

# ***LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL***



## ***FINANCIAL POLICIES AND PROCEDURES MANUAL***

*Revised December 2025*

## ACKNOWLEDGEMENT

This is to certify and acknowledge that I have received, read and agree to the procurement policies and amendments outlined in this document.



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Signature

Manuel Cruz, Executive Director

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Print Name/Title

12/18/2025

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Date

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## **Additional Financial & Grant Management references for Transportation Grant Programs:**

1. 49 USC Chapter 53 as amended by the Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), Section 5327, “Project Management Oversight”
2. 49 CFR Part 18, “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.”
3. 49 CFR Part 639, “Capital Leases.”
4. FTA Circular 5010.1C, “Grant Management Guidelines.”
5. FTA Circular 5800.1 “Safety and Security Management Guidance for Major Capital Projects.”
6. FTA Master Agreement
7. FTA Circular C 4220.1E “Third Party Contracting Requirements”  
FTA Circular C 7008.1A “Financial Capacity Policy”

## ***1.00 INTRODUCTION AND GENERAL REQUIREMENTS***

**1.01 PURPOSE.** The Lower Rio Grande Valley Development Council (LRGVDC) Financial Policies and Procedures Manual (FPPM) serves as a comprehensive guide for administrative, financial, and systems management practices within the organization. It incorporates specific concepts, principles, definitions, and a detailed chart of accounts tailored to meet the operational needs of LRGVDC. Designed to ensure efficiency and effectiveness in continuous operations, the manual outlines accounting procedures equipped with inherent checks and balances to fulfill reporting requirements. These procedures facilitate the accumulation and communication of financial information to management, funding sources, and other stakeholders. Aimed at maintaining control and accountability at the operational level, the FPPM establishes uniformity in the administration of federal, state, or local programs administered by LRGVDC, with provisions allowing flexibility to adhere to more restrictive requirements of specific grants or awards when applicable.

The purpose of the Accounting Policies and Procedures Manual is:

- Firstly, it serves as a cornerstone for internal control measures, ensuring accountability and asset protection within LRGVDC's financial operations.
- Secondly, it provides clear directives for adhering to Federal, State, and Local financial reporting requirements, guiding LRGVDC personnel in maintaining compliance with regulatory standards.
- Furthermore, the manual promotes uniformity and consistency in the handling of accounting transactions, facilitating efficiency and accuracy in financial processes.
- Moreover, it establishes the framework for standardization in accounting practices and financial reporting across LRGVDC, fostering coherence and transparency in financial management.
- Lastly, the manual serves as an educational resource, equipping LRGVDC personnel and others with practical insights into applied accounting techniques, instilling procedural discipline, and facilitating administrative training to enhance proficiency within the organization.

**1.02 ORGANIZATIONAL STRUCTURE:** The organizational structure of the agency is outlined in detail in the organization's by-laws, as a separate document.

**1.03 APPLICABILITY.** All contractors who receive funding either directly or indirectly from the LRGVDC are required to comply with the full spectrum of federal, state, and local regulations outlined within this manual.

**1.04 GOALS.** The goals behind the creation of the Financial Policies and Procedures Manual (FPPM) for LRGVDC are to:

1. Establish consistent accounting and financial reporting procedures throughout the organization.
2. Ensure internal and administrative controls are in place.

3. Implement and sustain an accounting system that aligns with Federal, State, and Local financial reporting standards.
4. Simplify procedures for ease of implementation and understanding.
5. Develop a standardized planning, budgeting, and reporting system that accurately categorizes allowable costs.

**1.05 REVISION AND MAINTENANCE OF THE FPPM.** This manual will be revised periodically to incorporate new laws, regulations, existing issuances and new interpretations as they occur. The revised portions will supersede all prior editions.

**1.06 APPLICABLE REGULATIONS.** This manual shall conform to all applicable federal, state, and local laws and regulations as prescribed by the individual program administered by LRGVDC.

**1.07 AUTHORITY.** The Executive Director serves as the Chief Executive Officer of the LRGVDC and is responsible for overseeing the formulation and administration of the FPPM. In the absence of the executive director, decisions will be made by the Director of Finance.

## **2.00 GENERAL PROVISIONS**

**2.01 ACCOUNTS PAYABLE** LRGVDC will settle vendor invoices with verified backup documentation. Payments will not be processed based solely on vendor statements. Furthermore, every payment necessitates the presence of a vendor 1099 or W-9 form on record. LRGVDC leverages the "positive pay" system provided by its financial institution.

**2.02 CASH MANAGEMENT.** In accordance with established policy, the LRGVDC endeavors to request sufficient cash from its grantee agencies to address immediate cash requirements. LRGVDC will also adhere to 2 CFR Part 200.305(b)(1) to uphold minimal federal cash balances.

**2.03 COLLATERAL AGREEMENTS.** All funds received and administered by LRGVDC are deposited in a bank insured by the Federal Deposit Insurance Corporation (FDIC). Balances that surpass FDIC coverage are safeguarded through collateral agreements with the financial institution. Periodic reviews are conducted to assess whether additional security measures are warranted.

**2.04 CASH FORECASTING SYSTEM.** Effective cash planning is essential for ensuring adequate cash reserves across all government programs. Certain programs managed by LRGVDC may necessitate particular forms and steps to determine immediate cash requirements.

**2.05 CASH REQUEST FORMS.** Particular cash request forms are necessary to solicit funds from each respective funding agency. These forms are drafted by designated finance department personnel and undergo assessment by the Director of Finance. Requests are typically prepared monthly, quarterly, or as mandated by specific grants. Additionally, the Executive Director specifically reviews requests that necessitate his review as part of compliance with specific grant requirements.

**2.06 CREDIT CARD** The LRGVDC credit card is utilized solely when vendors do not provide alternative payment methods such as purchase orders. Regular assessments are conducted to evaluate the credit card's performance and competitiveness within the organization.

The Accounting Department oversees and manages credit card usage and spending, ensuring compliance and monitoring financial transactions. Only the Executive Director or the Finance Director are authorized to initiate and complete credit card transactions; no other individuals have this authority.

**2.07 PETTY CASH** LRGVDC employs petty cash funds for minor disbursements in cases where producing a check is impractical due to negligible amounts. The organization maintains both a general petty cash fund and a Valley Metro Transit petty cash fund. The policies governing these funds are as follows:

1. An authorized finance employee serves as the custodian, responsible for submitting reconciliation and replenishment requests to the LRGVDC accounting department on an as-needed basis, but no less frequently than once every 30 days.
2. The general fund maintains a balance of \$60 and is replenished as needed, but no less frequently than once every 30 days.
3. The Valley Metro Transit fund maintains a balance of \$300 and is replenished as needed, but no less frequently than once every 30 days.
4. All disbursements from the fund must be adequately documented.



5. The fund is reconciled with the accounting records regularly.

To replenish the petty cash fund, an accountant prepares a report reconciling the fund summaries and disbursements. The report and supporting documentation are then submitted to accounts payable for vouchering and payment. Upon approval, a check is issued through accounts payable, payable to the petty cash fund.

**2.08 REVENUE MATCH REQUIREMENTS** LRGVDC receives grants that necessitate matching funds. These grants entail negotiated cost-sharing ratios, such as 90% - 10%, 80% - 20%, or 60% - 40%. The grant specifies whether the match should be in cash or in-kind contributions. Revenue match obligations are recorded in accordance with GAAP. During the annual budgeting process, resources are allocated to meet contractual revenue match requirements. Formal documentation of agency match requirements is provided to the funding source, ensuring compliance with funding agreements.

**2.09 REPAYMENT PLAN FOR DISALLOWED COSTS.** If a debt arises from disallowed costs paid from federal funds, LRGVDC will strive to settle the debt through non-cash means. If non-cash repayment options prove unsuccessful and cash payment becomes necessary, LRGVDC will cover the disallowed costs using non-federal funds.

**2.10 CONTROL OF BLANK CHECKS AND CHECK WRITING EQUIPMENT.** LRGVDC refrains from using check writing machines or facsimile stamps as substitutes for original signatures. All checks are securely stored in the Finance Department, kept under lock and key in a fireproof cabinet.

**2.11 INDEPENDENT RECONCILIATION OF BANK AND OTHER CASH DEPOSITORY AGREEMENTS.** Monthly bank reconciliations are conducted for the following accounts: general fund, payroll, LRGVDC Corporation Inc (501 (c)(3)), RGV Emergency Communication District, and various Texas Pool investment accounts. All reconciling items undergo thorough review by the financial analyst and the accountant and are subsequently approved by the Finance Director for accuracy and propriety. It is important to note that none of these individuals are authorized to approve any reconciliation items that they have reviewed, ensuring a system of checks and balances. Once approved, appropriate journal entries are generated as needed.

**2.12 INVESTMENTS** The Finance Director serves as the designated investment officer for LRGVDC. This role requires the maintenance of their Public Funds Investment Act certification every two years. Under the Investment Policy, investments are suggested, processed, and overseen by the Director of Finance. The primary objective of these investments is to optimize the security of invested funds. Quarterly reports on the status of LRGVDC investments are provided to the Board of Directors by the investment officer.

A separate document outlining the investment policy is annually reviewed and approved by the Board of Directors.

### **3.00 FISCAL MANAGEMENT**

**3.01 FISCAL MANAGEMENT POLICY.** In compliance with 2 CFR Part 200, which outlines guidelines for federal awards, LRGVDC maintains a fiscal management system to ensure proper fiscal control and accounting procedures. This system enables the preparation of required reports and allows for the tracing of funds to verify compliance with federal statutes, regulations, and award terms. The financial management system includes the following provisions: 1) identification of all federal awards and programs in the accounts, 2) accurate and transparent financial reporting for each award or program, 3) records that clearly track the source and use of funds for federally-funded activities, 4) effective control and accountability for all assets, ensuring they are used only for authorized purposes, 5) comparison of expenditures with budgeted amounts for each award, 6) procedures to minimize the time between fund transfer and disbursement, and 7) written procedures for determining the allowability of costs according to federal cost principles and award terms.

**3.02 LRGVDC ACCOUNTING SYSTEM.** LRGVDC utilizes a computerized accounting system known as Grants Management System Accounting Software. This system is specifically designed for grant and contract accounting purposes. It provides management with assurances that assets are protected against unauthorized use or disposal and ensures that transactions are executed with proper authorization. The system guarantees accurate recording of transactions, enabling the preparation of auditable financial statements in accordance with generally accepted accounting principles.

Furthermore, the accounting system ensures that the record-keeping system allows for the separate identification of receipts, disbursements, assets, and liabilities. It enables the determination of separate fund balances within the existing accounting framework. Additionally, the system facilitates the summarization of financial information to aid in the preparation of monthly and quarterly reports required by various funding agencies.

**3.03 INTERNAL CONTROLS.** Internal controls are essential to ensure the proper management and oversight of programs administered by LRGVDC. LRGVDC's management has established and maintains an internal control framework to provide reasonable assurance that federal awards are managed in accordance with applicable laws, regulations, and award terms.

LRGVDC's internal controls are designed to achieve the following objectives for federal, state, and local programs:

1. Ensure that transactions are accurately recorded and accounted for, enabling the preparation of reliable financial statements and reports required by federal and state authorities.
2. Maintain accountability over assets and demonstrate compliance with federal and state laws, regulations, and award terms.
3. Ensure that transactions are executed in compliance with relevant statutes, regulations, and award terms that could impact federal or state programs.
4. Safeguard funds, property, and other assets against loss or misuse.

These internal controls are crucial for maintaining the integrity and effectiveness of LRGVDC's operations and ensuring compliance with regulatory requirements.

**3.03.01 CASH RECEIPTS.** All incoming mail is opened and date-stamped by the Accountant II. Incoming checks are endorsed for deposit only and entered into a receipt log by the

Accountant II team, which includes details such as the check number, drawee, and amount. This log serves as a vital tool for accurately recording all cash and checks received by the agency. The Accountant II team divides the responsibilities among themselves to ensure efficient management of incoming funds. Periodic comparisons between the receipt log and cash receipts are carried out by the Accountant II team as an additional internal control measure.

Subsequently, an Accountant II team member issues a cash receipt for each check/payment received. Following this, a deposit slip is completed. Both the deposit slip and checks are securely stored in a locked file until deposited into the bank by a designated member of the Accountant II team. A duplicate deposit slip returned from the bank is retained on file for record-keeping purposes. This collaborative effort ensures the smooth and accurate handling of financial transactions within the agency.

The transportation department adheres to Farebox Probing & Cashbox Vaulting Procedures outlined in the Valley Metro Procedures document, which is a separate document maintained by LRGVDC.

Income received from farebox revenues within the Transportation Services Department undergoes a standardized processing procedure. Both Accountant II and Accountant III from the Finance Department are responsible for counting the revenue from the cashbox vault. They meticulously verify the total amount of money before transferring it to the Finance Department. Subsequently, Accountant II prepares the deposit slip, and deposits are conducted weekly by Accountant II. Employees involved in this process hold necessary clearance and exclusive access to the vault, ensuring their responsibility to follow protocol and safeguard the money. Deposit slips returned from the bank are meticulously filed. All deposits are meticulously recorded in a log and reviewed by the finance analyst to ensure alignment with the money collected from the vault.

### **3.03.02 CASH DISBURSEMENTS.**

**Payment Authorizations.** Every invoice and bill undergoes a meticulous payment authorization process. Upon receipt, the designated Accountant II manages incoming invoices/statements, forwarding them to the finance department for further processing. It's important to note that invoices are received both electronically and via mail.

Once received, invoices are meticulously examined by the respective Accountant II, who ensures they are matched with appropriate purchase requisitions, receiving reports, and bid forms. These documents are then affixed to the corresponding statement/invoice. Subsequently, a payment authorization form is attached, specifying project and cost codes for expense allocation, as well as vendor details including vendor I.D. It's noteworthy that vendor codes are established by the Financial Analyst.

The payment authorization documents undergo a thorough review and approval process within each department. Department heads or their designees are required to provide a dated signature as part of the approval process. Upon completion, the documents are returned to the finance department where the Accountant II enters them into the accounting system for further processing. This comprehensive procedure ensures accuracy and accountability in the payment authorization workflow.

**Terms of Prompt Payment.** Terms of prompt payment to subcontracts and suppliers for all debts to the Lower Rio Grande Valley Development Council (LRGVDC) shall be net thirty (30) business days from the date invoice was received by LRGVDC Finance department with all supporting documentation as required by the department and specified project agreement.

Payment will be contingent upon availability of federal and state appropriate funds.

**Subcontractor Requests for Payment.** Upon receipt by LRGVDC, all Subcontractor requests for reimbursement are promptly date-stamped. These requests are then routed to the relevant department for further handling. Each request undergoes a thorough review and processing tailored to the specific requirements of the grant/contract associated with individual programs.

The original subcontractor requests are meticulously examined for both financial accuracy and programmatic detail, including pertinent approval dates. Subsequently, they are signed and dated by the appropriate staff. The finance department affixes the payment authorization forms, specifying the project and cost code to be charged for the relevant expense, in accordance with the specific department to which the payment authorization belongs.

Following this step, the payment authorization forms undergo another round of review, during which they are signed and dated by the respective department head. Once this approval is obtained, they are returned to the Finance Director for further scrutiny and processing.

The Finance Director conducts a final review to ensure accuracy and compliance before the payment authorizations are deemed ready for processing. This meticulous process guarantees that Subcontractor reimbursements are handled with precision and adherence to regulations.

**Check/ACH Processing.** All payment authorization forms are logged into an accounts payable batch by the designated financial staff member. Once all invoices slated for payment are inputted into the system, a control report is generated and thoroughly reviewed by the financial analyst. Following this review, the Finance Director completes the final approval process, making the payment authorizations ready for processing.

Subsequently, invoices are selected for payment, and checks are generated using the accounting software. A comparison between the check register and the accounts payable report is conducted to ensure accuracy.

Subcontractor payments, staff reimbursements, and payments to approved vendors are made via paper checks. Only entities requiring electronic payment will be paid accordingly, either through online portals or automatic withdrawals. Each voucher is clearly labeled with the generator's and reviewer's initials for accountability.

The financial analyst meticulously reviews the checks along with their accompanying documentation. Once reviewed, the checks are distributed to the appropriate officials for signature. After signing, the checks are returned to the Accountant II, who oversees their final distribution or mailing.

To prevent potential misuse, supporting documentation is marked as paid by the Accountant II before filing, ensuring they cannot be reused inadvertently.

**Check Signing.** The protocol for check signatures at LRGVDC is outlined as follows:

1. Each check issued by LRGVDC mandates two signatures; electronic or mechanical signatures are prohibited.
2. Checks are to be signed by the Executive Director and HR Director. If either of these individuals is unavailable, the Finance Director assumes responsibility for signing.

**Record Maintenance.** The accounting system maintains a master check file. Each invoice is stamped "paid" and thoroughly reviewed for completeness before the payment backup is filed according to payment batches.

**Additional Controls.** LRGVDC maintains additional controls as follows:

1. All checks are assigned pre-numbered sequences and securely stored in a locked file.
2. Unused general fund checks are safeguarded under the custody of the Finance Director.
3. Spoiled checks are rendered void by the Financial Analyst, who marks them with "VOID" and removes the signature block.
4. The issuance of checks made out to "CASH" is strictly prohibited.
5. Signing blank checks is strictly prohibited.
6. Payments undergo review by the Finance Director.
7. Stop payment orders are electronically processed to the bank by the Financial Analyst.

**3.03.03 PAYROLL.** LRGVDC operates on a bi-weekly pay period schedule. Paper checks are issued every other Friday, but only upon employee request. Other employees receive their pay electronically through our ADP payroll system on the same schedule.

Employees are responsible for maintaining records of all hours worked, as well as released time, and appropriately attributing hours to specific projects using designated codes. Our electronic timekeeping system facilitates this process, allowing each program and project to be identified by codes. This protocol is also followed when using paper timesheets.

Time records must be approved by the employee and approved by their immediate supervisor, or a designated representative, before submission to the finance department. These records, whether in paper or electronic format, should be completed daily to ensure an accurate and thorough account of time spent on individual projects.

After the submission of signed timesheets or electronic records, the Director of Finance or their delegate meticulously examines the timesheets to ensure the accuracy of recorded release hours in comparison to the submitted leave records. Additionally, the Director of Finance or their delegate reviews a preliminary Job Cost Report, rectifying any discrepancies identified before re-entering corrected data into the payroll system.

Direct deposit serves as the primary method for paycheck delivery at LRGVDC, unless an employee opts out in writing. Employees opting for direct deposit must complete and sign a direct deposit authorization form beforehand.

**Record Maintenance.** The time sheets are stored within the electronic payroll system (ADP), and for additional backup, copies of these files are downloaded and maintained in a separate shared folder within the finance department.

**Changes in Pay Records.** Payroll changes are initiated by the HR Department and subsequently verified by the finance department, ensuring compliance with approved Personnel Policies for LRGVDC. Any alterations in pay or payroll deductions are communicated to the Finance Director and finance analyst by HR through an Employee Pay Information List before each payroll cycle.

**3.04 MAINTENANCE OF RECORDS AND AUDIT.** The financial records of LRGVDC are organized to furnish independent auditors with various forms of evidence—physical, testimonial, documentary, and analytical. This evidence aids auditors in assessing several aspects, including: compliance with relevant laws and regulations governing financial activities; the accuracy and dependability of information derived from the accounting system; and the availability of adequate, reliable, and pertinent evidence necessary for forming an opinion on the financial statements of LRGVDC.

**3.05 COMPARISON OF ACTUAL BUDGET AMOUNTS.** During the generation of cost reports for each of the grantee agencies, the relevant finance staff member conducts a comparison between actual expenditures and budgeted amounts. Any disparities identified are promptly reported to the Finance Director.

**3.06 DETERMINATION OF ALLOWABILITY OF COSTS IN ACCORDANCE WITH APPLICABLE COST PRINCIPLES.** LRGVDC ensures that costs charged to federal awards, whether directly or indirectly, adhere to stringent criteria. These criteria, outlined in CFR 2 Part 200.403, stipulate the following:

1. Costs must be necessary, reasonable, and allocable.
2. They must align with policies and procedures applied uniformly to both federally-funded and other activities of LRGVDC.
3. Costs must comply with any limitations or exclusions specified in federal or state awards regarding types or amounts of cost items.
4. They should be consistently treated for the same purpose and under similar circumstances.
5. Costs must be determined in accordance with generally accepted accounting principles.
6. Adequate documentation supporting the costs must be provided.
7. They must not be included as a cost of any other federally financed program in the current or prior periods.

Furthermore, all costs must be deemed allowable under the terms of the contract award and/or CFR Part 200.400-475, Cost Principles.

**3.07 ACCURAL BASIS OF ACCOUNTING.** LRGVDC employs the accrual basis of accounting for its day-to-day operations. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligible requirements imposed by the provider have been met.

**3.08 AUDIT TRAIL REQUIREMENTS.** The financial records of the LRGVDC are meticulously upheld to ensure a seamless audit trail. This system facilitates the tracking of

financial balances from the general ledger to the original entry books, the recording of initial accounting transactions, and finally, to the relevant supporting documentation. Granting agencies' officials are entitled to access the books of account and supporting documentation upon their request.

**3.09 RECORD RETENTION.** All financial records, supporting documents, statistical records, and any other non-Federal records related to a Federal award must be preserved for a duration extending from the end of the fiscal year by three years. This retention period commences from the submission of the final expenditure report as conveyed to the Federal awarding agency or the pass-through entity in the case of a subaward.

**OTHER POLICIES.** Additional policies concerning conflict of interest, employee misconduct, reporting LRGVDC accounting/financial concerns, and employee travel are detailed in the LRGVDC Personnel Policies, which is a distinct document.

## **4.00 REPORTING**

**4.01 FINANCIAL REPORTING** Every grantee agency requires different financial reports, each with unique requirements tailored to their specifications. These specific reporting obligations are delineated within each contract award. Adhering to 2 CFR 200.327, LRGVDC meticulously gathers all requisite information stipulated by the terms and conditions of the diverse federal and state awards under its purview.

**4.02 REPORTING AND TRACKING OF IN-KIND MATCH** For the reporting and tracking of in-kind contributions for match:

1. A designated programmatic employee, assigned by the Program Director, will collect and determine the calculated value of the in-kind based on the supporting documentation.
2. A designated employee in the finance department, assigned by the Finance Director, will perform a second review of the calculated value and supporting in-kind documentation.
3. If the designated financial employee cannot reconcile the calculated value of the in-kind to the supporting documentation, it will be returned to the designated programmatic employee for revisions.
4. Reports to funding agencies will be submitted only when both the program and finance employees can reconcile the in-kind value to the supporting documentation



## **5.00 FISCAL MONITORING**

### **5.01 AUDIT REQUIREMENTS** LRGVDC stipulates that a Contractor must provide an audit if the total funds received from State and Federal sources, including those from LRGVDC, exceed the amounts specified in state and federal guidelines for mandatory audits.

1. The Contractor is obliged to conduct an audit in accordance with the standards outlined in the Standards for Audits of Governmental Organizations, Programs, Activities and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984 (as amended in 1996); OMB Circular A-133 Audits of States, Local Governments, and Nonprofit Organizations, and, where applicable, the Uniform Grant and Contract Management Standards (UGCMS).
2. An independent certified public accounting firm must provide LRGVDC with an annual audit within 30 days of receiving the auditor's report(s), or within nine months after the end of the audit period, unless a longer period is agreed upon in advance by the relevant audit agency. Copies of the audit report must be made available for public inspection, unless restricted by law or regulation. The audit should cover the entire organization and adhere to generally accepted auditing standards. Audits conducted under this provision are subject to review and resolution by LRGVDC or its funding source for the specific function area.
3. The Contractor acknowledges that they are responsible for any costs disallowed by LRGVDC due to unresolved questioned costs identified during the audit. All questioned costs must be resolved within 180 days of LRGVDC receiving the Contractor's audit. Failure to resolve questioned costs within this timeframe will result in disallowance, and the Contractor will be liable for such costs.

### **5.02 DESK REVIEWS**

1. Upon receiving the Annual Report and relevant Auditor Comments from the Contractor, a Desk Review is conducted within 30 days.
2. Desk review procedures specified by the Granting Agency are followed during this process.
3. If any findings are identified in the Audit Report, LRGVDC communicates with the Contractor in writing to verify the status of these findings. Projected resolution dates, supported by appropriate documentation, are confirmed and tracked. All communications, whether oral or written, are documented with timestamps and names.
4. The final resolution of all findings is documented in the desk review and subsequently verified during on-site monitoring audits.
5. Supervisory inspection of the desk review by the Director of Finance is documented, including the date, time, and extent of the review.

### **5.03 RISK ASSESSMENT**

#### **1. Pre-Award Risk Assessment**

- a. Prior to executing a contract or disbursing any funds to a subrecipient or contractor, a formal risk assessment will be conducted to evaluate the potential risk of non-compliance with federal statutes, regulations, and the terms and conditions of the award. This assessment will guide the appropriate level of monitoring, oversight, and technical assistance required during the contract period.
- b. Program and fiscal staff will evaluate each potential subrecipient using a standardized risk assessment tool, which scores the following criteria as high, medium, or low risk:
  - Prior experience with similar federal or state-funded projects
  - Results and findings from previous audits, including Single Audits under 2 CFR 200 Subpart F
  - Status and adequacy of internal controls
  - Recent changes in key staff or organizational structure
  - History of federal agency monitoring or compliance reviews
  - Financial stability and administrative capacity
- c. Each subrecipient's score will be documented in the official grant file and used to classify them as low, medium, or high risk. Risk classifications will inform tailored mitigation strategies such as increased monitoring, capacity-building technical assistance, and/or more frequent reporting requirements.
- d. The risk assessment tool will be incorporated into the grant application and review process. Program staff will be trained to complete the tool consistently for each new subrecipient and to upload the completed assessment into the appropriate grant file in the agency's system of record.
- e. Risk assessments will be conducted at the beginning of each grant cycle, prior to contract execution, and maintained in the project file for audit and compliance purposes.

#### **2. Ongoing Risk Monitoring and Site Visits**

- a. Following award and contract execution, ongoing risk monitoring will continue for each contractor. Prior to scheduling monitoring visits, a risk assessment is conducted that considers findings from previous monitoring visits, audit results, and any other relevant information indicating areas of concern. The assessment helps determine the time required for adequate site monitoring and the appropriate frequency of such visits.
- b. The performance sites of subcontractors are also evaluated during this process. Onsite monitoring of any questionable or high-risk sites is conducted to confirm their physical location, invoicing procedures, and business validity.

### **5.04 SCHEDULING OF MONITORING VISITS**

1. Monitoring visit schedules are determined based on the Risk Assessment.
2. Once the timeframe for each visit is established, the monitor notifies the Contractor, providing relevant information such as the date, required pre-monitoring documentation, and on-site documentation.

### **5.05 ON-SITE MONITORING**

1. Monitoring audits adhere to guidelines provided by the appropriate Granting Agency. These guidelines encompass compliance, non-compliance, and comments noted by the monitoring agent.
2. All monitoring files include work papers (copies of sample data) used during the site visit, as well as any memos, faxes, or notations made during or after the visit, or as a result of post-visit phone conversations related to audit issues.
3. Work papers are annotated with the date and time of inspection, along with the identity of the monitoring personnel.

### **5.06 PRELIMINARY REPORTS**

1. Following the completion of on-site visits, a preliminary report is submitted to the Director of Finance for review within two weeks. All documentation related to the monitoring report accompanies the submission for supervisory review.
2. After the Director of Finance reviews the report and discusses the findings with the appropriate finance personnel, a copy detailing the findings is sent to the Contractor, requesting responses within a reasonable timeframe. A copy is also forwarded to the Program Manager.

### **5.07 RESOLUTION OF FINDINGS**

1. Findings are resolved within an appropriate timeframe, depending on their nature and complexity.
2. All correspondence related to the findings is documented in the monitoring folder, including dates, names, and times of events.

### **5.08 FINAL REPORT**

1. Once all issues are resolved satisfactorily, a final report is issued, with a copy sent to the Contractor and included in the monitoring folder for review by state auditors.

## **6.00 AUDIT**

**6.01 GENERAL REQUIREMENTS.** Annual audits will be conducted by an independent public accountant in accordance with the guidelines outlined in 2 CFR part 200.501.

The audit process will align with CFR part 200, the Single Audit Act of 1984 (as amended in 1996), and the State of Texas Uniform Grant Management Standards. It encompasses a comprehensive review, including but not limited to, evaluating internal control systems, ensuring compliance with federal funding regulations, scrutinizing financial transactions and accounts, as well as assessing the financial statements and reports of recipient organizations.

**6.02 DETERMINATION OF THE AUDIT.** The audit will ascertain the following key points:

1. The organization's financial statements accurately depict its financial status and performance in line with generally accepted accounting principles.
2. The organization maintains internal accounting and control systems to ensure that Federal financial assistance programs are managed in adherence to relevant laws and regulations, providing reasonable assurance.
3. Compliance with laws and regulations affecting financial statements and each significant Federal assistance program will be assessed to ensure adherence.

**6.03 REPORT.** In accordance with all relevant Federal, State, and Local regulations, as well as the audit requirements of various funding agencies, the audit report will encompass the following:

1. A comprehensive examination of financial statements, comprising:
  - a. An assessment regarding whether the general-purpose financial statements accurately portray the organization's financial position in accordance with generally accepted accounting principles.
  - b. Detailed general-purpose financial statements, including footnotes and a Statement of Revenues and Expenditures for each program receiving funds. This statement will specify the contract number and period, with expenditures categorized appropriately.
2. A statement addressing compliance and internal control, which should:
  - a. Provide insights into weaknesses and instances of noncompliance within internal control systems, with a separate identification of material weaknesses.
  - b. Detail the nature and impact of any instances of noncompliance with agreement terms and pertinent Federal laws or regulations that could materially affect financial statements or reports.
  - c. Offer an expression of positive assurance regarding compliance with tested items and negative assurance for untested items.
  - d. Include a Schedule of Findings and Questioned Costs (if applicable), listing the program, contract number, identified findings/noncompliance, and the amount of questioned costs.

- e. Present remarks on corrective actions taken or planned to address identified issues.

**6.04 SELECTION OF INDEPENDENT AUDITORS.** Procurement procedures for audit services must adhere to the guidelines set forth in 2 CFR Part 200.509, in addition to all Federal and State Uniform Procurement Standards, and relevant federal and state laws. The selection of auditors will be conducted through a Request for Proposals (RFP) process overseen by the LRGVDC Board of Directors, with a requirement for re-procurement at least once every five years.

**6.05 SUBMISSION OF ACCEPTED AUDIT.** Following completion, the audit report will be presented to the LRGVDC Board of Directors for approval. Subsequently, the audit report will be submitted to the federal audit clearinghouse as outlined in 2 CFR Part 200.512. Copies will then be disseminated to the respective funding agencies according to established protocols.

## **7.0 PROPERTY MANAGEMENT**

### **7.01 STANDARDS.** Assets will be diligently safeguarded and accurately accounted for.

Apart from the controls instituted by grantee agencies, LRGVDC has implemented the subsequent property management controls and procedures.

### **7.02 ACQUISITION.** Acquisition of property shall adhere to the Procurement Standards delineated in the LRGVDC Procurement Policy.

### **7.03 RECORDS.** Comprehensive records will be upheld for all equipment exceeding an acquisition cost of \$5,000. A property acquisition form must be filled out for each tangible property meeting this criterion. This form will include details such as the purchase date, a description of the property, its source (vendor), cost, funding source and percentage, serial number, assigned inventory number, location, title holder, and any subsequent disposition date. These property acquisition forms will be organized by property numbers and overseen by the Procurement department.

The Assistant Director of Procurement is responsible for preparing all property acquisition forms and assigning property inventory numbers and listing each purchase on a composite inventory list for LRGVDC.

### **7.04 USE OF PROPERTY.** It is the duty of the relevant director or program coordinator to ensure that property is utilized for its intended purpose upon acquisition. Personal use of any LRGVDC property is strictly prohibited.

### **7.05 EQUIPMENT STORAGE.** A diligent endeavor will be undertaken to ensure that all property and equipment are stored securely. Office buildings will be locked outside of working hours to safeguard all office equipment and property.

### **7.06 LOST, DAMAGED OR STOLEN PROPERTY.** Any instances of loss, damage, or theft involving accountable property will undergo thorough investigation, complete documentation, and appropriate reporting to the funding agency.

### **7.07 ANNUAL PHYSICAL INVENTORY.** A yearly physical inventory will be carried out, with a designated staff member assigned to perform this task. It is important that this individual is not involved in the procurement or property acquisition process. The physical inventory will involve verifying the existence of each item listed in the inventory and assessing the condition of the equipment. The Procurement Assistant Director is tasked with coordinating the annual physical inventory at the end of the fiscal year. Subsequently, the inventory will be reviewed and approved by the Executive Director.

### **7.08 PROPERTY DISPOSAL.** All decisions regarding property disposals must be recommended by the appropriate director or program coordinator and subsequently approved by the Executive Director.

Property deemed no longer usable must be recorded on the Transfer/Disposition/Lost Property Request Form. This form should include details such as the original purchase date, funding source, and reason for disposal. The form will be prepared by the assistant director, signed by the Finance Director, and reviewed and approved by the Executive Director.

Property Disposition will follow this process: Firstly, equipment no longer required for its original program or project will be offered for use by other programs within the LRGVDC, as mandated, required, and deemed appropriate according to their grants' allowable process. Secondly, if not claimed, the equipment will be made available to other projects or programs associated with LRGVDC, following the stipulated guidelines. Finally, any remaining equipment will be offered for sale to the public.

The public sale may be conducted through auction or via an advertised sealed bid procedure. Documentation of such sales will be retained on file for a period of three years.

- 7.09 DISPOSITION PROCEDURES.** The proceeds generated from the disposition shall either be retained by LRGVDC or returned to the awarding agency, depending on program regulations. Every income from the sale must be documented on the Transfer/Disposition/Lost Property Request Form.

## **8.0 EQUIPMENT INVENTORY WORKSHEET**

The Equipment Inventory Worksheet is formatted as a computerized electronic software.



## ***9.0 ALLOCATION OF DIRECT COST, INDIRECT COSTS, AND EMPLOYEE BENEFITS***

### **9.01 Direct Costs**

1. **Salaries and Wages** - All Staff members of LRGVDC clock in and out daily and enter the project code they are working on. All program activity codes are in a drop-down menu within the ADP software. All time is accounted for in ADP and is reviewed and approved by all employees and supervisors. Payroll is processed on a biweekly basis.
2. **Travel** - LRGVDC's travel policy is to provide reimbursement for approved job-related expenses incurred while conducting official business-related duties of the agency. Employees shall submit a complete and accurate travel expense report no greater than thirty (30) days after an authorized traveler's return. Expense reports shall include required receipts and all other supporting documentation. Mileage and per-diem rates are reimbursed based on rates published by the State of Texas Comptroller of Public Accounts.
3. **Occupancy Expenses** – Occupancy-related costs such as rent, utilities, and repairs and maintenance at our satellite location are directly charged to their designated programs.
4. **Communications** - At our main location telephone and internet costs are computed and allocated to the program to which the employee is assigned. The costs are allocated in direct proportion to the number of phone lines used by the program. Telephone and internet at satellite offices are directly charged to their designated programs.
5. **Printing** - LRGVDC uses leased copiers, each programmed with preset codes used to identify the program and grant where appropriate using the machine and the number of copies produced. Costs related to this pool are recovered monthly based on a proportional share of copies.
6. **Postage** – LRGVDC has leased postage machines that have a prepaid amount. The postage machines have been programmed with preset codes used to identify the program. A Monthly report is run by code with the number of pieces and cost. A journal entry is recorded to charge costs to programs and reduce prepaid accounts.
7. **Supplies and Materials** - Directly identifiable expenses are charged to their designated programs.
8. **Maintenance and Repair contracts** – Directly identifiable expenses are charged to their designated programs.
9. **Subscriptions and Dues** – Directly identifiable expenses are charged to the program requesting and using the publication.
10. **Membership dues** - Professional associations with organizations that enhance the accomplishment of an employee's job are charged directly to the program of the

employee joining the organization.

11. **Conferences and Meetings** - Employees charge their conferences and meetings to their designated programs.

## **9.02 Employee Benefits**

The employee fringe benefit rate is calculated by the Finance Department and submitted to the Board of Directors for approval. The fringe rate is allocated to all salaries and wages.

Employee benefits for LRGVDC are classified as:

- employee benefits that are available to all LRGVDC employees regardless of full-time or part-time status (i.e., unemployment compensation, FICA/Medicare, worker's compensation, and retirement); and
- employee benefits that are available only to full-time employees and part-time employees who work a minimum of 32 hours per week (i.e., vacation, sick leave, holiday leave, and health insurance)

## **9.03 Indirect Costs**

The indirect rate is calculated by the Finance Department and submitted to the Board of Directors for approval. The indirect rate is allocated to all salaries and fringe and charged as a direct cost to all programs.

Indirect Salaries. Indirect salaries of Administration include the Executive Director Office and staff, Finance Department and staff, Human Resource Department and staff, and Business Operations and staff.

### Indirect Non-Personnel Costs

Examples of this type of costs include:

- Professional services (audit and legal), professional memberships, subscriptions, and travel/training of Administration, Executive Director's Office and staff, Finance Office and staff, Human Resource Department and staff, and Business Operations and staff.
- Office supplies, copies, or postage consumed by the Administration, Executive Director's Office and staff, Finance Office and staff, Human Resource Department and staff, and Business Operations and staff.

- Rent and communications for Administration, Executive Director's Office and staff, Finance Office and staff, Human Resource Department and staff, and Business Operations and staff.

#### **9.04 Indirect Cost Allocation Plan**

Lower Rio Grande Valley Development Council uses the cost allocation method prescribed in OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 C.F.R. Part 200.

A provisional rate proposal for fringe benefits and indirect costs is submitted annually to LRGVDC's cognizant agency, the US Department of Commerce-EDA, for their review and approval. After year end, a final indirect cost rate proposal must be submitted based on actual costs. Billings and charges to contracts and grants must be adjusted if the final rate varies from the provisional rate. If the final rate is greater than the provisional rate there are no funds available to cover the additional indirect costs, the organization may not recover all indirect costs. Conversely, if the final rate is less than the provisional rate, the organization will be required to pay back the difference to the funding agency.

The cognizant agency provides a letter indicating conditional acceptance of the provisional rate. This letter is maintained on file for all state monitors to view.

***APPENDIX A. ORGANIZATIONAL CHART***  
*[Updated Annually]*

**APPENDIX B. SEPARATION OF DUTIES**

**ANALYSIS OF SEPARATION OF DUTIES**

*Employee Functional Title*

	Executive Director	HR Director	Finance Director	Financial Analyst	Accountant V (x2)	Accountant II (x3)	Individual Programs or Directors or Assistant Directors
<b>I. CASH RECEIPTS</b>							
A. Opens Mail						X	
B. Prepares receipt forms						X	
C. Prepares bank deposit						X	
D. Banks the deposit						X	
E. Compares receipt forms with deposit				X			
F. Maintains receipt register						X	
G. Reconciles bank accounts			X	X	X		
H. Has access to safes			X	X			
I. Maintains receivable ledger				X			
J. Maintains general ledger				X			
<b>II. CASH DISBURSEMENTS</b>							
A. Authorizes disbursements	X		X				
B. Prepares checks						X	
C. Manually signs checks	X	X	X				
D. Compares checks with vouchers				X			
E. Mails or disburses checks						X	
F. Maintains disbursement register				X			
G. Controls blank check forms			X				
H. Has access to safes			X	X			
I. Maintains accounts payable ledger				X			
J. Maintains general ledger				X			
K. Maintains Petty Cash				X			X
L. Audits Petty Cash			X				

	Executive Director	HR Director	Finance Director	Financial Analyst	Accountant II (x3)	Assistant Director of Procurement	Purchaser I (x1)	Individual Programs or Directors or Assistant Directors
<b>III. PAYROLLS</b>								
A. Maintains attendance reports					X			
B. Certifies payroll attendance reports				X				
C. Distributes payroll checks					X			
D. Keeps undistributed checks			X					
E. Maintains employee roster				X				
F. Maintains leave, overtime and earning records				X				
G. Approves personnel actions		X						
H. Maintains payroll expenditures register ledger			X					
I. Certifies authenticity of payees			X					
<b>IV. PROPERTY</b>								
A. Receives incoming equipment							X	
B. Disposes of inventory equipment						X		
C. Maintains inventory listing							X	
D. Compares property information to general ledger accounts			X					
E. Balances property ledger with general ledger accounts			X					
F. Coordinates physical inventory							X	
G. Reconciles physical inventories to inventory listing						X		
H. Ensures property is use for purpose for which it was originally acquired								X

	Executive Director	HR Director	Finance Director	Financial Analyst	Accountant V (x2)	Accountant III (x3)	Individual Programs or Directors or Assistant Directors
<b>V. CLAIMS</b>							
A. Prepares purchase requisitions							X
B. Prepares purchase orders			X		X	X	
C. Approves purchase requisitions							X
D. Receives goods and prepares receiving report							X
E. Compares invoices with receiving reports					X	X	