside the urban area in which it provides regularly scheduled public transportation service. An agreement shall provide for a fair arrangement the Secretary of Transportation considers appropriate to ensure that the assistance will not enable a governmental authority or an operator for a governmental authority to foreclose a private operator from providing intercity charter bus service if the private operator can provide the service.

(2) Violations.—

(A) Investigations.—On receiving a complaint about a violation of the agreement required under paragraph (1), the Secretary shall investigate and decide whether a violation has occurred.

(B) Enforcement of agreements.—If the Secretary decides that a violation has occurred, the Secretary shall correct the violation under terms of the agreement.

(C) Additional remedies.—In addition to any remedy specified in the agreement, the Secretary

shall bar a recipient or an operator from receiving Federal transit assistance in an amount the Secretary considers appropriate if the Secretary finds a pattern of violations of the agreement.

(e) Bond Proceeds Eligible for Local Share.—

(1) Use as local matching funds.—Notwithstanding any other provision of law, a recipient of assistance under section 5307 or 5309 may use the proceeds from the issuance of revenue bonds as part of the local matching funds for a capital project.

(2) Maintenance of effort.—The Secretary shall approve of the use of the proceeds from the issuance of revenue bonds for the remainder of the net project cost only if the Secretary finds that the aggregate amount of financial support for public transportation in the urbanized area provided by the State and affected local governmental authorities during the next 3 fiscal years, as programmed in the State transportation improvement program under section 5304, is not less than the aggregate amount provided by the State and affected local governmental authorities in the urbanized area during the preceding 3 fiscal years.

(3) Debt service reserve.—The Secretary may reimburse an eligible recipient for deposits of bond proceeds in a debt service reserve that the recipient establishes pursuant to section 5302(a)(1)(K) from amounts made available to the recipient under section 5309.

(4) Pilot program for urbanized areas.—

(A) In general.—The Secretary shall establish a pilot program to reimburse not to exceed 10 eligible recipients for deposits of bond proceeds in a debt service reserve that the recipient establishes pursuant to section 5302(a)(1)(K) from amounts made available to the recipient under section 5307.

(B) Report.—Not later than July 31, 2008, the Secretary shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives a report on the status and effectiveness of the pilot program established under subparagraph (A).

(f) Schoolbus Transportation.—

(1) Agreements.—Financial assistance under this chapter may be used for a capital project, or to operate public transportation equipment or a public transportation facility, only if the applicant agrees not to provide schoolbus transportation that exclusively transports students and school personnel in competition with a private schoolbus operator. This subsection does not apply—

(A) to an applicant that operates a school system in the area to be served and a separate and exclusive schoolbus program for the school system;

(B) unless a private schoolbus operator can provide adequate transportation that complies with applicable safety standards at reasonable rates; and

(C) to a State or local governmental authority if it or a direct predecessor in interest from which it acquired the duty of transporting school children and personnel, and facilities to transport them, provided schoolbus transportation at any time after November 25, 1973, but before November

26, 1974.

(2) Violations.—If the Secretary finds that an applicant, governmental authority, or publicly owned operator has violated the agreement required under paragraph (1), the Secretary shall bar a recipient or an operator from receiving Federal transit assistance in an amount the Secretary considers appropriate.

(g) Buying Buses Under Other Laws.—Subsections (d) and (f) of this section apply to financial assistance to buy a bus under sections 133 and 142 of title 23. However, subsection (f)(1)(C) of this section applies to sections 133 and 142 only if schoolbus transportation was provided at any time after August 12, 1972, but before August 13, 1973.

(h) Grant and Loan Prohibitions.—A grant or loan may not be used to—

(1) pay ordinary governmental or nonproject operating expenses; or

(2) support a procurement that uses an exclusionary or discriminatory specification.

(i) Government's Share of Costs for Certain Projects.—

(1) Equipment for ada and clean air act compliance.—A grant for a project to be assisted under this chapter that involves acquiring vehicle-related equipment or facilities required by the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.) or vehicle-related equipment or facilities (including clean fuel or alternative fuel vehicle-related equipment or facilities) for purposes of complying with or maintaining compliance with the Clean Air Act, is for 90 percent of the net project cost of such equipment or facilities attributable to compliance with those Acts. The Secretary shall have discretion to determine, through practicable administrative procedures, the costs of such equipment or facilities attributable to compliance with those Acts.

(2) Certain state owned railroads.—The Government share for financial assistance under this chapter to a State-owned railroad (as defined in section 603 of the Rail Safety and Service Improvement Act of 1982 (45 U.S.C. 1202)) shall be the same as the Government share under section 120(b) of title 23 for Federal-aid highway funds apportioned to the State in which the railroad operates.

(j) Buy America.—(1) The Secretary of Transportation may obligate an amount that may be appropriated to carry out this chapter for a project only if the steel, iron, and manufactured goods used in the project are produced in the United States.

(2) The Secretary of Transportation may waive paragraph (1) of this subsection if the Secretary finds that—

(A) applying paragraph (1) would be inconsistent with the public interest;

(B) the steel, iron, and goods produced in the United States are not produced in a sufficient and reasonably available amount or are not of a satisfactory quality;

(C) when procuring rolling stock (including train control, communication, and traction power equipment) under this chapter—

(i) the cost of components and subcomponents produced in the United States is more than 60 percent of the cost of all components of the rolling stock; and

(ii) final assembly of the rolling stock has occurred in the United States; or

(D) including domestic material will increase the cost of the overall project by more than 25 percent.

(3) Written justification for public interest waiver.—When issuing a waiver based on a public interest determination under paragraph (2)(A), the Secretary shall issue a detailed written justification as to why the waiver is in the public interest. The Secretary shall publish such justification in the Federal Register and provide the public with a reasonable period of time for notice and comment.

(4) In this subsection, labor costs involved in final assembly are not included in calculating the cost of components.

(5) The Secretary of Transportation may not make a waiver under paragraph (2) of this subsection for goods produced in a foreign country if the Secretary, in consultation with the United States Trade Representative, decides that the government of that foreign country—

(A) has an agreement with the United States Government under which the Secretary has waived the requirement of this subsection; and

(B) has violated the agreement by discriminating against goods to which this subsection applies that are produced in the United States and to which the agreement applies.

(6) A person is ineligible under subpart 9.4 of chapter 1 of title 48, Code of Federal Regulations, to receive a contract or subcontract made with amounts authorized under the Federal Public Transportation Act of 2005 if a court or department, agency, or instrumentality of the Government decides the person intentionally—

(A) affixed a “Made in America” label, or a label with an inscription having the same meaning, to goods sold in or shipped to the United States that are used in a project to which this subsection applies but not produced in the United States; or

(B) represented that goods described in clause (A) of this paragraph were produced in the United States.

(7) The Secretary of Transportation may not impose any limitation on assistance provided under this chapter that restricts a State from imposing more stringent requirements than this subsection on the use of articles, materials, and supplies mined, produced, or manufactured in foreign countries in projects carried out with that assistance or restricts a recipient of that assistance from complying with those State-imposed requirements.

(8) Opportunity to correct inadvertent error.—The Secretary may allow a manufacturer or supplier of steel, iron, or manufactured goods to correct after bid opening any certification of noncompliance or failure to properly complete the certification (but not including failure to sign the certification) under this subsection if such manufacturer or supplier attests under penalty of perjury that such manufacturer or supplier submitted an incorrect certification as a result of an inadvertent or clerical error. The burden of establishing inadvertent or clerical error is on the manufacturer or supplier.

(9) Administrative review.—A party adversely affected by an agency action under this subsection shall have the right to seek review under section 702 of title 5.

(k) Participation of Governmental Agencies in Design and Delivery of Transportation Services.—To the extent feasible, governmental agencies and nonprofit organizations that receive assistance from Government sources (other than the Department of Transportation) for nonemergency transportation services—

(1) shall participate and coordinate with recipients of assistance under this chapter in the design and delivery of transportation services; and

(2) shall be included in the planning for those services.

(l) Relationship to Other Laws.—Section 1001 of title 18 applies to a certificate, submission, or statement provided under this chapter. The Secretary may terminate financial assistance under this chapter and seek reimbursement directly, or by offsetting amounts, available under this chapter if the Secretary determines that a recipient of such financial assistance has made a false or fraudulent statement or related act in connection with a Federal transit program.

(m) Preaward and Postdelivery Review of Rolling Stock Purchases.—The Secretary of Transportation shall prescribe regulations requiring a preaward and postdelivery review of a grant under this chapter to buy rolling stock to ensure compliance with Government motor vehicle safety requirements, subsection (j) of this section, and bid specifications requirements of grant recipients under this chapter. Under this subsection, independent inspections and review are required, and a manufacturer certification is not sufficient. Rolling stock procurements of 20 vehicles or fewer made for the purpose of serving other than urbanized areas and urbanized areas with populations of 200,000 or fewer shall be subject to the same requirements as established for procurements of 10 or fewer buses under the post-delivery purchaser's requirements certification process under section 663.37(c) of title 49, Code of Federal Regulations.

(n) Submission of Certifications.—A certification required under this chapter and any additional certification or assurance required by law or regulation to be submitted to the Secretary may be consolidated into a single document to be submitted annually as part of a grant application under this chapter. The Secretary shall publish annually a list of all certifications required under this chapter with the publication required under section 5336(d)(2).

(o) Grant Requirements.—The grant requirements under sections 5307 and 5309 apply to any project under this chapter that receives any assistance or other financing under chapter 6 (other than section 609) of title 23.

(p) Alternative Fueling Facilities.—A recipient of assistance under this chapter may allow the

incidental use of federally funded alternative fueling facilities and equipment by nontransit public entities and private entities if—

- (1) the incidental use does not interfere with the recipient's public transportation operations;
- (2) all costs related to the incidental use are fully recaptured by the recipient from the nontransit public entity or private entity;
- (3) the recipient uses revenues received from the incidental use in excess of costs for planning, capital, and operating expenses that are incurred in providing public transportation; and
- (4) private entities pay all applicable excise taxes on fuel.

(Pub. L. 103–272, §1(d), July 5, 1994, 108 Stat. 821; Pub. L. 103–429, §6(10), Oct. 31, 1994, 108 Stat. 4379; Pub. L. 104–287, §5(15), Oct. 11, 1996, 110 Stat. 3390; Pub. L. 105–178, title III, §3020, June 9, 1998, 112 Stat. 362; Pub. L. 109–59, title III, §§3002(b)(4), 3023(a)–(i)(3), (j)–(m), Aug. 10, 2005, 119 Stat. 1545, 1615–1619; Pub. L. 110–244, title II, §201(j), June 6, 2008, 122 Stat. 1611.)

**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 integral to this organization’s financial accounting policies and procedures. Internal controls consist of all the measures adopted by SWART for:

- 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 various activities, such 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** needs 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 adequately administering SWART's financial position and operations. To fulfill these responsibilities, operations, and activities must be



reviewed promptly and comprehensively. Many of these policies are expressed in writing to foster a clear understanding and proper involvement on the part of all concerned with policy-making, advising, and implementing responsibilities.

### **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 fund handling, expenditure approval, record keeping, and financial report and budget preparation 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 the human resources function of SWART, including employee wellness, safety, and required training. Assists the General Manager in preparing the Organizational Chart and updating and maintaining staff job descriptions. The Assistant General Manager is responsible for safety and training, information technology, and ensuring 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, reimbursement requests, and financial reports. The Chief Financial Manager is responsible for reviewing and revising financial policies and procedures as needed.

The Chief Financial Manager should advise the General Manager on all matters related to financial operations.

## **SECTION III. ORGANIZATION AND COMPETENCY OF FINANCIAL PERSONNEL**

## **ORGANIZATIONAL STRUCTURE**

A sound financial organization structure is necessary for proper accounting system operations. Each employee must know precisely what his/her duties and responsibilities include and who his/her immediate supervisor is. A major organizational weakness can be the failure to follow the lines of authority. It is essential 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 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. All employees with financial responsibilities should have training and experience commensurate with such responsibilities. Securing financial personnel trained and experienced to perform their duties adequately cannot be overemphasized.

- The General Manager must have experience administering an agency or entity relative to the assignment. Graduated from an accredited four-year college or university with major coursework in a field relevant to the 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 training, or an 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 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.

SWART's computerized accounting system is designed to prompt the preparation of all needed financial statements and reports, which disclose 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 the financial position and the financial result of an operation is a primary accounting objective. Disclosure may be described as the process of communication by which information on financial status, flow of monies, and financial results of operations 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 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. If economic 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:**

The financial statements and reports must include all costs applicable to an activity or program.

**5. Form, content, and arrangement:**

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

**6. Performance under limitations:**

Financial performance concerning statutory or its limitations is specifically reported.

**7. Consistency:**

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

**8. Terminology:**

Financial statements and reports use consistent, non-technical terminology 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 monetary policies and regulations established by funding agencies and are maintained in accordance with established accounting requirements.

### C. Timeliness

All financial statements and reports are produced promptly to be of maximum usefulness. The issuance of statements and reports is 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 valuable to the people 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 the 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 amounts of assets, liabilities, and equity (fund balance) as of a specific date. Also called the balance sheet.

First, assets are listed on a balance sheet in order of liquidity, with the most liquid items appearing first. Thus, cash is the first caption listed under the broad category of current assets. This item will include all cash that SWART holds, including balances in local and central checking accounts, money market accounts, and certificates of deposit (CDs).

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

Third, an equity (or fund balance) account holds the difference between an organization's assets and liabilities. It is 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. The Fund can present this report. If applicable, non-operating revenue and expenditure accounts are also included in this report. Also called the Statement of Revenues & Expenditures.

First, the statement lists the program resources (revenue), including 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 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. It includes a section for the balance of cash and restricted cash at the beginning and end of the year.

#### D. Bank Reconciliations

Bank reconciliations shall be prepared for all bank accounts monthly by the SWART Auditing Manager or their 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 electronically cleared check copies will be inspected for irregularities and appropriate endorsements.

1. The SWART Auditing Manager or designee will prepare a monthly reconciliation between the bank and general ledger balances. The reconciliation should be completed within 15 days of receiving the bank statements.
2. The bank reconciliation will include a list of reconciling items such as outstanding checks, deposits in transit, and any other items with an explanation noted 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 after the year 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. In a unit cost contract, revenue is 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 payable and receivable are booked before the applicable contract is closed.

SWART uses the MIP Accounting System, 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 the fund and overlapping fund years, which allows financial reports and detailed transaction reports to be generated by the fund on the fiscal year of each fund or by combined funds by fiscal year. SWART's fiscal year begins September 1<sup>st</sup> and ends August 31<sup>st</sup> of each year.

## A. Chart of Accounts

The chart of accounts encompasses SWART's reporting needs in code type. General Ledger accounts are used for every transaction made, which affects SWART's assets, liabilities, or capital. 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.

<b>CHART OF ACCOUNTS CODE STRUCTURE</b>				
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>General Ledger</b>	<b>Fund</b>	<b>Grant Year</b>	<b>Program</b>	<b>Department</b>
<b>XXXX (4)</b>	<b>XXX (3)</b>	<b>XXXX (4)</b>	<b>XX (2)</b>	<b>XXX (3)</b>
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 allows budgets to be entered and compared to actual expenditures and revenues. When budgets are amended, the system enables 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 occurs.

Project reports are generated for the SWART General Manager each month. Data from these reports is used for programmatic and 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 and any check(s) received. Finance endorses the check(s) with the "For Deposit Only, Southwest Area Regional Transit District" stamp. He/she logs the receipt of the check(s) in the Incoming Checks Binder, makes copies of the checks to prepare for deposit, and submits the check(s) to the designated person in the SWART finance department.

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 the SWART CFM or their designee makes corresponding entries in the accounting system on a weekly basis.

At the end of each month, the SWART CFM or designee provides the SWART General Manager with a copy of the deposit folder. The SWART Auditing Manager or designated finance department personnel 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 or locked boxes at the sites.

Vehicle operators must submit their daily funds at the end of service and place them in a designated, secure location on the site. To maintain a deposit schedule and 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 analyze historical data and determine the frequency of deposits for each rural site. The study will be conducted at least every quarter. The Operations Manager and their designee are responsible for counting contributions and fares, and completing the deposit slips according to the deposit schedule established by the 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 and supporting documentation are submitted to the SWART CFM or designee for review and posting to the accounting system.

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

### D. Cash Disbursements

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

### E. Procurement – Procedures

Refer SWART Procurement & Purchasing Policy Manual

### F. Purchase Order Procedure

Refer to SWART Procurement & Purchasing Policy Manual

**G. Procedure for cash disbursements:**

1. Signed copies of original invoices are mailed to the 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 payments.

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 original checks have been reviewed and authorized, the original checks with any attachments are mailed to the vendors. The check stubs are attached to the documentation and filed in numerical order.
5. All accounts payable checks are pre-numbered and kept under lock.
6. Void checks are accounted for in the computerized accounting system.
7. The coding and documentation process for manual checks is the same, but the check is typed manually. Manual checks are entered into the accounts payable system, so the check numbers and detailed vendor information will be complete.
8. SWART generally pays suppliers for invoices. The statements received from vendors are checked by the SWART CFM or designee for outstanding or credit balances. If any discrepancies are found, the statements are thoroughly 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 before payment of an invoice.
12. Certain recurring expenses for SWART are allocated among several funds (e.g., 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 as utilities, repair/maintenance, janitorial, etc., are split based on the proportion determined by the 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 these monies for the purchase of small items or to cover miscellaneous small expenses of less than US\$20, such as vehicle washing. For purchases exceeding US\$20, a purchase order (PO) must be entered into and approved in the PO system before acquiring the item using funds 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 the 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 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 established to ensure 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 a 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. Proper classifications are made between fixed assets, expendable assets, nonexpendable assets, and donated equipment.
4. Retirements and disposals of equipment are properly approved and recorded.
5. The proceeds of any liquidated property are adequately recorded.
6. Damaged or lost property is treated correctly on the accounting records.
7. Insurance recoveries are adequately recorded.

8. If inventories of consumable supplies exceed \$1,000 in value, adequate controls are established.
9. A proper inventory tag will be attached and recorded for fixed assets purchased with federal funds that exceed \$5,000 (excluding rolling stock).
10. All fixed assets exceeding \$10,000 will be controlled and depreciated on a schedule rather than being recorded in the general ledger.
11. Federal guidelines for the disposition of fixed assets purchased with federal funds will be followed.

#### J. OTHER

1. Employee loans are prohibited.
2. Investments are adequately recorded and controlled.
3. The financial system is designed so that 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. The SWART Board has approved its Employee Handbook, Equal Opportunity Policy, and Policies and Procedures Manual, which are available to all employees. On a day-to-day basis, the General Manager and/or his/her designees are responsible for managing personnel matters.

1. The SWART Assistant General Manager in the SWART Administrative Office maintains personnel files that contain each employee's application, W-4 form, authorization for payment forms, employee evaluations, copies of insurance forms, and other applicable federal and state forms.
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 Timesheet via the MIPs EWS module or an equivalent system, which reflects the time worked, annual leave, sick leave, holidays, and any other absences from work. Each exempt (FLSA) employee completes and submits an Exempt Employee Leave Usage Form reflecting the leave used. The Assistant General Manager collects and verifies the forms for accuracy. The employee's supervisor or the SWART General Manager or Assistant General Manager signs the forms.
3. Employees are never paid in advance for hours worked. Forms received for the first half of the month are processed but not paid for until the last working day of the month. Paychecks or Direct Deposit are dated the previous day worked by the SWART Administration during the following pay period. Paychecks or Direct Deposits 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 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, unless the payment is processed and paid through Direct Deposit. The Direct Deposit process is administered and overseen by the Chief Financial Manager. The General Manager or Assistant General Manager reviews payroll prior to the Direct Deposit transfer being performed. The accounting software prints a list of paychecks indicating, at 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 before mailing or releasing the checks. The SWART CFM or designee distributes the paychecks to the SWART administrative staff. The supervisor at each field site is responsible for ensuring that each employee signs their paycheck.
7. The computerized payroll program transfers the total salary and fringe amounts into the accounting program, summarizing each pay period. The payroll program integrates with the distribution code listing, which informs the accounting program of the funds used to charge each employee's salary and fringe expenses.
8. Paychecks are issued out of the operating fund and reconciled monthly with other cash disbursements.

**Staff Payroll**

1. Originating Document -Employee Data -Human Resources, complete the Employee Status Form 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 submitted to the Chief Financial Manager. The CFM reviews the Employee Status Form to determine that funds are budgeted and available. Once the CFM approves the form, it is submitted for payroll processing.
2. Originating Documents, Electronic Timesheets, 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 the active file.
4. Review electronic timesheets for accuracy.
5. Imports timesheets from the HR module into the Payroll module.
6. Originating Document - Payroll Check. Upon completing the above steps, the Finance Department shall process payroll checks on the computer. The computer payroll module automatically computes the current and cumulative payroll for each active employee on a semimonthly basis. The following reports are generated each pay period:

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

### **Payroll Taxes and End of Year Reporting**

The SWART CFM or designee will perform payroll taxes, quarterly reports, timely submission of W-2 forms and 1099-MISC forms, and end-of-year reporting.

## **L. AUDIT**

SWART will have its financial statements audited by an independent Certified Public Accounting firm annually, by 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. Additional copies will be distributed to the Board of Directors upon completion.

## **M. TRAVEL**

1. Travel will be authorized for SWART purposes only under SWART's officially established travel policies and within the limitations set by the funding agencies. The travel regulations and limitations apply to all SWART employees, consultants, advisors, board members, or other parties whose travel is paid for or reimbursed from SWART funds. All travel will be authorized in advance. Employee travel advances, or other business advances, are accounted for promptly, within five business days after the travel.
2. All reports on employee travel expenditures 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 funded and authorized by the SWART General Manager
3. Travel expenditure 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 that requires an overnight stay may be requested and approved in advance by completing a Request for Travel form. Travel funds may be advanced upon request, up to the amount equal to the estimated cost shown on this form. This form will also be used to report actual expenses upon completion of a trip. It 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 the 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 the person requesting authorization
  - Signature of the person authorizing travel
  - Signature of the traveler
  - Signature of the supervisor and General Manager
6. After the trip is completed, the actual cost calculation is based on the exact room expenses, with attached receipts for room bills and other significant charges. The additional amount owed to the employee by SWART or the amount to be reimbursed to SWART by the employee.
7. Any special or unusual requirements, such as auto rental, will be specifically authorized and noted on this form in detail. All information documented on the form will be as specific as possible.
8. Travel advances will be charged to the appropriate account upon receipt of the check. 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 will be 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 expenses is not requested, employees will be reimbursed for actual costs as calculated on a Request for Travel form, which should be submitted within 5 days after completion of travel to the SWART General Manager or his/her designee. This form will include the destination and purpose of the trip and expenditures made. Receipts for hotel bills and other significant charges, such as transportation ticket stubs, should be attached. Any money advanced for travel or direct payment to the hotel will be deducted from the travel report. If a meal is included in registration fees for a specific meeting, one-quarter of the meal allowance will also be deducted from the travel report, according to the IRS/ GSA Per Diem rates.
10. Reports of mileage reimbursement for the local community or routine out-of-town travel must be submitted at least monthly to the SWART General Manager and their designee for reimbursement. A Mileage Sheet will be used to document such travel. All mileage expenditures will be itemized by date. Beginning and ending odometer readings, as well as points visited on each date, will be provided. 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, lodging, and per diem will be subject to funding agency policies and will never exceed the Federal Travel Regulations.

#### N. DAVIS BACON PROVISION

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

SWART will ensure that certified payroll is obtained on a weekly basis for all construction projects funded with Federal awards.

The finance department will develop and ensure that agreements are executed between the vendors and the SWART General Manager.

The finance department will be responsible for obtaining the required documents to comply with the Davis-Bacon provisions.

## O. JOURNAL ENTRIES

If 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 Manager 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 in 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 for the Journal Entry will be filed with the appropriate transaction function.

## P. CREDIT CARD/DEBIT CARD TRANSACTION RECEIPTS

1. The District will utilize a third-party service to process all credit and debit card transactions.
2. Dispatch/Schedulers or designated personnel will process credit card transactions 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 created in the system, Dispatchers/Schedulers or designated personnel will obtain the customer's signature, produce the receipt of purchase, and obtain a copy for their files.
5. Once the transactions are approved and submitted to the third-party service, the General Manager and the finance department will receive an email notice of all transactions depicting the settlement amount for the day. This amount is then deposited electronically to the District's Banking Institution.
6. The finance department will ensure the payment is received in the Bank and 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, 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 SwART's Business Debit/Credit Card is the responsibility of the SWART CFM or designee, except when an employee signs out for a specific purchase.
2. Before the employee can sign out the debit/credit card, an approved Purchase Order must be presented to the CFM or designee, whose duties include purchasing. Purchases with the debit/credit card must conform to the approved Policies and Procedures set for SWART.
3. Any debit/ credit card purchase must also comply with the Approval Credit Limits and Quote requirements.
4. After the purchase, individuals are responsible for promptly returning the debit/ credit card and receipt to the Finance Department.
5. the employee must have the debit/ credit card signed back into the CFM.
6. The CFM or designee shall reconcile debit/credit card charges with the monthly debit/ credit card statements on a monthly basis.

### **Debit/ Credit Card Security**

The Chief Financial Manager or designee will secure the debit/credit cards and keep them 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 outlined in this manual are still mandated. Employees who require a long-term Specialty Credit Card must sign a Cardholder Agreement. When mileage money is provided, Specialty credit card usage is prohibited. Misusage of credit cards 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 total amount of money 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 detailed 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. If desired, accounting records may be classified into more detailed object line items for internal use. Internal supporting budget papers will show the following:
2. The grant awarded funds will be spent within the project grant agreement 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. Money sources are an integral part of the budget. The four primary sources of funds for SWART are Federal, State, local, and in-kind. The sources of money must equal the total money to be expended in the budget.
6. Budgetary control relates to the continual surveillance that must be maintained to ensure that both sources of money and expenditures are progressing under 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, financial operating information, including budgetary comparisons, must be 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 over limitations must receive prior written authorization. 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 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**

SWART may request grant/contract funds 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 cover the anticipated cash needs for all federal awards, such as unexpected time elapsing between transferring funds from the US Treasury or the State and the disbursement to SWART geared to cover our payroll and disbursement cycle. The surprising timing will be described and noted in writing before the CFM's advance request to the General Manager, especially as it relates to payroll and disbursements to vendors and contractors scheduled for payment. SWART will make every effort to minimize the time elapsing between the transfer of funds and disbursement of those funds to carry 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 a copy to obtain grant draw-down instructions from the grantor agency. In most state grants, draw-down is generally 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 the final request to be sent to the grantor.

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

### **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 and the required information and forms. 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 entries to record each grant award or contract.

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

## C. DIRECT AND INDIRECT COSTS

### **DIRECT COSTS**

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

**INDIRECT COSTS**

SWART does not use indirect costs. However, if it does in the future, approval from the FTA is required.

**D. CASH MANAGEMENT**

Cash management by SWART shall minimize the lapse between receiving funds and disbursing those funds. The Chief Financial Manager shall prepare a cash analysis report at least monthly for review by the General Manager. This report must evaluate cash needs 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 the reconciliation of bank accounts occur in a timely fashion so that comparisons can be made against the organization's budgeted and disbursement needs or accruals.

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 for 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 when 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 make 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. Payroll expenses will be paid 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 ensure sound planning for the Billing of funds from the grantors. Interim checks may be issued if sufficient funds are available and a cash balance over expenses is soundly maintained.

**E. LINE OF CREDIT**

The amount of SWART's line of credit drawdown 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. They will be available, for audit purposes, to the funding agencies, the Comptroller General of the United States, or any other authorized representative. SWART will keep all records in order, so any information desired can be easily located.

## **RECORD STORAGE**

SWART will adequately protect all records against fire or other damage. Records will be stored to be accessible during the retention period without great difficulty. SWART accounting records will be maintained for at least six (6) years but may be maintained longer if an unresolved audit is pending.

## **ATTACHMENT A: PROTEST PROCEDURES/D PROTEST PROCEDURES**

### **1. Statement of Policy**

SWART is responsible for resolving all contractual and administrative issues, including protests of evaluations and contract awards, arising from its third-party procurements using good administrative practices and sound business judgment.

In general, the Texas Department of Transportation will not substitute its judgment for that of SWART unless the matter is primarily a federal concern. Nevertheless, TxDOT can become involved in SWART's administrative decisions when a SWART protest decision is appealed to TxDOT or to FTA or when SWART seeks to use FTA assistance to support the costs of settlements or other resolutions of protests, disputes, claims, or litigation.

SWART shall notify its funding source promptly when it receives a third-party procurement protest and will keep TxDOT informed about the status of any such protest. SWART shall disclose all information about any third-party procurement protest to TxDOT upon request.

SWART's procedure for addressing third-party procurement protests is described. SWART shall insert its protest procedure in all solicitation documents for products and services estimated at \$50,000 or greater.

### **2. SWART Staff Responsibilities**

a. SWART authorized Procurement representative—Responsibilities include ensuring that the SWART Protest Procedure is included in all solicitation documents for products and services with an estimated value of \$100,000 or greater and providing information to and assisting the General Manager with resolving protests.

b. General Manager—Responsibilities include receiving and reviewing all procurement protests and appeals and issuing the official SWART response.

c. Chief Financial Officer – Responsibilities include reviewing all procurement protests and advising and assisting the General Manager as needed with the resolution of all procurement protests.

## 2. Solicitation Provision

SWART shall insert the following provision in all solicitation documents for products and services having an estimated value of \$50,000 or greater:

a. Pre-Proposal Protests – All protests concerning solicitation specifications, criteria, and procedures shall be submitted in writing (defined as being sent or received via letter or facsimile on official firm/agency letterhead or by electronic mail) to the General Manager as specified below, not later than 10 business days before the deadline for submission of bids/proposals.

Within his or her discretion, the General Manager may postpone the deadline for submission of bids/proposals, but in any case, shall provide a written response to all protests not later than five (5) business days before the deadline for submission of bids/proposals. If the General Manager postpones the deadline for submission of bids/proposals as the result of a protest, the postponement will be announced through an addendum to the solicitation.

The General Manager's decision shall be the final agency decision on the matter, but it shall be subject to judicial review or review by TxDOT or FTA, as specified below.

b. Pre-Award Protests – With respect to protests made after the deadline for submission of bids/proposals but before contract award by SWART, protests shall be limited to those protests alleging a violation of Federal or State law, a challenge to the bids/proposal's evaluation and award process, SWART's failure to have or follow its protest procedures or its failure to review a complaint or protest. Such protests shall be submitted in writing (defined as being sent or received via letter or facsimile on official firm/agency letterhead or by electronic mail) to the General Manager as specified below not later than five (5) business days after the Recommendation for Contract Award announcement by SWART.

The General Manager may, within his or her discretion, postpone the award of the contract, but in any case, he or she shall provide a written response to all protests not later than three (3) business days before the date that SWART shall announce the contract award.

The General Manager's decision shall be the final agency decision on the matter, but it shall be subject to judicial review or review by TxDOT or FTA, as specified below.

c. Requirements for Protests – All protests must be submitted to SWART in writing (defined as being sent or received via letter or facsimile on official firm/agency letterhead or by electronic mail), with sufficient documentation, evidence, and legal authority to demonstrate that the Protestor is entitled to the relief requested. The

protest must be certified as true and correct to the best knowledge and information of the Protestor, signed by the Protestor, and notarized. The protest must also include a mailing address to which a response should be sent.

Protests received after the deadlines for receipt of protests specified above are subject to denial without any requirement for review or action by SWART.

All protests must be directed in writing (defined as being sent or received via letter or facsimile on official firm/agency letterhead or by electronic mail) to:

Southwest Area Regional Transit District  
Attn: General Manager – Procurement  
713 East Main Street  
Uvalde, Texas 78801

d. Protest Response - The General Manager shall issue written responses to all protests received by the required protest response dates. First-class U.S. Postal Service shall transmit all protest responses to the address in the protest letter.

For convenience, SWART will also send a copy of the response to a protest to the Protester by facsimile and/or electronic mail if a facsimile number and electronic mail address are indicated in the protest letter. The protest response transmitted by the U.S. Postal Service shall be the official SWART response to the protest. SWART will not be responsible for the failure of the Protester to receive the protest response by either facsimile or electronic mail.

Review of Protests by TxDOT/FTA – All protests involving contracts financed with federal assistance shall be disclosed to the FTA by FTA Circular 4220.1F. Protesters shall exhaust all administrative remedies with SWART before pursuing protests with TxDOT/FTA. TxDOT/FTA limits its reviews of protests to a grantee's failure to have or follow its protest procedures, a grantee's failure to review a complaint or protest when presented with an opportunity to do so, or violations of Federal law or regulation. Appeals to TxDOT/FTA must be received by the Texas Department of Transportation representative within five (5) working days of the date the Protester has received actual or constructive notice of SWART's final decision, or within five (5) working days of the date the Protester has identified other grounds for appeal to TxDOT/FTA.

## **SOUTHWEST AREA REGIONAL TRANSIT DISTRICT**

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

On the \_\_\_\_\_ day of \_\_\_\_\_, 2025, 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 was revised and adopted on the \_\_\_\_\_ day of \_\_\_\_\_, 2025.

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, as per the By-Laws.

I certify that the above and the preceding constitute a true and correct copy of part of the minutes of a meeting of the Board of Directors held on the \_\_\_\_\_ day of \_\_\_\_\_, 2025.

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Judge John Paul Schuster, Board Secretary