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1. Overview of the System

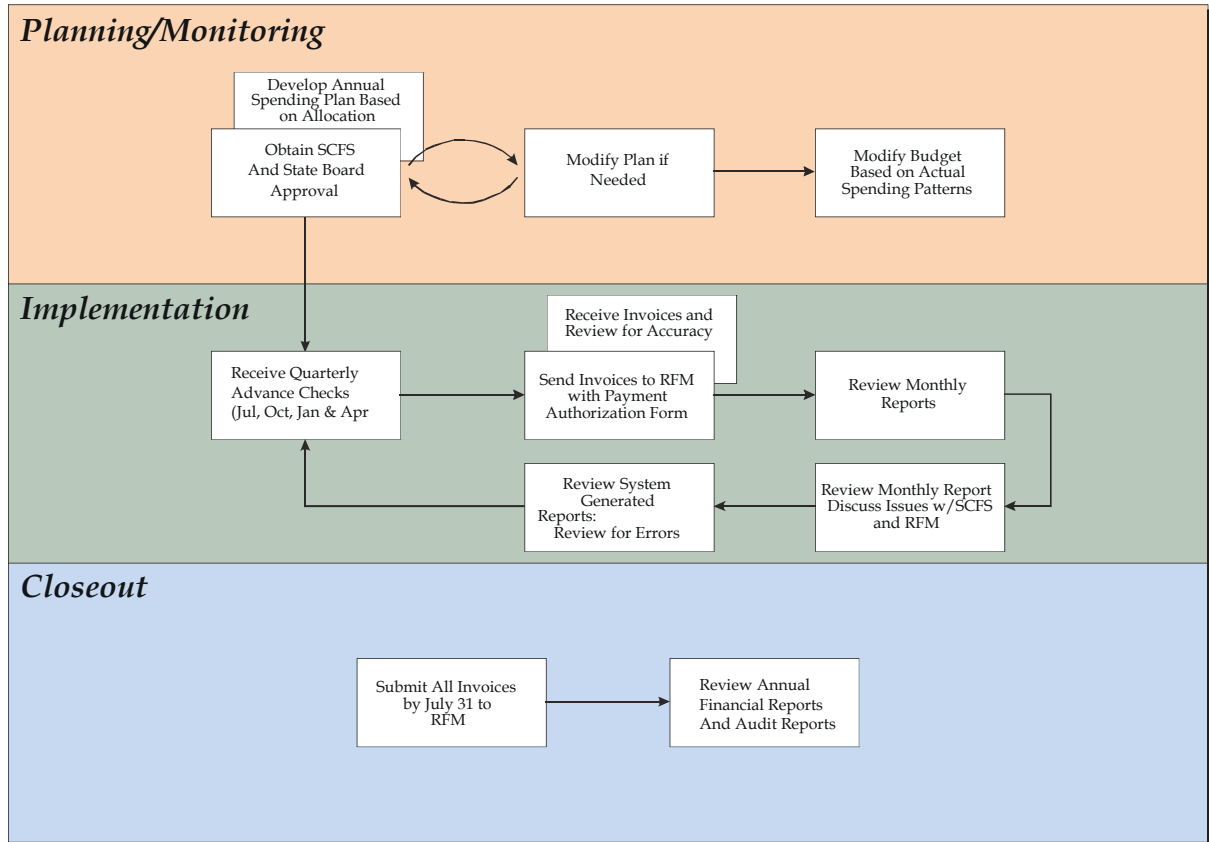
1-A. Flow chart and overview of the system

The elements of the fiscal system are the Budget Spending Plan (BSP) and the accounting system.

- The county completes the BSP each fiscal year during its renewal application process. The BSP is the tool that will serve the counties during appropriation planning and evaluation to open discussion between the county partnership and SC First Steps (SCFS) and it will be used each year to manage your programs as they grow and change. The BSP explains what funding is needed to support the priorities and strategies the county is funding, serves as the document that will set up your accounts, and will establish your quarterly allocation levels. The BSP is also the document will be used by SCFS, the RFM and auditors to monitor spending levels and ensure that spending occurs as planned. The SCFS fiscal office will speak with each county each year about the cash flow needs for each program and will work with each county to complete the BSP. Items agreed upon in the BSP will be coded and entered into the accounting system. Your Regional Finance Manager (RFM) will be assisting you with spending plan management.
- The accounting system (Universal Management System – UMS) will become your record keeper, reporting tool, payment processing system and documentation system. Your RFM will enter all revenues and expenditures into the accounting system and will use the system to manage all funds, including payroll. Auditors will review the reports produced by the accounting system. Certain other legislatively mandated reports, such as the annual match report, will be produced by the system as well.

The charts on the following two pages illustrate the major functions of the fiscal system from the perspective of both the county partnership and SCFS. Each area will be discussed in detail throughout this manual and the policies included will help you operate the system that has been developed for you.

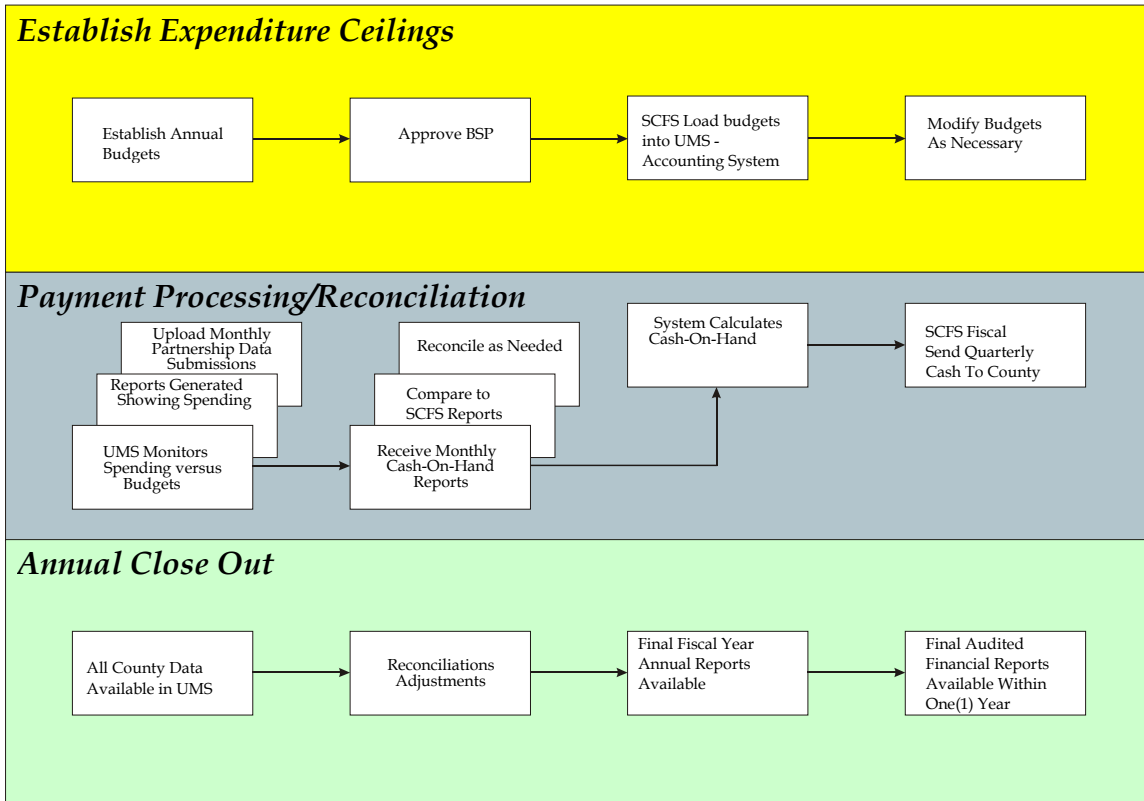
PARTNERSHIP FISCAL SYSTEM



County Partnership Functions

County Partnership activities include planning and monitoring functions, expenditure processing functions, and closeout/reporting functions. The items in the top third of the chart are planning functions. You will conduct these activities annually and semi-annually to ensure that your funding allocations are correct based on your strategic plan and actual program spending. Revisions may be required as the year progresses. The items in the middle of the chart describe how funds are received and how you will pay for services. Functions in this section would be managed on a regular basis (daily or weekly based on size). These functions will allow you to track revenue taken in and expenditures made, and will produce monthly spending reports for your board and SCFS review. Closeout functions are annual functions and are undertaken to balance your books and to help you modify your spending plans for future years based on actual spending patterns. Each year begins anew with the items on the top of the page. You will work closely with your RFM to manage many of the functions illustrated on this chart. All functions are described in detail throughout this manual

SCFS FISCAL SYSTEM



SCFS Functions

Items contained in this chart are the functions that SCFS will be conducting with all county partnerships. Once again, the top third of the chart represents functions that will occur annually and semi-annually. SCFS will work with each partnership to develop and refine the BSP and develop allocation ceilings. Items in the middle section of the chart are related to SCFS' cash management system. SCFS has developed a quarterly revenue disbursement model that will help SCFS and the county partnerships manage cash flow throughout the year. This system of disbursing cash will result in quarterly checks sent to each partnership with an approved Level Two grant. The bottom third of the chart illustrates how SCFS will use county partnership data to produce its legislatively-required fiscal reports and will allow SCFS to complete audits of all SCFS spending in aggregate. In addition, this data will allow SCFS to respond to questions and requests for information required by the legislature or other state entities.

1-B. Why a good fiscal system is necessary for proper fiscal management

All businesses, both public and private, require fiscal control systems to ensure that funding is being managed in a responsible way and that funds are being used to achieve the business' mission in the most efficient and effective manner possible. In addition, the First Steps legislation requires that a uniform fiscal and accounting system be established.

The First Steps legislation requires the following from SCFS' fiscal system:

- An annual report of "in-kind" and "cash" matches be received from all county partnerships
- A uniform accounting system be implemented
- A system of internal controls be developed
- Contract management and monitoring be implemented
- A procurement process be competitive for all purchased goods and services of \$10,000 or more
- Separate and identifiable accounts be maintained for all private (including in-kind) and state-appropriated funds
- Disbursements be made only on the written authorization of the county designee
- A cost/benefit analysis can be conducted using fiscal and program data

To comply with these specific requirements, SCFS has developed a standard system. This will allow the SCFS to:

- Comply with First Steps' legal requirements, South Carolina state law, and IRS 501(c)(3) regulations
- Use the SCFS funding efficiently so that the SCFS can serve families in the most cost-effective manner possible
- Avoid inappropriate spending decisions that could impact the reputation of all First Steps county partnerships
- Avoid negative audit findings
- Avoid misuse of funds and the corresponding penalties set forth in First Steps legislation sections 59-152-150 (D) and (E)

1-C. Calendar of Annual Fiscal Events

TIMEFRAME	EVENT
July 1 st	Fiscal Year begins
Third week of July	First formula allocation cash advance issued for the period July, August & September
By July 31 st	All prior year invoices due to RFM
By August 31 st	All prior year invoices paid by RFM
October 1 st (<i>Projected</i>)	Prior year financial audit begins RFM send reports to auditor
First week of October	Second formula allocation cash advance issued for the period October, November & December
First week of January	Third formula allocation cash advance issued for the period January, February & March
January 31 st (<i>Projected</i>)	Prior year DRAFT financial audits issued
Month of March or April (<i>specific date to be announced</i>)	Next fiscal year budget/formula allocation projections released
March 31 st (<i>Projected</i>)	Prior year FINAL financial audits issued
First week of April	Fourth formula allocation cash advance issued for the period April, May & June
Month of May (<i>specific date to be announced</i>)	Renewal application (including budget) submitted to SCFS
Month of June (<i>specific date to be announced</i>)	Renewal application (including budget) approved by State Board of Trustees
Month of June (<i>before July 1</i>)	New fiscal year budgets loaded into accounting system
June 30 th	Fiscal year ends
First day of each month	Finance reports generated by accounting system and sent via email to all Executive Directors

2. The Fiscal Management System Explained

2-A. Introduction

SCFS has adopted a system to assist you in managing your fiscal responsibilities. As you know, the First Steps law requires each partnership to stay within an 8% administrative overhead cap.

After speaking with many counties and reviewing the North Carolina Smart Start model, we implemented a regional finance management model for fiscal functions, which will take some of the burden off each county's Executive Director. Initially, North Carolina's Smart Start program expected each county to manage its own fiscal and accounting functions. However, with time, it became clear that county staff members were stretched thin, many accounting functions were suffering, and the situation was resulting in negative audit findings. As a result, NC adopted a regional model in which the counties share a professional to complete all accounting functions. First Steps has contract with accounting firms and these firms are called Regional Finance Managers (RFM).

Each RFM will serve each county equally and each county should consider itself a client. As a group, counties will rate the RFM's performance each year. If the majority of the counties find the RFM's performance unacceptable, SCFS will work to correct the situation or replace the RFM.

2-B. Specific RFM Fiscal Functions

Each RFM will be responsible for working with your county on a number of important functions. Some of the major tasks that the RFM will work on throughout the year are listed below.

Ongoing

- ***Only RFMs have access to bank accounts and authorization to sign checks***
- Manage county bank accounts and balances
- Compiling payment authorizations and invoices
- Enter spending data into the accounting system
- Enter revenue data into the accounting system
- Provide quality control for all invoices and payments
- Ensure proper classification of expenditures
- Pay/issue checks for all authorized vendor invoices
- Processing payroll
 - Frequency: (24 or 26 times per year as requested by each county partnership)
 - New employees must document work completed for at least one(1) pay period before receiving first payroll check (*i.e., no employee may be paid before work has been performed*).
 - If RFM prepares payroll, time sheets must be received before payroll checks are distributed/released to the county partnership.
 - If payroll is contracted (*i.e., school districts, United Way offices, other government agencies, etc.*), signed time sheets must accompany the invoice of contract entity.
 - No RFM payroll checks or contract payroll reimbursements should occur without proper (signed) time sheets

Monthly

- Review spending by line-item and project surpluses/deficits
- Conduct face-to-face meetings with County Partnerships (*as requested*)
- Reconcile bank account(s)
- Perform cash-on-hand analysis (*or as necessary*)
- No requirement to provide reports to counties

Quarterly

- Complete federal and state payroll taxes reports
- Unemployment insurance report – ensure compliance with laws

Annual

- Generate audit financial reports
- Act on behalf of county partnerships during audit reviews
- Assist in the development of the annual budgets by providing expense reports
- Prepare county partnerships federal Return of Organization Exempt From Income Tax returns (Internal Revenue Form 990)
- Conduct face-to-face meetings with County Partnerships (*as requested*)

Other

- Maintain all necessary financial reports according to federal and state regulations
- Maintain all necessary reports for county partnerships to maintain non-profit status

In this manual you will find detailed directions that will assist you in completing all the transactions involved in completing the items discussed above.

2-C. Monthly Reports

Each month you will receive reports from the SCFS accounting system that gives you detail on each of your spending accounts. These reports will tell you exactly where your actual spending has fallen below or above your expected spending.

You will receive the following reports via email directly from the accounting system:

Last day of each month:

- Program Budget and Expense Summary
- Center Budget and Expense Summary
- Category Budget. vs. Expense (Detailed)
- Current CASH Balances (Non-Formula Allocation)
- Interest Income
- Legislative Match Report

Every Monday:

- Bank Check Register (Last 30 days)

You have direct access to various other report formats and you may generate and print any report 7 days a week 24 hours per day – anytime.

When you receive these reports you should:

- Review these reports for accuracy
- Discuss emerging spending patterns with your vendors and understand why spending is occurring slower or faster than expected and whether your vendors still expects to spend its entire contract award by the close of the fiscal year
- Use to determine your available cash balance
- Discuss these findings with your RFM to alert him/her of upcoming spending patterns
- Discuss with your board any case in which a vendor will be unable to spend its entire contract award as you may wish to redirect a portion of this budget to another program

3. Budget Spending Plan (BSP) Development

3-A. What is the Budget Spending Plan?

As counties develop programs, they will be asked to use the Budget Spending Plan (BSP) form to plan expenditures. This document will assist in planning and explaining the structure of programs.

After the needs and resources assessment is complete and the county board has chosen its program focus areas, each county will be asked to complete a procurement process, as necessary, to select who will implement the proposed programs. Once responses are in and vendors have been selected, the county will develop a Level Two BSP. (Details on the procurement process can be found in Chapter 8.)

The BSP forms found within the Level Two grant application package are provided to help you show OFS, and the evaluation committee, what programs each county plans to fund and at what levels they will fund them. The BSP will allow the county to discuss expenditure types in detail and will divide expenditures into annual spending projections. Detail should be provided by expenditure type for each initiative and local match should be listed wherever possible.

OFS will use the BSP to send county's quarterly cash advance disbursements and manage cash flow. In addition, the BSP will establish expenditure ceilings for each model code and will control significant changes in spending by limiting shifts from spending items without prior approval from OFS.

During the BSP development process each county will also show that they will operate within its 8% administrative overhead cap. Partnerships requesting cap waivers will do so during the Level Two process; however, you should be aware that only a few waivers have been granted to date and waiver requests are discouraged.

The coding system used in the BSP mirrors the coding system that will be used in the accounting system and will allow cost/benefit analyses to occur by linking fiscal and programmatic data.

The BSP will be the only fiscal planning document that a county will produce for OFS. Counties may request technical assistance in completing the forms at any time.

BSP documents will be produced on an annual basis at the start of each fiscal year or when a partnership receives Level Two approval. Spending will be monitored against this document throughout the year.

In the remainder of this chapter, BSP forms are explained in detail.

3-B. Budget Spending Plan Format

The BSP is an EXCEL document that has been developed to perform a number of functions. To develop a BSP that complies with OFS policies and with state law, counties will need to pay special attention to chapters 4 and 5. Chapter 4 spells out the rules governing match, supplantation, capital and administrative overhead. Chapter 5 discusses how the line item and accounting coding system works. Remember that each county will need to read and understand these two areas before developing the BSP documents.

Some of the functions of the BSP are as follows:

- To control spending within programs and limit the ability to spend in a way that is significantly different than portrayed in the approved Level Two grant application
- To help the partnership plan spending by program code, which assists in program/subcontractor monitoring
- To allow the partnership to manage spending by fund source as required by First Steps Legislation
- To enable the evaluation team to use fiscal data to conduct cost/benefit analyses
- Distribution of **county partnership office operation budgets for administrative functions (1012) and indirect programmatic function (1502)** should include but are not limited to the following line items: office rent, office phone, office supplies, office equipment (leased or purchased), utilities, travel, etc. **A minimum of 25%** must be reflected in administrative functions (1012) and the balance reflected in indirect programmatic functions (1502). The total line item operations (*office rent, office supplies, office phone, office equipment (leased or purchased), utilities, travel, etc.*) budget between program codes 1012 and 1502 must equal 100%. Board (model code 5190) and miscellaneous (model code 5199) budgets are strictly administrative and cannot be distributed to indirect programmatic functions (1502).
- Distribution of budget for **in-house direct service programs** should include but are not limited to the following line items: office rent, office phone, office supplies, office equipment (leased or purchased), utilities, travel, etc. These line items should reflect 100% distribution for each in-house implemented program/strategy. Proper cost allocation ensures that **all** programs (*as well as in-house*) capture all applicable expenditures.
- Line item budget distribution must be reflected in increments of 5% for **salary only**. For example: Executive Director salary
 - County Administration (1012): 30%
 - County Indirect Programmatic (1502): 45%
 - Child Care Quality Enhancement (6012): 20%
 - Child Care Training & Professional Development (6052): 5%

There are four different pages contained within the BSP. OFS will assist a county in filling out these pages, if necessary, during the annual BSP workshop. The five pages are discussed below.

1. **Budget Spending Plan Summary Page:** This page is the cover page for the BSP. It tells the reader what the partnership plans to spend in total for each program by fund source. In addition, the page lists the match and administrative overhead percentages.
2. **County Administrative Functions Page:** This form is for the costs associated with county administration dollars. Partnerships will incur certain costs associated with administering the program. These costs might include, and are not limited to, the majority of the director's salary, paper and office supplies, and the cost of office space. Please remember that directors may also be performing programmatic functions such as developing a system that rewards child care workers who receive advanced degrees. When this is the case, a portion of the director's salary can be considered programmatic and does not count against the 8% administrative overhead cap. For more detail on how to divide county operations costs, please refer to Chapter 4b.
3. **County Indirect Programmatic Functions Page:** This form is for county operations costs that are programmatic in nature and DO NOT count towards the 8% administrative overhead cap. Please refer to Chapter 4b to understand how to make these decisions.
4. **Recipient/Sub-contractor or In-House Program Pages:** There are a number of blank program pages within each BSP template. Counties will fill out one for each type of program they are funding. Each county will use a different form for each sub-contractor and use different forms for a sub-contractor that has a variety of programs. The list of codes that you will use to assign program to sub-contractors can be found in Chapter 5.

PLEASE CONTACT OFS FINANCE FOR THE MOST RECENT BSP FORMAT

3-C. Carry Forward of Unspent Budget Policy

Many times, a government agency will reclaim all unspent budget authority in a particular fiscal year. Often this causes programs to attempt to spend all funds by the end of the fiscal year to avoid losing funding. This can lead to poor spending decisions that are based on spending money and maintaining funding levels and not on your programs' specific needs and goals. This behavior is commonly referred to as the "use or lose" mentality.

First Steps Legislation Section 59-152-140 – Carry Forward for County Partnerships.

Effective July 1, 2008, it is the policy of OFS to allow you to access 100% of your unspent state appropriated – fund 10 and Education Improvement Act (EIA) – fund 55 budget formula allocation in the immediate following fiscal year. You will be required to use the carry forward budget in the immediate following fiscal year within the programs approved in your renewal application. New programs not approved in your renewal application must be separately approved by the SC Board of Trustees as per normal new strategy procedures.

If you have unspent budget, it is possible that among other reasons you:

- Were able to negotiate a better price for materials and/or services than you anticipated in your BSP development process thereby resulting in cost savings;
- Were unable to start a program as quickly as expected due to procurement issues and therefore did not achieve the capacity expected by the year end; or
- Were unable to find the population for your programs that you anticipated.

Please remember that to receive approval to spend carry forward of unspent appropriated budget you must:

- Obtain financial reports from your RFM reflecting how much fund 10 and/or fund 55 unspent prior year appropriated budget allocation is available
- Develop a plan that corresponds to your strategic plan
- Obtain a county partnership board vote that approves the use of carry forward from the immediate prior fiscal year to be used in the new fiscal year only
- Conduct an official RFQ competitive bid process if the cost of the materials and/or services are \$10,000 or more
- Obtain approval from OFS
 - Submit allocation/reallocation form after June 30th when all prior year invoices have been paid
 - Cannot be placed in "Pending" status in budget spending plan

Restrictions on the use of unspent carry forward appropriated budget:

- Must be totally used in the following fiscal year
- Cannot be carried forward for more than one fiscal year. **For example**, FY 10 unspent fund 10 state appropriated budget cannot be carried forward into FY 12. FY 10 carry forward budget must have been entirely spent in FY 11.
- Carry forward **state** appropriation will be identified by accounting fund code **11**
- Carry forward **EIA** appropriation will be identified by accounting fund code **56**
- RFMs will automatically move cash/revenue between state funds 10 & 11 or 55 & 56 as necessary to pay your invoices

E X A M P L E

Wonderland County First Steps Partnership has the following state allocated funds:

\$ 100,000 ... FY 11 state allocation/budget (fund 10)

(\$ 90,000) ... FY 11 spent state allocation/budget (fund 10)

\$ 10,000 ... FY 11 unspent state allocation/budget (fund 10) -- **carry forward to FY 12**

If FY 11 carry forward is approved for use in FY 12:

\$ 105,000 ... FY 12 state allocation (fund 10)

\$ 10,000 ... FY 11 approved carry forward (fund 11) to be used **only** in FY 12 (Jul 11 – Jun 12)

\$ 115,000 ... Total state budget authority (funds 10&11) to be used in FY 12 (Jul 11 – Jun 12)

The state allocation increased from \$100,000 in FY 11 to \$105,000 in FY 12 (increase of \$5,000). The FY 11 carry forward amount of \$10,000 was added to the FY 12 state allocation for a total state budget authority of \$115,000 in FY 12. **All carry forward budget authority must be used during the carry forward period or you will lose it.** You should be able to use all of your carry forward each year and not lose any of it during the carry forward period.

NOTE: Use of unspent budget will only be possible if SC First Steps is allowed to maintain its legislated carry forward authority.

4. Required Definitions

4-A. Introduction

Each First Steps county partnership must comply with legislative requirements regarding items such as how to arrive at your 8% administrative overhead cap, the uses of private funding, and how to avoid duplication of local services. To help you comply with these requirements, you need clarification on three important concepts specified in the legislation: administrative overhead, supplantation and capital expenses.

Some guidance on the meaning of supplantation can be found in sections 59-152-20 and -110 in the First Steps legislation; furthermore, for information on administrative overhead and capital expenses, please see sections 59-152-70(B) and 59-152-120 respectively. Because it is not expected that you'll be an immediate expert on First Steps requirements, OFS has developed this chapter to promote your understanding of concepts and policies required for producing compliant budgets and spending plans.

What follows is a general explanation of the manner in which these requirements should be applied to your First Steps program operations, including examples. In brief, the definitions are as follows:

Administrative Overhead

Administrative overhead can be described as the cost of operating the administrative functions of your county partnership office. County partnership spending on administrative costs is limited to 8% of your OFS state-funded allocation. Your administrative overhead cap includes all non-programmatic, state-funded costs. These costs *may* include staff duties such as payroll processing and data entry; the non-program-related costs of operating a county First Steps office including space, supplies, and phone costs; and the administration of sub-contracts, such as those with an accounting firm.

Supplantation

Supplantation exists when a county partnership uses its First Steps state or private funds to pay for First Steps services and/or activities that another funding source is paying for or could pay for either through available funds or funds that could be made available. Some examples of supplantation include funding 5 year-old kindergarten classes; providing literacy services that duplicate "Act 135" programs; providing immunizations for children who would have this service paid from federal programs; paying for breakfasts at a low-income education center.

Capital

First Steps law places certain limits on capital expenditures. These limits include not using state funds to add to or re-design existing office space, installing new carpet, etc. If you need to renovate, refurbish, or upgrade existing facilities, you can only use private funds. OFS recommends that you raise these funds locally. When funding gaps exist, OFS may provide where available, "OFS state-private funds" to assist with the financing of your project. Chapter 4d discusses this issue in detail.

Budget

Your Budget portion of the Budget Spending Plan (BSP) is used as a planning tool to project county expenses over a specific period of time. In the Universal Management System (UMS), budget is loaded as an annual amount down to the line item/model code level. The Budget Spending Plan must equal UMS budgets. Budget Reallocation Forms are required to move budget amounts. UMS software will NOT allow invoices to be paid if there is not enough available budget.

Cash

This is the quarterly check sent to the RFM and deposited into the county bank account. The check amount is loaded into the UMS in the cash account. The current quarterly advance check is reduced based on the amount of cash-on-hand two quarters previous. (i.e. the 4th quarter county request is reduced based on the amount of cash you have on-hand at the 2nd quarter's end).

Revenue

As cash is loaded into UMS in the cash account, it is simultaneously loaded into revenue accounts. Revenue is loaded into UMS at the program code level only. You should expect that revenue amounts will very rarely equal budget amounts because of cash-on-hand reductions and budget reallocations. Budget Reallocation Form completion is NOT required to move revenue. Your RFM may move revenue (with ED email/letter approval) at anytime to pay invoices. This is important to remember because UMS software will NOT allow invoices to be paid if there is not enough available revenue. UMS revenue/cash automatically rolls over to the next quarter and to the next fiscal year

Match

Match is defined as any funding source other than state appropriated dollars. For example: State-level private, local-level private, in-kind or federal grants. Only expenditures in these categories (other than state appropriated funds) will count towards a partnership's 15% match requirement. The collection of a donation does not count unless it is actually spent on partnership operations or programs. In-kind contributions must be received in order to count towards a partnership's 15% match requirement.

4-B. Overhead

The First Steps enabling legislation states: *Overhead costs of [each county partnership's] operations may not exceed eight percent of its implementation/ management [Level Two] grant allocation unless prior approval is received from the First Steps to School Readiness Board of Trustees.*

The following criteria are set forth to enable each county partnership to calculate administrative costs in developing its budget. Note the following: the 8% administrative overhead cap is pertains to “all” grant funds. However, all county partnerships are encouraged to keep administrative overhead as low as possible so that more money can go directly to programs and initiatives that will improve school readiness. For smaller counties, it may be harder to cover administrative costs due to smaller overall state-fund allocations. Smaller counties are encouraged to consider partnering with other counties to share administrative expenses wherever possible, as well as to consider other approaches such as sharing an administrator with another small non-profit in the county.

All county partnerships should use the same criteria to calculate their administrative costs to maintain consistency and equity. Any questions about administrative overhead or other budgetary matters should be directed to OFS at (803) 734-0479.

There are two basic types of administrative overhead costs when operating a program:

- Costs related to operating and administering the county partnership office and activities. Examples of these costs are salaries for an administrative clerk, paper and pens, and the cost of your partnership’s telephone.
- Certain costs contained in your funding recipient’s budgets. These recipients will be referred to as your sub-contracts or sub-contractors. Examples of these costs might be a portion of a supervisor’s salary if she/he manages employees providing direct services for your program, and custodial services for a facility in which you are providing family literacy classes at night.

For purposes of identifying administrative costs **that must be counted** within the 8% administrative overhead cap, include all costs related to operating the county partnership office and any costs contained in sub-contracts whose **primary purpose** is administrative support to the county partnership. The 8% administrative overhead cap **does not** include any administrative costs included in sub-contractor budgets where the primary purpose of the contract is direct services.

Administrative costs related to sub-contracts

Nearly all of your county partnership’s sub-contracts in Level Two will be used to provide direct services. Direct services would include, but not be limited to, early education programs, parent education, child care subsidies, family literacy, health screenings, information and referral services to help families access child care programs in your area, transportation, capacity building, and quality enhancement.

All direct service programs will require a minimal degree of administrative overhead and, as a result, you will find that some sub-contractors have included administrative costs in their budgets. Examples of some of these items might be:

- Custodian services to clean up after an early childhood program
- Certain furnishings
- Clerical and accounting support to enable an early childhood program to operate
- A portion of a supervisor's time if that person is managing the time of the direct service providers for whom you are paying
- Office space to enable an early childhood program to operate

Whenever these costs relate directly to school readiness, they **do not** fall within the 8% administrative overhead cap. If the nature of the subcontract is programmatic in nature, the entire contract is treated as programmatic. While it is true that a small amount of administrative costs will be included in these sub-contracts, the **purpose** of the sub-contracts is to improve school readiness and provide services to families. Therefore the small administrative cost is considered part of the direct service provided, and not considered part of your 8% administrative overhead cap.

However, occasionally the purpose of a sub-contract may be purely administrative in nature (e.g., the cost of an accountant to produce payroll and annual reports). In these cases, all costs are counted within the administrative overhead cap.

In making a decision about whether sub-contractor administrative costs should be included in your county partnership's administrative overhead cap, you should ask yourself:

What is the purpose of this sub-contract?

If the answer is – “*to directly provide school readiness services to children and their families*” you **do not** need to include any sub-contractor administrative costs within your 8% administrative overhead cap.

If the answer is – “*to assist the county partnership carry out its administrative duties*” all costs **must be included** within your 8% administrative overhead cap.

It is important to note that while administrative costs that naturally follow from direct service sub-contracts do not fall within the 8% administrative overhead cap, the county partnership may choose to limit or not fund administrative expenditures by a direct service sub-contractor. Limiting administrative costs within your direct service sub-contracts helps to provide services to a greater number of children and families. Note: Remember that First Steps funds can never be used to replace funds from any source that are available or could be made available.

County Partnership Administrative Costs

County partnership administrative costs are those costs necessary to operate the county partnership office and board. Some administrative costs may be funded with matching dollars (cash or in-kind). In these cases, as with any such funded sub-contractor costs, the costs do not fall within the 8% administrative overhead cap because the 8% cap is based on the total annual county budget (all funds). **In program code 1012, each element of cost (model code) must be a minimum of 25% of that particular model code in your county-wide budget.**

Examples of some administrative costs that should generally be included within the 8% administrative overhead cap:

- The salary of state-funded county partnership employees unless some or all of such persons' activities are classified as program-related (see "Split Positions" below)
- Benefits related to state-funded administrative employees
- Telephone and postage
- Office equipment and supplies
- Liability insurance
- Travel
- Computer/fax
- Office/meeting space
- Sub-contractor services, as necessary, for accounting, legal services, etc.

Split Positions

Some staff members included in your county partnership's central administrative budget may perform both administrative and programmatic functions. To correctly divide these employees' salaries between administrative and programmatic functions for determining what percentage of their salaries and benefits should be included in the cap, they must keep careful track of their time each week. Time sheets should accurately document how many hours a person worked on administrative functions versus how many hours worked on program functions. Please note that clerical staff time is never programmatic in nature.

It is critical that any such staff person documents a split of duties because county partnerships will be asked to document that they kept their state-funded administrative costs within 8%. The following page contains an example showing a week of a director's time and how to do this calculation.

Functions	Mon	Tue	Wed	Thurs	Fri	Total
	4-1-00	4-2-00	4-3-00	4-4-00	4-5-00	
Administration (reports, staff management)	6	8	4	4	8	30
Direct Program Work – Developed quality standards for area child care centers	2	0	4	0	0	6
Direct Program Work – Hosted a family reading night, working with mothers, fathers and children	0	0	0	4	0	4
TOTAL:						40

4-C. Supplantation

What is supplantation?

Supplantation exists when a county partnership uses its First Steps public or private funds to pay for First Steps services and/or activities that another funding source is paying for or could pay for either through available funds or funds that could be made available.

The First Steps legislation, Section 59-152-20, specifically prohibits supplantation:

First Steps funds must not be used to supplant or replace any other funds being spent on services but must be used to expand, extend, improve, or increase access to services or to enable a community to begin to offer new or previously unavailable services in [the] community.

Further, Section 59-152-110 offers more legislative guidance on the supplantation issue:

Grant funds may not supplant current expenditures by counties or state agencies on behalf of young children and their families, and may not be used where other state or federal funding sources are available or could be made available.

Why is supplantation an issue for First Steps?

First Steps is working to improve school readiness by offering new and/or expanded existing services to families with young children. Supplantation would be a problem for First Steps if other state, federal, private or local programs shifted their existing responsibilities to First Steps. For example, a school district could decide to no longer fund a parent educator so that it could use those funds for something else and expect the First Steps county partnership to pick up the cost. As a result of any such supplantation, fewer dollars would be available for First Steps to expand, extend, improve or increase access to services as required by law. Examples of permissible expanded, extended, and improved services and increased access to services are as follows:

Expand/Extend Services:

Example One: In your community, the school district currently offers 4 year-old kindergarten to many children. However, school district 4-year-old kindergarten programs generally have a long waiting list.

- You would be expanding services if you funded increased capacity that allowed more 4-year-old children to attend kindergarten or if you funded a new 3-year-old program.
- You would be supplanting funds if you paid for the existing level of services being provided by the school district for 4-year-old kindergarten.

Example Two: In your community, a non-profit provides parenting services to parents of children that have serious emotional needs. However, more staff is needed to reach the number of children/families needing services and currently not receiving them.

- You would be extending services if you paid for additional staff for the non-profit in order to provide services to parents in need that currently do not receive services.
- You would be supplanting funds if you paid for staff in an area that is already receiving services, thereby allowing the non-profit to decrease its existing funds allocated to the program.

Improve Services:

Example One: In your community, many child care centers do not have accreditation by the National Association for the Education of Young Children (NAEYC) and their staff members do not have advanced degrees. You want to improve the knowledge and skill level of staff members in order to help them to meet NAEYC requirements.

- You would be improving services if you helped these existing programs - funded by other agencies to provide child care - seek accreditation and thereby creating higher quality programs.
- You would be supplanting funds if the Child Care Development Fund (CCDF) quality enhancement funds were set aside for your community for these purposes but were not being accessed.

See section below entitled “Quality enhancement for child care providers” for additional information on child care staff training.

Increase Access:

Example One: In your community many children lack appropriate medical care including vaccinations, and this is shown by your needs/resources assessment to negatively affect school readiness. You find that many eligible children are not enrolled in the state’s health insurance program for children.

- You would be increasing access if you worked with the local Department of Social Services (DSS) office to improve outreach and enrollment (assuming that no other funds are available for the planned outreach efforts).
- You would be supplanting funds if your partnership covered immunizations and health screenings for these children because currently federal funds are available for these services.

Contact your local health department for specific information regarding available children’s health services.

Whether supplantation of funds exists must be assessed for each requested budget line item in your county partnership's Level Two application. For each line item you are proposing, you should ask:

Is another funding source currently paying for this line item? Could another funding source be accessed to pay for this line item?

Your needs and resources assessments should help you answer these questions. In addition, some common areas for which funding sources are available to pay for services and activities are as follows:

Medical Services: It is possible that certain unmet medical needs in your community affect school readiness. Medicaid funds are available for comprehensive children's medical services for many children and must be used instead of First Steps funds whenever possible.

- Recent legislative changes have increased the number of children eligible to receive services.
- Coverage in South Carolina has been extended to children within 150% of the Federal Poverty Level (FPL).
- The Department of Health and Human Services (DHHS) and DSS determine eligibility.
- To learn more about this program in your area and how to improve collaboration – call DHHS at (888) 549-0820 or speak with the DSS representative on your county board.

Child Care Subsidies: The DSS, through Child Care and Development Funds (CCDF), administers the ABC Child Care Program. This program helps parents who fall within low-income guidelines and are working, in school, or in training, with the cost of child care services. Families who may be eligible to receive ABC Child Care assistance include participants in job or educational placements through the South Carolina Family Independence Program, and low-income working families who have gross income that is at or below the federal poverty level (FPL) based on their family size. To avoid supplantation, you Families participating in your child care scholarship program are either over the state program's income level, or are on a waiting list for services. Child Care and Development Funds are also used to extend the day and provide full-year care in some Head Start programs. First Steps funds must not be used where this is occurring or where funds not currently accessed could be made available for such services/activities.

To learn about privately-operated child care centers that meet higher program standards contact the ABC Child Care Program.

Quality Enhancement for Child Care Providers: A portion of all CCDF funds must be used for quality improvement initiatives. In South Carolina, DSS provides training and technical assistance to child care providers interested in obtaining a higher level of care e.g. accreditation. Since 1992, the ABC Child Care Program provides higher rates and bonuses to child care providers that achieve higher levels of care. Child care providers receiving grants from First Steps must first use a portion of their funds to achieve license status and then to achieve a higher level of care. First Steps funds must be used to expand, extend or improve the quality of services. Before you commit to fund a

child care quality improvement or capacity building program/strategy, check with the DSS/ABC Child Care Program to ensure services are not being duplicated as well as funding.

The T.E.A.C.H. (Teacher Education and Compensation Helps) Early Childhood® Project is being implemented statewide as of January 2001. T.E.A.C.H. provides scholarships for teachers working in child care to complete course work in early childhood education, and increases compensation upon reaching certain educational objectives. Before you commit to fund scholarships for child care teachers or enhance child care worker compensation, contact the T.E.A.C.H. Early Childhood® Project for additional information.

Early Education: Preschool and kindergarten programs are provided through the public school system. Extended day 5-year-old kindergarten is mandatory and is available for all 5-year-old children. The Early Childhood Development and Academic Assistance Act of 1993 (ACT 135) requires all school districts to provide at least a half-day early childhood development program for 4-year-old children who have significant readiness deficiencies. Some school districts use local funds or Title I funds to serve a larger population of 4-year-old children and some school districts use that funding to extend the day from half-day programs to all day. Five districts use Montessori programs and serve a small population of 3-year-olds in those multi-aged classrooms. A few districts also use local funding and/or Title I funds to serve 3-year-olds. Additionally, Head Start, a federally funded pre-school program, serves children from low-income families. First Steps funding should not be used to provide those services during the times in which these programs operate to children already covered by those programs. However, a partnership might consider extending or expanding these services. Remember that this cannot occur if the First Steps funding would allow the school district to cut existing funding allocated to early childhood education or remove funds from a planned expansion.

When considering offering pre-school programs in the community, first contact the local school district office(s) and the local Head Start office and/or the ABC Program at DSS to learn about existing programs and funding sources. Also, you should gather information concerning plans for school district expansion. Finally, consider those existing early childhood education programs operated by child care centers.

Family Preservation/Development Services: DSS has been mandated to work with families at risk of disruption. These services are provided with the use of a variety of state and federal funds including Social Service Block Grant (SSBG) and Title IV-E funds. Before funding these types of services, you should ask the DSS representative on your county board if this proposed activity/service is - or could be - covered using existing program resources or those that could be made available.

Nutrition: Women, Infants and Children (WIC) and the Free and Reduced Breakfast/Lunch Programs are two examples of programs that exist to help children receive proper nutrition. Before funding a pre-school nutrition program using First Steps funds, you should contact the local health department to learn how these programs work or could work in your area to avoid duplicating funding already available.

Parenting and Family Literacy: The Early Childhood Development and Academic Assistance Act of 1993 (ACT 135) require all school districts to develop and implement parenting/family literacy

initiatives. Initiatives must provide parent education and family literacy to parents who have children ages 0-5 and wish to participate. Special efforts must be made to recruit parents whose children are at risk of school failure. In accordance with ACT 135 requirements, staff members from the Office of Early Childhood Education provide statewide, regional and local training and technical assistance to facilitate the development and implementation of district parent education and family literacy initiatives. Currently more than 4,000 families remain on school district waiting lists statewide for these types of activities/services. Please contact OFS for the Office of Early Childhood staff person assigned to work with your county. Also, the State Department of Education manages the “Even Start” program, a federally-funded family literacy program.

Supplantation vs. Supplementation

The First Steps legislation prohibits the use of First Steps funds to “supplant” existing programs; however, it allows First Steps funding to “supplement” existing programs if there is evidence of the existing program’s effectiveness. *Supplementation* is adding First Steps funding to existing effective programs to expand, extend or improve them. The difference between supplantation and supplementation is sometimes hard to define. The important thing to remember is:

Did your resources assessment determine all current or potential funding sources available to meet the needs not covered as determined by your needs assessment?

Steps to Take/Questions to Ask to Avoid Supplantation

1. Did your resources assessment address all current and potential funding sources for this identified community need and still find a gap in funds?
2. Is this item an unfunded mandate required by federal, state or local law?
3. Have you ensured that no existing funds or funds that could be made available could or should pay for this initiative? (Include any funds that your collaborative partners could make available.)
4. If you are considering expanding services, did the board work with its collaborative partners to encourage them to increase their funding for this initiative first?
5. If you fund this activity/service, are you certain that another federal, state, or local program will not decrease its existing funding in the community for that activity/service?

If you are able to answer “yes” to each of these items it is unlikely that you are supplanting any funding. Please note that because the First Steps legislation specifically prohibits supplantation, the OFS pays careful attention to any possibility of supplantation in the Level Two review process.

4-D. Capital

The First Steps legislation Section 59-152-120, states:

Funds received for implementation of a county partnership's implementation/management grant may not be used for capital expenses for new construction. However, funds may be made available for renovating, refurbishing, or upgrading of existing facilities used to support First Steps to School Readiness activities and services for children, families, and providers from funds made available to the partnerships in Section 59-152-150(C) and Section 20-7-9740(A). The county partnership must demonstrate to the satisfaction of the First Steps to School Readiness Board [State Board] that the capital expenditure is:

- (1) a priority need for the local initiative and other state or federal funds for such projects are insufficient; and,
- (2) necessary to provide services to under-served children and families.

What are capital expenses?

These are the costs for new construction or existing building renovations. They include things such as constructing a new building or shed, adding or re-designing existing office space, installing new carpet, etc. Capital improvement is any new item/structure affixed to an existing structure that increases the value of the existing structure.

Can I use First Steps funding for capital expenses for new construction?

State dollars received for implementation of a county partnership's renewal plan **may not** be used to support *any* expenses for new construction or renovating, refurbishing or upgrading of existing facilities. **Your county partnership's local private cash funds (fund code 20) are the ONLY dollars that may be used for new construction projects. Any county considering a new construction project using local private donations should discuss this with OFS.**

What if a program needs to renovate, refurbish or upgrade an existing facility?

County Partnerships are encouraged to seek out private funds to support those expenses. However, such improvements must be demonstrated through the annual renewal plan to be a priority need for the county initiative, other state or federal funds for such projects must be insufficient and the initiative must be necessary to provide services to under-served children and families. To determine if an improvement expense is permissible, ask these questions:

- ⇒ *Is this expense absolutely necessary to ensure the success of the First Steps initiative?*
- ⇒ *Are other state or federal funds available for this project?*
- ⇒ *Is this expense necessary to provide services to under-served children and families?*

If you can justify the need for using private funds for improvement expenses, then conduct an exhaustive search of local private resources to find a funding source. Once a funding source has been identified, list this expense in your Level Two budget under cash or in-kind match funds for the initiative.

What if the expense is a priority need for the initiative and necessary to provide services but no local private dollars are available?

If you have justified the need for using private funds for improvement expenses and have been unsuccessful in identifying available funds locally, contact OFS. On a case-by-case basis, and depending on fund availability, OFS will consider allocating state-held private funds to assist county partnerships with renovations, refurbishing or upgrading existing facilities. You may also be able to use private funds donated at the state level but designated by the donor for your county, to meet such obligations.

Remember, you must demonstrate to the satisfaction of the First Steps State Board that the improvement expenses are a priority need for the county initiative, that other private, state or federal dollars are not available and that the improvement expenses are necessary to provide services to under-served children and families. If you request consideration for state-held private funds in your Level Two budget, list your total request in the column “privately donated funds requested from OFS.”

Do First Steps’ rules on non-duplication and supplantation of funds apply to improvement expenses?

Absolutely. “First Steps funds must not be used to supplant or replace any other funds being spent on services.” S.C. Code § 59-15-20. “Grant funds may not...be used where other state or federal funding sources are available or could be made available.” S.C. Code § 59-152-110.

5. The Accounting Coding System

5-A. Introduction

To monitor spending and revenue, the OFS has developed a coding system that is carefully tailored to meet the needs of the First Steps initiative. This system will allow us to manage and track spending effectively, and will allow the program evaluation team to compare spending data with service data to measure the OFS' outcomes.

Because the OFS has adopted a Regional Finance Manager (RFM) model, you will be required to become somewhat of an expert in the coding system described in this chapter. You will use this system to create your Budget Spending Plan (BSP) and monitor your programs using reports generated from the Universal Management System (UMS).

You will have the help of your RFM and the OFS in using this system. The RFM and the OFS will assist you with any questions you may have regarding UMS. Your OFS Technical Assistance (TA) Liaison will assist you with selecting the proper codes relating to your county partnership's programs.

Once you have developed your BSP using the codes discussed below, the OFS will use the information to enter your budgets into the accounting system. This system will generate various reports that you can use to monitor your programs' operations throughout the year.

Spending and Revenues will be coded on three levels to accommodate state law and evaluation needs. In addition, each county will have an identifying number so that OFS fiscal staff can review county spending. The three levels of coding are as follows:

- **Fund Source Level:** First Steps legislation requires that private funds be maintained separately from state appropriated funds. To satisfy this requirement, the OFS has established a fund source coding system that identifies one source of funding from another and allows OFS to track spending against each source of funds.
- **Program Code Level:** To monitor spending by contractor and by program type, OFS has developed a programmatic coding structure. This will allow you to track the spending levels in your various initiatives. Since the same coding structure will be used throughout the state, OFS will be able to measure how much is being spent on each program area. For example, OFS could tell the legislature how much is being spent by First Steps statewide on the program Parents as Teachers. This data will be used in program evaluation as well.
- **Model Code Level:** This level of coding measures the spending within each program code. Model codes are items such as salaries, utilities, and program materials. Since you will be limited within each program code of your BSP, this level of coding will be important for tracking purposes.

The following section discusses each of these coding levels in further detail.

5-B. Fund Codes

As you know, the First Steps legislation requires state funds to be maintained separately from private funds for accounting purposes. To accomplish this goal, we have developed fund source codes.

Each budget, expenditure and revenue item will be accounted for by the fund codes as follows:

Fund Number	Fund Name	Description of the Fund's Content
10	State Appropriation	State appropriated funds by formula allocation to county partnerships from the state level
11	State Appropriation	State appropriated funds to county partnerships. Carry forward from prior fiscal year – from fund number 10
15	State Private	Private funds that are donated to First Steps program at the state level (<i>counts towards county partnership 15% legislated match requirement</i>)
20	Local Private	Local funds that are donated directly to the county partnership (<i>counts towards county partnership 15% legislated match requirement</i>)
25	In-Kind	In-kind donations that are donated directly to the county partnership and are “ valued ” contributions per the policies found in chapter 6 of this manual (<i>counts towards county partnership 15% legislated match requirement</i>)
30	Federal Funds	Federal funds granted to county partnerships directly or from a pass-through entity (<i>counts towards county partnership 15% legislated match requirement</i>) – 15% match EXCLUDES federal TANF formula allocations from SC First Steps to School Readiness (FYs 09-11)
31	T.A.N.F. Federal Funds	Federal Temporary Assistance to Needy Families (TANF) funds allocated by formula to county partnerships from the state level – beginning FY 12 (July 1, 2011). (<i>does not count towards county partnership 15% legislated match requirement</i>)
35	Lottery Appropriation	Lottery funds appropriated to county partnerships from the state level
40	Local Private	Local funds that are donated directly to the county partnership used as match to lottery appropriation
45	In-Kind	In-kind donations that are donated directly to the county partnership and are “ valued ” contributions per the policies found in chapter 6 of this manual and used as match to lottery appropriation
50	Federal Funds	Federal funds granted to county partnerships directly or from a pass-through entity and used as match to lottery appropriation

55	Education Improvement Act (EIA) <i>Allocation</i>	EIA appropriated funds by <u>formula allocation</u> to county partnerships from the state level
56	Education Improvement Act (EIA) <i>Carry Forward</i>	EIA appropriated funds to county partnerships. <u>Carry forward</u> from prior fiscal year – from fund number 55
57	Education Improvement Act (EIA) <i>CTK Program</i>	EIA appropriated funds to county partnerships from the state level specifically for the Countdown to Kindergarten (CTK) summer program. These funds are in addition to other EIA distributions from the state level.
60	4-K (CDEPP) Appropriation	Supplemental Child Development Education Pilot Program (CDEPP) state appropriated funds to county partnerships from the state level specifically for 4-K expansion in non-school district settings.
65	Centers of Excellence Appropriation	Supplemental state appropriated funds to county partnerships from the state level specifically for private child care providers' centers of excellence.
70	Nurse Family Partnership	State appropriated funds to selected county partnerships from the state level specifically for the Nurse Family Partnership program

For each accounting period, your total spending will be made up of these items. Not all fund sources may be used by every partnership. Your RFM will assist you in developing a BSP that estimates the spending by fund that you will need on a quarterly basis for each of your programs. The RFM will manage the accounting of your funds and provide monthly reports that will keep you up to date on your account balances.

Once your spending and revenues have been loaded into the accounting system, you will receive reports that will compare your spending to your budgets. You can work with your RFM to make modifications to your BSP with OFS approval throughout the year. In January of each year, there will be a formal mid-year review that will provide an opportunity to re-visit budget projections and refine them where necessary.

5-C. Program Titles and Codes

For each program type you offer, you will use a program title and code for tracking purposes. These titles and codes will be used statewide and will allow OFS to measure program spending by programmatic initiative. For example, each county will use the same program title and code for all spending in the program initiative “Mother Read/Father Read – 0202” and, as a result, this program’s results can be tracked at your partnership as well as statewide.

If you use multiple vendors to provide the same program, you will also identify the contract number. This will allow your RFM to work with you to manage your internal finances. **It is critical that you always ensure that the proper codes are included on each invoice payment authorization form.** Reports are generated and First Steps’ evaluations are designed based on these codes. If improper codes are placed on invoice payment authorization forms, data will be collected incorrectly and the OFS’ evaluation results will be impacted.

The statewide program coding system has been developed using program initiatives that counties may be considering at this time based on TA input. In addition, codes were included with input from North Carolina’s Smart Start program. This list will not remain constant throughout the life of this program. This list will grow as counties initiate new ideas to improve school readiness.

When you are working on your BSP with your TA, you may feel that some codes do not fit your program needs. In this situation, you must work with your TA to develop a new code that will be distributed statewide. Therefore, program codes will grow and evolve over time.

When you receive your monthly reports, you will be able to review each program. Each will be monitored separately within the accounting system. This will allow you to monitor the spending patterns of your contractors and measure their actual spending against their expected spending. Remember, modifications to the BSP are possible and you should work with your RFM and OFS to make these changes.

On the following page, you will find the codes that you must use to develop your BSP. Remember, you will have assistance in developing your BSP and your TA will work with you to select the correct codes for your programs.

Category	Code	Definition
County Operations		
Pending Strategy Approval	0000	Used as a holding status for budget or revenue that has not been designated to a specific program.
Administrative Functions	1012	Administrative costs associated with operating the county partnership office
Indirect Programmatic Functions	1502	Programmatic costs that may occur at the county partnership level.

PRIVATE – Parenting / Home Visitation		
Parents as Teachers	2010	Nationally certified program – may include other support services during PAT sessions
Parent Child –Home	2060	National home-visiting parenting model designed to prepare young children for school success
Healthy Families	2070	A national program designed to help expectant and new mothers get their children off to a healthy start
PAT&PCH	2100	Combined use of nationally certified programs, based on family's need
Family Literacy Model Programs	2110	Activities that incorporate the four key components e.g. EVEN START (child care, adult ed, parenting, parenting/child interaction), other services may be included but these components must be evident.
Early Steps	2130	Parenting program in partnership with non-public entities
Nurse Family Partnership	2140	Home visitation for the nationally certified program

PUBLIC – Parenting / Home Visitation		
Parents as Teachers	2011	Nationally certified program – may include other support services during PAT sessions
Parent Child –Home	2061	National home-visiting parenting model designed to prepare young children for school success
Healthy Families	2071	A national program designed to help expectant and new mothers get their children off to a healthy start
PAT&PCH	2101	Combined use of nationally certified programs, based on family's need
Family Literacy Model Programs	2111	Activities that incorporate the four key components e.g. EVEN START (child care, adult ed, parenting, parenting/child

		interaction), other services may be included but these components must be evident.
Early Steps	2131	Parenting program in partnership with school district and Save The Children
Nurse Family Partnership	2141	Home visitation for the nationally certified program

IN-HOUSE – Parenting / Home Visitation

Parents as Teachers	2012	Nationally certified program – may include other support services during PAT sessions
Parent Child –Home	2062	National home-visiting parenting model designed to prepare young children for school success
Healthy Families	2072	A national program designed to help expectant and new mothers get their children off to a healthy start
PAT&PCH	2102	Combined use of nationally certified programs, based on family's need
Family Literacy Model Programs	2112	Activities that incorporate the four key components e.g. EVEN START (child care, adult ed, parenting, parenting/child interaction), other services may be included but these components must be evident.
Nurse Family Partnership	2142	Home visitation for the nationally certified program

PRIVATE – Other Parenting / Family Strengthening

Parent Training	2030	Programs to improve parenting skills not specifically targeted at literacy.
Fatherhood Initiatives	2080	Programs specifically targeted at fathers that seek to improve parenting skills

PUBLIC – Other Parenting / Family Strengthening

Parent Training	2031	Programs to improve parenting skills not specifically targeted at literacy.
Fatherhood Initiatives	2081	Programs specifically targeted at fathers that seek to improve parenting skills

IN-HOUSE – Other Parenting / Family Strengthening

Parent Training	2032	Programs to improve parenting skills not specifically targeted at literacy.
Fatherhood Initiatives	2082	Programs specifically targeted at fathers that seek to improve parenting skills

PRIVATE – Literacy

Mother Read/Father Read	2020	Nationally certified program
Other Family Literacy/Learning	2040	Programs that assist parents with improving family literacy skills e.g. Reach Out and Read, Success by 6 Initiatives, literacy bags/kits etc.
English for Speakers of Other Languages (ESOL)	2050	ESOL based programs design to provide appropriate and effective English language instruction to help parents and their families with English language proficiency
Library Based Programs	2090	Library based literacy/education programs

PUBLIC – Literacy

Mother Read/Father Read	2021	Nationally certified program
Other Family Literacy/Learning	2041	Programs that assist parents with improving family literacy skills e.g. Reach Out and Read, Success by 6 Initiatives, literacy bags/kits etc.
English for Speakers of Other Languages (ESOL)	2051	ESOL based programs design to provide appropriate and effective English language instruction to help parents and their families with English language proficiency
Library Based Programs	2091	Library based literacy/education programs

IN-HOUSE – Literacy

Mother Read/Father Read	2022	Nationally certified program
Other Family Literacy/Learning	2042	Programs that assist parents with improving family literacy skills e.g. Reach Out and Read, Success by 6 Initiatives, literacy bags/kits etc.
English for Speakers of Other Languages (ESOL)	2052	ESOL based programs design to provide appropriate and effective English language instruction to help parents and their families with English language proficiency
Library Based Programs	2092	Library based literacy/education programs
Imagination Library (Dolly Parton)	2122	Cost of staff books and other related materials

PRIVATE – Early Education

Full Day 4K	3140	Full day 4K in private facility
Half Day 4K	3160	Half day 4K in private facility
Early Education for children under 4	3180	Program for children under 4 years old
Special Needs 4K	3190	4K programming for children w/special needs



Early Head Start	3210	Activities that assist with the expansion of Early Head Start Programs (activities not funded by Head Start).
Enhanced Early Education	3200	A program (<i>not 4K</i>) that includes enhancements such as parenting classes, etc.
Enhanced 4K Early Education	3220	A private full day 4K early education program that includes program enhancements such as parenting components, etc.

PUBLIC – Early Education

Full Day 4K	3141	Full day 4K
Half Day 4K	3161	Half day 4K
Extended 4K - partial day to full day	3171	Extends partial day 4K to full day 4K
Early education for children under 4	3181	Programs for children under 4 years old
Special Needs 4K	3191	4K programs for children with special needs
Enhanced Early Education Program (<i>Not 4K</i>)	3201	A school-based early education program (<i>not 4K</i>) that includes enhancements such as parenting classes, etc.
Early Head Start	3211	Activities that assist with the expansion of Early Head Start Programs (activities not funded by Head Start).

IN-HOUSE – Early Education

Early Head Start	3212	Activities that assist with the expansion of Early Head Start Programs (activities not funded by Head Start).
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PRIVATE – School Transition (*summer/weekend/after hours*)

Weekend Program	4010	Weekend early education programs
Summer Program	4020	Summer early education programs
Evening Program	4030	Evening early education programs
Enhanced Program	4040	An early education program (summer, weekend, or after work) that includes an enhanced family component

PUBLIC – School Transition (*summer/weekend/after hours*)

Weekend Program	4011	Weekend early education programs
Summer Program	4021	Summer early education programs
Evening Program	4031	Evening early education programs
Enhanced Program	4041	An early education program (summer, weekend, or after work) that includes an enhanced family component

IN-HOUSE – School Transition *(summer/weekend/after hours)*

Countdown To Kindergarten	4062	Countdown to kindergarten summer program
Education Outreach	4072	Programs that assist parents and early childhood educators in transitioning children to kindergarten classrooms

PRIVATE – Transportation Programs

Transportation to Early Education	5010	Activities designed to provide transportation to early education
Transportation to Health	5020	Activities designed to provide transportation to health programs
Transportation Other	5030	Activities designed to provide other transportation for families to attend family skills programs or other programs

PUBLIC – Transportation Programs

Transportation to Early Education	5011	Activities designed to provide transportation to early education
Transportation to Health	5021	Activities designed to provide transportation to health programs
Transportation Other	5031	Activities designed to provide other transportation for families to attend family skills programs or other programs

PRIVATE – Quality Enhancement Programs

Child Care Quality Enhancement	6010	Activities design to assist child care providers in attaining a higher level of care e.g. registered to licensed, enhanced, or national accreditation (e.g. the purchase of materials/supplies and improvements to the child care facility and/or playground).
Salary Enhancements	6020	Bonuses or stipends paid to child care staff who has achieved degrees in early childhood education.
Tuition Reimbursements	6040	Activities to reimburse early educators for part of the cost of an early ed degree program
Child Care Training and Professional Development	6050	Training that enhances the staff's knowledge of early childhood education.
Substitute Payments	6070	Payments for substitute staff in child care facilities while permanent staff attends school and on-going training.

PUBLIC – Quality Enhancement Programs

Child Care Quality Enhancement	6011	Activities design to assist child care providers in attaining a higher level of care e.g. registered to licensed, enhanced, or national accreditation (e.g. the purchase of materials/supplies and improvements to the child care facility and/or playground).
Salary Enhancements	6021	Bonuses or stipends paid to child care staff who has achieved degrees in early childhood education.
Tuition Reimbursements	6041	Activities to reimburse early educators for part of the cost of an early ed degree program
Child Care Training and Professional Development	6051	Training that enhances the staff's knowledge of early childhood education.
Substitute Payments	6071	Payments for substitute staff in child care facilities while permanent staff attend school and on-going training.

IN-HOUSE – Quality Enhancement Programs

Child Care Quality Enhancement	6012	Activities design to assist child care providers in attaining a higher level of care e.g. registered to licensed, enhanced, or national accreditation (e.g. the purchase of materials/supplies and improvements to the child care facility and/or playground).
Salary Enhancements	6022	Bonuses or stipends paid to child care staff who has achieved degrees in early childhood education.
Tuition Reimbursements	6042	Activities to reimburse early educators for part of the cost of an early ed degree program
Child Care Training and Professional Development	6052	Training that enhances the staff's knowledge of early childhood education.
Substitute Payments	6072	Payments for substitute staff in child care facilities while permanent staff attend school and on-going training.

PRIVATE – Child Care Expansion

Resources & Referral Services	7010	Activities designed to provide guidance and oversight to child care providers to enhance the quality of services and use of existing resources
Facility Expansion	7020	Activities designed to increase child care spaces where needs are unmet in your community-with a focus on quality
Scholarship Initiatives	7030	Activities design to provide additional child care slots for families eligible for child care subsidy.

PUBLIC – Child Care Expansion

Resources & Referral Services	7011	Activities designed to provide guidance and oversight to child care providers to enhance the quality of services and use of existing resources
Facility Expansion	7021	Activities designed to increase child care spaces where needs are unmet in your community-with a focus on quality
Scholarship Initiatives	7031	Activities design to provide additional child care slots for families eligible for child care subsidy.
Centers of Excellence	7041	Program data collection ONLY
Scholarships (DSS Initiative)	7051	Scholarships initiative in collaboration with SC DSS – funding with federal, state-level private and local-level private dollars

IN-HOUSE – Child Care Expansion

Resources & Referral Services	7012	Activities designed to provide guidance and oversight to child care providers to enhance the quality of services and use of existing resources
Facility Expansion	7022	Activities designed to increase child care spaces where needs are unmet in your community-with a focus on quality
Scholarship Initiatives	7032	Activities design to provide additional child care slots for families eligible for child care subsidy.
Centers of Excellence	7042	Program data collection ONLY
Scholarships (DSS Initiative)	7052	Scholarships initiative in collaboration with SC DSS – funding with federal, state-level private and local-level private dollars

PRIVATE – Health Programs

Public Health-Based Services	9010	Activities design to help eligible families access health programs in their community.
Non Home-based Services	9020	Activities designed to provide non-home based health services for families ineligible for any insurance programs
Nutrition Programs	9030	Activities designed to provide nutrition training to families
Home-based Services	9050	Activities designed to provide supportive home based health services for families ineligible for Medicaid
Evening Health Services	9060	Evening health services to families with children under 5
Health and Human Services Coordination	9070	Service integration activities, case management or direct services that a family may need to help improve school readiness through holistic and targeted approach.

PUBLIC – Health Programs

Public Health-Based Services	9011	Activities design to help eligible families access health programs in their community.
Non Home-based Services	9021	Activities designed to provide non-home based health services for families ineligible for any insurance programs
Nutrition Programs	9031	Activities designed to provide nutrition training to families
Home-based Services	9051	Activities designed to provide supportive home based health services for families ineligible for Medicaid
Evening Health Services	9061	Evening health services to families with children under 5
Health and Human Services Coordination	9071	Service integration activities, case management or direct services that a family may need to help improve school readiness through holistic and targeted approach.

IN-HOUSE – Health Programs

Public Health-Based Services	9012	Activities design to help eligible families access health programs in their community.
Non Home-based Services	9022	Activities designed to provide non-home based health services for families ineligible for any insurance programs
Nutrition Programs	9032	Activities designed to provide nutrition training to families
Home-based Services	9052	Activities designed to provide supportive home based health services for families ineligible for Medicaid
Evening Health Services	9062	Evening health services to families with children under 5
Health and Human Services Coordination	9072	Service integration activities, case management or direct services that a family may need to help improve school readiness through holistic and targeted approach.

5-D. Model Titles and Codes

Within each program code, there will be a number of model codes. These are related to what are commonly referred to as “charts of account.” These model codes describe the type of expenditures that are occurring within each program and tell you how much of your program’s costs are paying for items things such as salaries, supplies, program materials, etc. This will help you measure whether your sub-contractors are managing within the budgets you have developed with them. Your RFM will assist you by providing you with regular reports.

This level of detail is important to be certain that sub-contractors are not spending outside of your budget agreement. Each fiscal year, your budgets will be established and spending limits will be set for each model code within each program code. Your RFM will help you monitor spending within model codes against your budgets for each model code and will alert you when changes may be necessary. In general, model codes are self-explanatory, but please refer any questions on these codes to your RFM and/or OFS Finance. The model codes are as follows:

COUNTY OPERATIONS -- PAYROLL

Model Code Item	Model Code Number	Definitions
Executive Director Salary	5102	Salary for Executive Director on county partnership payroll.
Administrative Assist Salary	5103	Salary for Administrative Assistant on county partnership payroll.
Program Director Salary	5104	Salary for Program Director /Coordinator on county partnership payroll.
Program Assistant Salary	5106	Salary for Program Assistant on county partnership payroll. <i>(assistant to program director/coordinator)</i>
Program Specialist Salary	5107	Salary for Program Specialist on county partnership payroll. <i>(specialized staff)</i>
Program Educator Salary	5108	Salary for Program Educator on county partnership payroll. <i>(PAT, PCH, health, etc.)</i>
Payroll Taxes	5113	Social security and Medicare taxes required by the federal government for county partnership employees
Fringe	5114	Employee benefit costs for county partnership employees (i.e., health ins., dental ins., life ins., unemployment ins., retirement)

COUNTY OPERATIONS – NON-PAYROLL

Model Code Item	Model Code Number	Definitions
Professional Development for FS Staff	5115	Registration costs associated with conferences/trainings for county partnership staff only
Consultants for Partnership	5120	Those hired as <i>non-county partnership staff/employees</i> for a short-term or long-term basis to provide a defined service
Office Rent	5150	Rent for your office space
Office Utilities	5155	Electricity, gas, water and sewage, etc.

COUNTY OPERATIONS – NON-PAYROLL

Model Code Item	Model Code Number	Definitions
Telephone	5160	Costs associated with telephone costs including installation, internet connections and cellular phones
Office Equipment and Furniture – Leased	5165	Lease for office equipment such as copiers, faxes, computers...
Office Equipment and Furniture – Purchased	5170	Purchased office equipment such as faxes, computer and furniture
Office Supplies	5175	Supplies such as paper, pens, and small items such as postage. Also may include printing/copies and bank blank check re-orders.
Insurance (non-health)	5180	Insurance if required for liability...
Travel	5185	Travel expenses (lodging, mileage and meals) for staff based on partnership policy and reimbursement rates
Board Expenses	5190	Board expenses including food and board travel....
Food	5195	Food expenses for meetings during mealtime ONLY. (<i>County Partnership Operations Only</i>)
Meeting space rental	5196	Meeting space rental for meetings if required
Advertisements	5197	Personnel position hires, media (newspaper, TV, etc.)
Memberships	5198	Due for memberships and subscriptions (i.e., SCANPO, magazines, etc.)
Miscellaneous	5199	Items/services not specified above; may include such items as but not limit to: SLED reports, janitorial services, website services/hosting, bank service charges, storage fees, shipping charges, P.O. Box rental, facility maintenance, etc.

PROGRAM MATERIALS

Model Code Item	Model Code Number	Definitions
Curriculum Materials	5301	Materials to enhance the learning environment or experience of young children birth to 5 e.g. curriculum materials, software, manipulatives, educational toys, materials for learning centers.
Other Materials	5302	<u>Not curriculum materials:</u> new baby kits, baby car seats, hygiene kits, etc
Books	5303	Books, pamphlets for library-based, literacy, parenting/ family strengthening/health, and early care and education programs.
Toolkits/Book Bags	5304	Toolkits or book bags for any program – includes all items in bag (i.e., books, pencils, paper, etc.)
Food For Programs	5305	Cost of food <u>when no catering services are involved.</u>
Playground Materials	5306	Cost of materials for a playground – <u>no equipment</u>
Furnishings	5307	Furniture costing <u>less than \$1,000</u> per item

PROGRAM SERVICES

Model Code Item	Model Code Number	Definitions
Executive Director	5351	Contracted and not on county partnership payroll
Program Assistant / Coordinator	5352	Contracted and not on county partnership payroll
Teacher Salary	5353	Contracted and not on county partnership payroll
Teacher Assistant Salary	5354	Contracted and not on county partnership payroll
Home Visitor Salary	5355	Contracted and not on county partnership payroll (includes parent educators)
Substitute Teacher	5356	Contracted and not on county partnership payroll
Other Salaries	5363	Contracted and not on county partnership payroll – any other program salaries not listed above
Support Staff	5364	Contracted and not on county partnership payroll
Payroll Taxes (FICA)	5365	Contractor's social security and Medicare taxes required by the federal government.
Fringe Benefits	5366	Contractor's employee benefit costs (i.e., health ins., dental ins., life ins., unemployment ins., workers' comp., retirement)
Travel/Transportation	5367	Cost of mileage, meals and lodging (including cost of drivers)
Telephone - Vendor	5368	Costs associated with telephone costs including installation, and internet connections and cellular phones

Model Code Item	Model Code Number	Definitions
Leased Space – Vendor	5369	Cost of renting or leasing the use of a contractor's facility.
Utilities – Vendor	5370	Cost of facility gas, electricity, water, sewage, etc.
Professional Development	5371	Training of contractors' employees for programs
Presenters / Trainers	5372	Cost of speaker fees and related travel.
Consultant Services	5373	Consultants/mentors for program support (<i><u>other than technical assistance</u></i>).
Food for Programs	5374	<i><u>When food is catered</u></i> and the cost of the service is more than the food itself.
Scholarships	5375	Child care scholarships via SC DSS, private contractor or in-house.
Stipends	5376	Cost of stipends paid to Countdown to Kindergarten teachers and other contracted personnel.
Technical Assistance	5377	Cost of contracted staff to perform technical assistance to county partnerships, vendors, and other local agencies.
Field Trips	5378	Cost of field trips for children such as fees and travel.
4-K Child Tuition	5379	Cost of 4-K tuition (tuition is inclusive of salaries, payroll taxes, benefits, prof. dev., etc.)
Facility Maintenance	5397	Cost to maintain and up-keep contractor's facility such as: custodial, plumbing work, painting, etc.
Administrative Oversight	5398	Cost of contractor's overhead for services not directly allocated to the program.
Miscellaneous (<i><u>Programmatic</u></i>)	5399	Programmatic miscellaneous services not listed in any other model code

PROGRAM EQUIPMENT

Model Code Item	Model Code Number	Definitions
Equipment and Furnishing – Purchased	5401	Cost associated with the PURCHASE of computer, fax machines, copiers, printers, furniture costing <u>\$1,000 or more</u> per item, etc.
Equipment – Usage/Lease	5402	Cost associated with the USAGE/LEASE of computer, fax machines, copiers, printers, etc.
Playground Equipment	5403	Cost to purchase playground equipment

PROGRAM RENOVATIONS

Facility Renovations	5500	Spending on programmatic renovations necessary to operate an OFS pre-approved initiative – <i>remember that renovations can only be funded with private dollars</i>
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PROGRAM CAPITAL IMPROVEMENTS

Capital Improvements	5600	Constructing a new building; adding a new room; add external storage space; new or replace fence; playground equipment affixed to the ground, etc.
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Please remember that you will have the assistance of the OFS in making decisions about what codes apply to which costs. You will not have to make entries into the accounting system, as the RFM will provide this service for you. There are only four(4) situations in which you will need to work with the coding system:

1. Establish your budget BSP so the OFS can set up your accounts within the accounting system.
2. Coding Invoice Payment Authorization Forms
3. Reviewing your monthly spending and revenue reports that will be sent to you by your RFM.
4. Budget reallocations

This coding system will allow OFS to keep careful watch of its resources while providing the evaluation team with the ability to measure First Steps' outcomes.

6. OFS Matching Requirements for Valued and Non-Official Match/“Other In-kind” Contributions

6-A. Introduction

First Steps legislation requires that the Office of First Steps establish guidelines to ensure that counties meet their 15% matching requirement. The law also requires an *annual report*, completed by the fiscal manager, which will document the value of the match amounts for audit purposes. As a result, OFS has developed simple methods that will help you track, monitor and report your match. Please note that not all items are considered “official” match contributions and, therefore, do not count towards the 15% legislative match. For example, First Steps legislation does not allow partnerships to count items including goods, services, and salaries that are funded with state dollars as official match. This non-official match is not included in the audited fiscal system; however, OFS plans to capture this information on a separate annual report, to demonstrate local community support.

This chapter will help you further determine which items can and cannot be included as official match as well as how to report both non-official and official match. Section (a) will show you how to determine if an item is official or non-official match. Section (b) will cover the documentation of in-kind match; section (c) will cover the documentation of cash match, and section (d) will cover the documentation of non-official match/“other in-kind” contributions.

Note: For the purposes of this manual the terms non-official match and “other in-kind” contributions are used interchangeably.

The two types of contributions are as follows:

- **Valued Contributions:** *Direct cash, donated goods or donated professional services* that your program needs to operate its initiatives. These contributions must comply with OFS policies and procedures, be considered necessary and reasonable for the accomplishment of First Steps’ activities, be properly documented, and be entered into the accounting system. These contributions will be audited and, as a result, careful procedures for calculating and documenting these items must be followed. Guidelines are contained within this chapter.
- **“Other in-kind” Contributions:** *All other* contributions of time, services or goods that do not count toward your 15% match and are not included in the accounting system. Contributions that fit this category include items funded with state dollars, items that are not technically “essential” to the operation of your program, time spent on board meetings, and volunteer time. These contributions will not be audited but are considered valuable indicators of local community support and should be recorded outside of the accounting system. Procedures for collecting and reporting on these items can be found in Chapter 6d.

Remember, “valued” contributions are items you would have been required to purchase to operate your program. Even though these contributions are being donated, they must offset a real cost to you. Because they offset a real cost, they are treated as revenues and expenditures within the accounting system.



What questions do I ask when determining whether a contribution is “valued” or “other?”

1. Does appropriate documentation exist to withstand audit?
2. Is the contribution necessary and reasonable for the accomplishment of First Steps activities?
3. Would the cost be “allowable” if OFS state allocation dollars were used?
4. Is the contribution a direct cash donation or can a monetary value be placed upon it?
5. Does the contribution contain only non-state dollars?

If you can answer, “yes” to all these questions, then count the contribution as a “valued” contribution and follow the appropriate documentation procedures found in chapters 6a and 6b. If you answer ‘no’ to any one of the questions then count the contribution as an “other in-kind” contribution and follow the appropriate documentation procedures found in Chapter 6d. The chart below further highlights the components that apply to each type of contribution.

Components of Valued and “Other in-kind” Contributions

Components	Valued Cash and In-Kind Contributions	“Other In-Kind” Contributions and Volunteer Services
Contribution has valued worth	Yes	Yes
Contribution is funded with state dollars	No	Yes
Contribution is necessary and reasonable to accomplish First Steps’ activities	Yes	No
Contribution only serves to support or enhance the First Steps’ initiative	No	Yes
Contribution counts toward the 15% mandated match	Yes	No
Contribution is entered into the accounting system as cash, in-kind or private dollars	Yes	No
Contribution must comply with First Steps policies and procedures	Yes	Yes
Backup documentation is required	Yes	Yes
Professional volunteer service that can be valued	Yes	No
Board and Committee time spent conducting the business of the agency	No	Yes – Volunteer Services
Summary information can be generated to use for Board and other entities	Yes	Yes

The following chart will aid you in deciding which type of contribution is “valued,” which is “other,” and how to report them.

6-B. Counting and documenting IN-KIND contributions that meet your 15% matching requirement

The challenge in managing in-kind contributions lies in determining which items may be counted and which items may not. The information starting on page 5 of this chapter can help you decide how to make these decisions. Once you have determined that an item “counts” as a valued in-kind contribution, follow the steps below.

- Include the item on your budget spending plan (BSP) documents. Be sure in-kind items are entered in the “in-kind match” column and not the “cash match” column.
- Once an in-kind cost has been incurred, contractors will send the partnership an invoice for these items. Invoices should be sent no less frequently than monthly or quarterly. This will ensure that your partnership has time to make spending changes if a sub-contractor’s rate of spending is slower than expected.
- The Executive Director (ED) or his/her assistant should review the invoice to be sure it matches the BSP spending plan figures. More match is great, but less match than expected might require a call to the contractor to be sure they are still on target.
- Invoices must reflect detailed calculations of exactly how the total match amount was derived.
- The ED will then approve these items and submit them to the RFM for entry in the accounting system. A form will also accompany a copy of the invoices telling the RFM that this contribution may count toward the 15% match requirement.
- The ED must maintain a copy of the invoice and the authorization form.
- The ED will receive monthly expenditure reports from the RFM reflecting the status of the partnership’s match. The RFM will also maintain copies of contractor invoices that provide back up for the contribution during an audit.
- Contractors must maintain detailed back up on how the item was calculated. Remember that all contributions can be audited, so records must be maintained for a minimum of 3 years.
- The ED should conduct annual reviews of contractors to ensure that records are being maintained and calculations are correct.

Your 15% matching requirement will be calculated using reports that measure spending in funds 15, 20, 25 and 30 excluding fund 30 federal Temporary Assistance for Needy Families (TANF) formula allocation. The federal TANF funds within the fund 30 formula allocation from OFS do not count towards the 15% match requirement. This will be an accurate measure of your match each fiscal year because match is based upon ACTUAL spending between July 1st and June 30th of each year.



Counting and Documenting In-Kind Contributions – OFS policy

Section 59-152-130(A) of the enabling legislation requires an annual match of 15% by county partnerships. In-kind donated resources may be used towards the match. “Only in-kind donations as defined by the standard fiscal accountability system ... which meet the criteria established by the [First Steps Board of Trustees] and that are quantifiable may be applied to the in-kind match requirement. Expenses, including those paid ... [by] in-kind contributions, incurred by other nonstate entities participating in county partnerships may be included in determining matching funds.” § 59-152-130(A).

The enabling legislation also requires that the Office of First Steps “shall establish guidelines and reporting formats for county partnerships to document expenses to ensure they meet matching fund requirements. The office shall compile a report annually on the private ... in-kind contributions received by ... [county partnerships].” § 59-152-130(B).

This document details procedures for properly counting and documenting in-kind contributions to a county partnership. Any questions should be directed to the OFS at (803) 734-0479.

Counting In-Kind Contributions

In-kind contributions are donated goods and/or services that reduce the cash expenditures required for a First Steps county partnership’s programs and/or administrative operations.

In order to be counted as an in-kind contribution towards the county partnership’s match the contribution of goods or services must be considered necessary and reasonable for the accomplishment of First Steps’ activities. It is important to count all valid necessary in-kind contributions, but not non-essential items or hours. While many members in the community may volunteer their time or donate items, only the donated services or materials that must otherwise have been purchased to successfully operate a First Steps funded program will qualify as matching funds. Counting items unrelated to your operations will misrepresent the financial picture of your organization in the accounting system.

While you may choose to accept donations that are not necessary to your project or administration operations, these may not be counted as in-kind donations towards the match requirement. For example, should a county establish a family library resource center, the fair market value of all the books that a local bookstore may give to operate the library may be counted as an in-kind contribution. However, should local families drop off clothes that will be made available to families in need, the value of the clothes would not qualify as an in-kind contribution for purposes of determining the county’s “match” of funds. This is not to say that you should not accept these items; however, they should not be counted as an in-kind contribution in the accounting system.



Remember state-funded items may never count as in-kind contributions.

In general there are two types of in-kind contributions:

- ***In-kind contributions of services*** are those provided by an individual with specialized skills. In order to be counted as an in-kind contribution towards the match requirement, these services must be those that otherwise would have to be purchased in order to conduct First Steps funded programs. They are generally reported at the individual's billable rate.
- ***In-kind contributions of goods*** are gifts of supplies, equipment, or other assets. In order to be counted as an in-kind contribution towards the match requirement, these goods must be those that otherwise would have to be purchased in order to conduct First Steps funded programs. They are reported at fair-market value.

Documenting In-Kind Contributions

Correct documentation is a critical element of the in-kind policy. As discussed above, properly documented in-kind contributions may be counted towards a county partnership's match. A report by each county of in-kind contributions received is required annually by the enabling legislation. The calculation and proper documentation of all in-kind contributions will enable auditors to verify that all county partnerships have met their 15% match requirement where in-kind contributions are used to meet that match.

Below are discussed items you might consider as in-kind contributions to your county partnership, as well as assistance deciding when you can properly count items in-kind. Of course, this list is not exhaustive. Any questions in this area not answered below should be asked of your Technical Assistance Liaison or Rodney Jenkins.

Discussion of In-Kind Contributions of Services and Goods

A. Service/Personnel – salary and fringe

Someone wants to donate time to First Steps and you hope to count this time towards your match. To count a person's hours, you must answer **"yes"** to all of the following:

1. *Would I have otherwise hired someone using First Steps funds to carry out my project or operate the central administration of First Steps?*
2. *Is this person considered a "professional" (as defined in A.2. below) as relates to the type of service(s) s/he wishes to provide in-kind?*
3. *Can I obtain accurate calculations and documentation showing the fair market value of the services s/he is donating and the exact number of hours worked?*



1. *Would I have otherwise hired someone using First Steps funds to carry out my project or operate the central administration of First Steps?*

You may only count the costs for individuals who will provide services that the county partnership needs. Essentially, if that person did not volunteer his time, you would have hired someone to do the job. For example:

- If you need an **accountant** to do your annual audit and a board member finds an accountant to produce these reports for free, all of the related costs for this accountant would be counted as in-kind.
- If one of your contracts is paying for a **family literacy teacher** and a non-profit organization is paying for half of this person's time, you may count half of the teacher's costs as in-kind, provided that the family literacy teacher is using all of her time on the First Steps program.
- If you are funding a family education program at the local school during the evenings and the school pays the **custodian** to clean up after this event, you may count the custodian's exact time related to the First Steps event as an in-kind contribution at the custodian's hourly rate. However, this can only count if the person is funded with non-state funds.

2. *Is this person considered a "professional" as relates to the type of service(s) that s/he wishes to provide in-kind?*

Whether you may identify the services as an in-kind contribution towards your match depends entirely upon the person's professional status. A professional for the purposes of in-kind is not limited to lawyers, doctors and accountants. Instead, professional - in this case - means that the person is paid or licensed to perform this task "for a living." For those who are "professionals" at a particular task, you may claim the cost at the person's standard rate. For those who are not, you cannot count their services as an in-kind contribution. For example, a painter is a "professional" for in-kind purposes when claimed for hours painting but not for hours reading to children, just as a teacher is a "professional" for in-kind purposes when s/he is teaching, but not a professional when painting.

3. *Can I obtain accurate calculation and documentation showing the fair market value of the services s/he is donating and the exact number of hours worked?*

If your answers to questions 1 and 2 are "yes," you may count the individual's hourly rate or salary prorated to the donated time and the related fringe costs.¹ Fringe should only be added to the value of the person's salary when another agency or firm is donating an employee's time for which they are paying salaries plus benefits. You do not add fringe when a flat professional rate per hour is paid. For example:

- For an accountant who is not part of a firm and bills by the hour, you would count the person's hourly charge for the number of hours worked. So, if the person normally charges \$150/hour and

¹ "Fringe" is the cost of benefits that are normally incurred on top of the individual's base wages/salary.

they spent 10 hours completing your annual report, you could claim \$1,500 as an in-kind contribution. No additional fringe is added on in this example, as all costs are assumed to be included in the person's set hourly rate.

- For split positions, like the literacy teacher in the example above, you would divide the salary in half and add half of the related fringe costs (usually a percentage established by the employer based on actual cost). You would then adjust this based on the percentage of time the person engaged in First Steps work. For example, if this teacher works all year and her salary is \$35,000, you would take half of \$35,000 or \$17,500 and add fringe, which might be an additional 20% or \$3,500. The total would be \$21,000 in in-kind match.
- The custodian in the example above would be handled in the same fashion as the teacher above.

In properly documenting in-kind contributions, you must use the following guidelines:

- **Be certain you can show that this person's time was needed for the operation of one of your projects or administration.** See A1, above.
- **Be sure the person performs work for you as a "professional."** See A2, above.
- **For professional fees** counted as in-kind, use the individual's rate. See A3, above. In this situation, it is best to get a signed invoice or letter clearly stating the hours worked, and the rate per hour, at the person's market value, and that the rate is reasonable. The invoice/letter should indicate that the services were donated in-kind.
- **For salaried staff costs** that are counted as in-kind, you will need proof of the individual's salary and the percentage of time that the person is working on your project. The partnership and program contractor should agree on the individual's salary, related fringe costs, and the percentage of time the person will be designated to First Steps. Be certain that an invoice or letter explains this information, how the fringe rate was calculated and that it is reasonable, and that the services were donated in-kind. Also, be certain that this person maintains a time sheet to show, if required, that they did indeed work for First Steps for the period of time laid out in the agreement.

What services never count?

- Board members' time spent in meetings. This is not considered in-kind per standard accounting policies. However, if a board member who is a lawyer provides needed legal assistance in addition to standard board duties, this time may be counted following the procedures above.
- State funded items.
- Non-professional volunteer hours. See A2, above.
- Hours spent on fund-raising events.

- Time when you did not require the person's services as part of an approved operating cost. See A1, above.

B. Goods

1. Office/Program Space

Space is a common in-kind contribution. To determine the value for in-kind contribution purposes, you should determine the average cost/square foot per year for the particular donated area. To calculate this, identify how many square feet have been donated, and the corresponding value per square foot. Multiply the two and you have the value of the contribution. Some methods to use in determining the square foot value include:

- Contact a local or neighborhood real estate agent and have them write a letter indicating the value of the contribution based on local property rental rates.
- Collect real estate articles from the local newspaper showing the comparable real estate values in the area.
- Obtain a copy of the amount the building owner charges other tenants per square foot.
- Obtain a letter from the contributing agency that documents how it calculated the value of the space contributed.

Remember, generally if someone is contributing space for your program, you do not own the building. Therefore, you cannot count the value of the space at the selling value. For example, if a school district is providing an old building for a program, you cannot claim the property value of the building if they are not providing you the deed to the building. You are simply receiving free rent and you should determine and document that accordingly.

While it is unlikely, in some cases, you may be given ownership of real estate. If this occurs, contact OFS for details on how to proceed with documenting such an in-kind contribution.

2. Meeting Space

Space provided by local agencies, churches or schools generally should not be listed as an in-kind contribution if it is provided for free to other community groups. In order to document that use of meeting space as an in-kind contribution, you must document that the space is typically rented out for meetings and that the rental has been donated or discounted to First Steps. An invoice from the contributing company with the amount charged for room rental, date and time is the best documentation.

3. Food

Like any other allowable in-kind contribution, food can only be claimed as an in-kind contribution for match purposes when it is a project or administration necessity. For example, donated breakfast for children in an early morning child care program would probably qualify as an in-kind contribution. Meals may be counted as in-kind when they are provided at a meeting that occurs at mealtime only. For example, if you have your board meeting from 7 a.m. to 9 a.m., you could count bagels and coffee donated from the local bakery; however, if you meet at 8 p.m. and cookies are donated, the value of the cookies does not count.

To document food as an allowable in-kind contribution for meetings or programs, substantiate the cost, the time, and why the food was needed for the program or meeting. Documentation should also include the beginning/ending time of the meeting, location, the names/number of persons in attendance and purpose of the meeting.

For all food contributions, documentation should include receipts or invoices for all food items purchased or donated.

4. *Equipment*

If necessary equipment such as a fax machine, furniture, dental equipment, etc. is donated to enhance or support a project or administration, it can be counted as an in-kind contribution for match purposes. Include a copy of the manufacturer's price list, receipt, invoice or letter signed and dated by the donor to show the value. Remember that the value must be reasonable and the item must be needed to operate or administer the program.

5. *Supplies*

If necessary supplies such as paper, books, etc. are donated to enhance or support a project or administration, they can be counted as in-kind contributions for match purposes. For example, if a child care center receives a quality enhancement grant from First Steps to purchase books and then the center determines that it needs more bookshelves to hold the new books, then a donation of the bookshelf can be counted as in-kind. Include a copy of the manufacturer's price list, receipt, invoice or letter signed and dated by the donor to show the value.

6. *Photocopies*

Copies can be counted as an in-kind contribution for match purposes when they are necessary to operate a program or for administration. To document these items, maintain a log of the number of copies, general purpose and dates. If a significant number of copies are made (i.e., such as 10,000 copies) you will want to clearly explain the purpose for such a high number (i.e., to produce a brochure for First Steps families).

7. *Utilities*

Necessary utility costs such as electricity, phone services and maintenance are examples of allowable in-kind items for match purposes if they directly relate to the operation of a project or for administration. Ask the donor of utilities to document the value, attaching relevant utility bills as appropriate. If the person who owns the space rolls utility cost into the square foot price of rental for tenants, this should be counted as part of your space costs and should not be double counted.



IN-KIND DOCUMENTATION EXAMPLES:

In-kind match contribution must be identifiable, quantifiable and measurable. For audit purposes, accounting records should demonstrate that calculations used to quantify the in-kind match are reasonable and that the contribution was necessary for the operation of the program.

Below is a **BAD EXAMPLE** of in-kind match documentation:

Wonderland School District #4

“In-Kind Match \$20,000”

One problem with the example presented above is the type of expense(s) incurred is/are not identified. This could represent donated services, supplies, facilities, etc. Secondly, nothing is included to represent how the costs were calculated.

Below is a **GOOD EXAMPLE** of properly reported in-kind match expenditures is as follows:

Wonderland School District #4

PERIOD: January 1, 20xx – March 31, 20xx:	
Supervision of 4K Program – XYZ Elementary	
J. Doe (20% x \$3,000/mo = \$600.00) x 3 months	\$1,800.00
Fringe benefits	\$ 442.68
Mileage (300 miles x \$0.30)	\$ 90.00
Supervision of 4K Program – DEF Elementary	
S. Roe (20% x \$3,200/mo = \$640.00) x 3 months	\$1,920.00
Fringe benefits	\$ 475.19
Mileage (500 miles x \$0.30)	\$ 150.00
Classroom Materials – XYZ Elementary	\$1,120.17
Classroom Materials – DEF Elementary	\$1,475.02
TOTAL	<u>\$7,473.06</u>

*This example clearly identifies program operations and the time period that the goods and services were provided/performed. It also identifies the types of contributions, i.e., donated services (supervision) and materials. The example is also quantitative and auditable because it denotes who the supervisors are, approximately how much of their time was devoted to the program, and their salaries and fringe benefit amounts. **This is the level of detail required on vendor invoices/statements to properly document in-kind contributions.***

In general, vendors should report in-kind match contributions in the same manner and the same level of detail as the expenses presented for cash reimbursements are reported. For those vendors who perform only contract services and generally do not provide expense details, they should submit a separate invoice or statement that clearly identifies the nature of the contribution with sufficient detail to demonstrate their calculation.

The responsibility for maintaining records supporting reported in-kind donations rests with your First Steps County Partnership, not with your vendors. Auditors cannot be expected to contact and visit your vendors in order to obtain sufficient documentation to substantiate your reported in-kind donation. Failure to maintain adequate documentation could result in audit exceptions/findings.

QUESTIONS TO ASK YOURSELF ABOUT VALUED IN-KIND CONTRIBUTIONS

There are numerous additional goods that you may count, when necessary and properly documented, as in-kind contributions towards your match. If you ask the following questions and can answer, “yes” to each of them, count the good as an in-kind contribution.

- *Do I need this item for the operation of my First Steps program or administration?*
- *Do I know the fair market value of this item?*
- *Can I prove the fair market value of this item?*
- *Would an objective person agree with this value?*
- *Is the item funded with non-state dollars?*

New vs. used items

How to correctly determine the value of a used item can be challenging. Remember that an auditor will expect you to have assigned a “fair market value” to each good donated in-kind. Used items can be harder to quantify.

For example, what is the value of a used fax machine for the central office? Some of the ways to determine a fair market value for a used item include:

- Contact a thrift store to determine the value.
- Obtain IRS guidelines for valuing donations.
- Find a classified advertisement in a local paper that is selling a similar item for a particular price.
- Obtain the donating company’s book value of the item.

Remember, your records should include, but not necessarily be limited to, listing the item donated, value, supporting material to explain the valuation, date of donation, purpose and explanation related to First Steps, as well as the signature of the donor.

Discounts

Discounts qualify as in-kind contributions for match purposes when necessary goods or services are received at a reduced price by a First Steps' project or for administration. To be valid, these items would have been purchased at the full market value if a discount were not offered. The discount must be shown as a special contribution to First Steps that is above and beyond the donor's usual business practices.

For example, a sale at Wal-Mart advertised in the paper is not a discount for First Steps "in-kind" match purposes. However, if the local store gives you a special discount, it would count. A special discount might be half-price office supplies that are necessary for the First Steps office, and that half-price discount would be counted as an in-kind contribution of goods.

To document discounts, identify the full market value and actual price paid. The discount is the difference between the full market rate and the actual rate paid. Backup documentation such as receipts, a letter from the donor, an invoice showing the market value and the discount or a combination of these items is sufficient. When using a letter or an invoice, the donor should write a note to the partnership stating s/he is "making the special discount available as an in-kind contribution in support of the excellent work First Step's does to....". This clarifies for auditors that the discount is related to the First Steps program.

A service example might include the accountant who completed the annual audit in the example above. If the service were offered for \$50 per hour at 10 hours instead of at the person's standard rate of \$150 per hour, then the discounted rate you could claim for match purposes would be \$100 per hour for a total in-kind of \$1,000.



6-C. Counting and documenting CASH contributions that meet your 15% matching requirement

To count a contribution as a cash match, you must receive an actual check or cash from a donor. Checks given to the partnership should be submitted to the fiscal manager for deposit within five business days to ensure interest is maximized. To comply with state law, cash contributions made to the partnership will be held in a separate interest-bearing account.

Your area's fiscal manager will deposit the check and enter the value of the check into the accounting system as revenue. S/he will generate a summary report as well as a report of all spending against your cash account for your receipt and review. S/he will also be relied upon to compile annual match data that OFS will use in an annual fiscal report. Remember only your county First Steps director can authorize expenditures from your cash account (with appropriate board approval).

Private cash donations from local or state-wide sources may be used to help fund your programs and/or complete capital improvement projects such as the renovation, refurbishing, and upgrading of existing facilities.



6-D. Counting and documenting **“OTHER IN-KIND”** contributions that do not meet the 15% matching requirement

There are three types of non-official match/“other in-kind” contributions that will be captured in the forms and reports discussed in this section. They are:

- Contributions funded with state dollars
- Volunteer hours
- Contributions that are “non-essential” or that you would not have purchased to run your program.

While these items do not count toward your official 15% match requirement, they highlight the tremendous community support that exists in your community. It is important for First Steps to track and report these contributions so that all program support is captured. Attached are the forms you will need to complete and maintain in order to document these valuable contributions that do not count toward the 15% matching requirement.

Any questions should be directed to the OFS Chief Finance Officer at (803) 734-0479.

What are “other in-kind” contributions?

These are contributions, volunteer services, and state-funded items that do not count toward the 15% legislatively mandated match and are not included in the accounting system. They include:

State-funded contributions never count as part of the 15% match per state law. However, these items may be critical to your program. For example, a school may provide a classroom for one of your programs. While this is “essential” to your program and you would have purchased this space were the school not providing it, if it is funded with state dollars it may not be counted.

Volunteer services include donations of unpaid time provided by individuals that enhance First Steps’ initiatives such as time spent conducting the business of the agency (i.e., board and committee meetings). They are not professional services and therefore cannot be counted as a valued contribution. Federal guidelines suggest that volunteer time can be fairly valued at a rate of \$14/hour when demonstrating community support.

“Other in-kind” contributions include donations of unpaid services provided by individuals or groups that enhance or support First Steps’ initiatives, but are not essential to the operation of the program.

What additional items are generally considered “other in-kind” contributions?

- Time community members spend planning fund-raising events
- Any contributions that lack appropriate documentation to count as a valued contribution

- Food/snacks that do not count as an in-kind contribution or that was donated during non-meal times

Why should I document “other in-kind” contributions and volunteer services that don’t count toward my county’s annual 15% match?

It is important to document all support for First Steps. Each fiscal year, many community members will donate non-essential services or hours that contribute to your First Steps’ initiatives. Without this support and the efforts of individuals in the community, First Steps could not operate successfully. Because this information will not be included in the accounting system, these contributions would otherwise go undocumented. Summarizing these “other in-kind” contributions provides an opportunity to recognize all contributors in the annual report, end of the year recognition dinners, letters, brochures, success stories, media responses, etc.

How do I document these items?

You will want to maintain a notebook in the partnership office to document “other in-kind” contributions and volunteer services. You may wish to assign one person at the partnership office to be solely responsible for collecting and monitoring this information. At the beginning of each new fiscal year, you may develop your notebook based on the types of contributions and volunteer services you expect to receive. It may be helpful to place section tabs in the notebook that allow you to file pieces of documentation (such as volunteer forms or invoices) as they arrive.

You will want to maintain your records by type of contribution and quarter. A list of suggested items to include in your “other in-kind” contribution notebook is as follows:

- Quarterly Summary of “Other In-Kind” Contributions and Volunteer Services
- Volunteer Services may include items such as
 - Time spent at Board Meetings
 - Sub-committee service and/or time
 - Individual Volunteers and Interns

What kind of documentation should I maintain?

You should maintain documentation for your “other in-kind” contributions in a manner that is similar to your “valued” contributions. Invoices, letters, signed volunteer sheets, and copies of newspaper articles or ads that show the fair market value of items can also be retained for these contributions. When documenting time as a contribution, you will need to maintain a record of each volunteer’s time as well as their signature confirming the activity. Details on this subject can be found in section I of this chapter.



How often should I update my documentation?

Documentation of contributions made to a county partnership should be maintained regularly and compiled quarterly. You may wish to ask your sub-contractors to complete the attached form detailing non-valued contributions made to operate their programs on a quarterly basis. Contracts should require vendors to comply with your reporting needs.

It will be important to meet with your contracted providers individually at the beginning of each new fiscal year to explain your reporting needs. A monitoring schedule of each provider should be established to follow-up.

I. Attached Forms and Report Format Instructions

Two forms are attached to help you document volunteers and the hours they contribute to First Steps. This information will be useful for both county and state-level summaries.

First Steps Volunteer Tracking Form

To document volunteer time, please see the attached First Steps Volunteer Tracking Form and follow the instructions below.

1. Each time a Board or committee meeting occurs or an individual donates time to First Steps in a non-professional capacity, distribute the First Steps Volunteer Tracking Form to be signed by all in attendance. The volunteer signature on this form is confirmation of the date, type, and number of hours committed to First Steps.
2. Partnership staff should complete the information at the top of the form: the date, the meeting start and end time, and purpose as well as the total number of volunteers and their total hours at the bottom of the form. For example, if 10 people attend a board meeting that lasts for two hours, then you have received a contribution of 20 hours. This would be a community support contribution worth \$280 based on the federal standard.
3. After the meeting, check the form to ensure that it has been completed accurately.
4. File the form in the appropriate section of the notebook.

Individual Summary Form

This form will help you document unduplicated hours for individual volunteers throughout the fiscal year. It will be helpful in maintaining an accurate count of a large number of volunteers and their hours. You can quickly transfer the information from the volunteer tracking form in order to obtain an unduplicated number of volunteers and donated hours for the fiscal year. The instructions for completing the form are on the following page.

- ~~2~~.1. List each volunteer separately on the form along with a description of the type of volunteer work they have performed.
- ~~3~~.2. List the number of volunteer hours contributed each month.
- ~~4~~.3. Each year you will receive a report from the Office of First Steps asking you to list all additional volunteers and contributions not listed in the accounting system.

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First Steps Reporting Form for Community Support

This form should be used to document and summarize “other in-kind” contributions and volunteer services showing Community Support of the county partnership or to a First Steps funded program.

1. Do not include any contributions that are listed in the accounting software on this form.
2. For in-kind contributions of community support to county partnerships and funded programs, read Chapter 6b to ensure that the contribution cannot be valued.
3. In-kind contributions are categorized as they relate to the county partnership and/or to a funded program.
4. Ensure that documentation such as invoices or letters exists for each contribution listed as “other in-kind.”
5. Specify the date the contribution was received, the contributor, the type of documentation that exists, and the estimated value if applicable.
6. For volunteers, use the summary or tracking forms to complete the form. List the individual or committee, the total number of volunteers and their hours, and the purpose of the volunteer time/activity.



MONTHLY COMMUNITY SUPPORT AND STATE AGENCY MATCH REPORT

The following monthly report allows your partnership to record match and community support that is NOT captured in the First Steps' accounting system. Please complete this form on a monthly basis and file it in your county office. Data from these reports will be included in your annual county report to show the legislature how much community support exists for First Steps.

COUNTY: _____

MONTH: _____

A. **BOARD/SUB-COMMITTEE MEETING TIME** – Time spent attending board meetings and sub-committee meetings. (Use board minutes, to be attached to the report, to support this item)

Meeting type	Duration of meeting (use fraction of hours for example 1.5 or 2.25 hours)	Number of members in attendance at the meeting	Total hours contributed (multiply hours by attendance)
Board Meeting			
Sub-Committee Meeting			
Totals			

B. **VOLUNTEER ACTIVITIES** – Time spent by volunteer in support of activities that are not counted as official match. (Use volunteer sign-in sheets, to be attached to the report, as back up)

Activity	Description of Activity	Total volunteer hours
1.		
2.		
3.		
4.		
5.		

This month's Volunteer Highlights (Please fill in if you have a particular item of note during the month that shows a special contribution to First Steps)



MONTHLY COMMUNITY SUPPORT AND STATE AGENCY MATCH REPORT

C. **STATE AGENCY COLLABORATION AND MATCH** – This area records contributions made by state agencies in support of First Steps that cannot be counted as match because the law prohibits counting state dollars as match. (Please ask your collaborating partners to represent these items in dollars)

State Agency	Describe the match provided	Value of the match in dollars	How this match is invaluable to First Steps programming

7. Cash/Check Disbursements from OFS to County Partnerships

7-A. Introduction

Once you have completed your Budget Spending Plan (BSP) document, you will receive your first quarterly check. This check will be sent to your RFM, will be deposited into your bank account and will be entered in the accounting system. Your RFM will use your check to pay the invoices you send to your RFM for goods and services performed to further your approved partnership goals.

Each quarterly check will be based on your program needs and the resources required to fulfill your quarterly goals. Throughout the year, your quarterly spending will be measured against your BSP and as a result, careful BSP preparation will result in more efficient operations.

Both the State of South Carolina and the First Steps program begin the fiscal year on July 1st. It is possible that one of your subcontractors may begin its fiscal year in January or October; however, when OFS uses the term “fiscal year,” it means the period beginning on July 1st and ending on June 30th. The four quarters of the fiscal year are as follows:

- July 1st – September 30th
- October 1st – December 31st
- January 1st – March 31st
- April 1st – June 30th

7-B. Cash Disbursement system (quarterly-based) and cash-on-hand

At the beginning of each quarter, OFS will automatically send your check to your RFM on your behalf. The standard statewide cash disbursement schedule is as follows:

Quarter number	Months included	Disbursement is made
1	July – August – September	Third week of July
2	October – November – December	First week of October
3	January – February – March	First week of January
4	April – May – June	First week of April

Cash-On-Hand

If you require cash prior to the quarterly disbursement, simply send an email to the OFS finance office specifying the amount needed. It is important to realize that spending beyond your total annual OFS budget allocation level **will not** be allowed.

Please speak with your RFM if unexpected circumstances arise that require an adjustment to your planned quarterly check. Remember, you will have an opportunity to adjust your check requests based on cash on hand during approved budget reallocation periods. So, unless there is an emergency, changes should be postponed until that time. If you have any questions about your checks or your cash on hand adjustments, please speak with the OFS and/or your RFM.

Once the fiscal year ends and all invoices are paid, any remaining cash will be carried forward to the next fiscal year.

8. Procurement

8-A. Introduction and Policy

First Steps' legislation [section 59-152-150 (A)] states that the “accountability system shall require competitive bids for the purchase or procurement of goods and services of ten thousand dollars or more.”

Competitive bids ensure that:

- 1) Quality criteria are used to evaluate any potential vendor and provider;
- 2) All interested vendors or providers are aware of opportunities to provide needed goods and/or services;
- 3) Fair and equitable treatment is provided to all potential vendors or providers and;
- 4) All potential vendors (“vendors refers to public and private providers) in local communities have a reasonable opportunity to contract with you.

The South Carolina First Steps Board of Trustees has determined that the competitive bid process shall apply to the acquisition of goods and services through First Steps from private or public providers.

First Steps procurement procedures, samples of a bid request, a cover letter, a sample scoring tool, and a sample newspaper advertisement are presented in the appendix to this chapter to guide you in developing these documents.

8-B. Bid Process

First Steps County Partnership Bid Process

Legislation requires that all First Steps County Partnerships use a competitive bid process for the purchase or procurement of goods and services valued at \$10,000 or more from private and public vendors, including those acquired through grants by the county partnership.

Competitive bids promote the following goals:

- Quality criteria are used to evaluate vendors;
 - Interested vendors are aware of opportunities to provide needed goods and/or services;
 - Fair and equitable treatment is provided to potential vendors;
 - Provision of quality services to children and families; and
 - The efficient use of available resources.
-

To contract for goods or services valued at \$10,000 or more, you must request bids from vendors.

Below are step-by-step directions to assist you in developing and implementing your partnership's bidding process. Please contact the SC First Steps Office if you have any questions about this process or need further assistance.

The bidding process consists of 7 steps:

- 1) Develop **CRITERIA FOR QUALITY GOODS AND SERVICES** consistent with any applicable guidelines that have been announced by the First Steps State Board of Trustees.
- 2) Select an **EVALUATION COMMITTEE** to review the bids.
 - a. An odd number of no less than three shall serve on this committee.
 - b. Persons selected should have relevant expertise and must have no conflict of interest with potential vendors.
 - c. A roster of the evaluation committee, including names and affiliations, should be kept on file.
- 3) Develop a **SCORE SHEET** to evaluate all prospective vendors. (See *Attachment A* for a sample Score Sheet.) Score Sheets must include 4 components:
 - a. Criteria for quality goods and services
 - b. Vendor qualifications
 - c. Scope of work
 - d. Cost of goods or services

4. **DEVELOP and ADVERTISE** your request for bids. (See *Attachment B* for a sample Bid Request.)
The evaluation committee should decide on a timeline for the bidding process.

- a. Request for bids **must** include the following information:
 1. Background and problem statement
 2. The quality criteria your local board desires in a vendor's goods or services
(IMPORTANT!)
 3. Vendor qualifications
 4. Scope of work
 5. Bidding period (specify the closing date and time for bids and the date, time, and location of your public meeting)
 6. All other required specifics. For example, you may specify that vendor proposals be limited to 3 pages or you may require 3 references.
- b. Advertise your request for bids *at least once* in a newspaper of general circulation in the county and other publications as necessary to inform your community and potential vendors of the bid opportunity and schedule. (See *Attachment C* for a sample newspaper advertisement.) Partnerships must allow at least fifteen (15) calendar days between the first date of publication of the bid and the closing date.

You may also wish to send letters to prospective vendors. (See *Attachment D* for a sample letter to prospective vendors.)

- c. As bids are received, **DO NOT OPEN THEM**. Log the time, date received, and file bids in a secure manner until the public meeting, at which time all bids will be opened. Bids received after the closing date and time should be logged in, but are not to be considered or opened and should be returned to the vendor.

OPTIONAL: *Your partnership board may determine that a **pre-proposal conference** or **bidder's workshop** may be necessary to appropriately inform prospective vendors of the bid opportunity. These workshops provide an opportunity for direct communication with potential vendors on quality needs in a given service area. If you decide to offer this session, include the pre-proposal conference date in your bid advertisement. The pre-proposal conference must review all bid requirements (including quality criteria, scope of service, and budget information) and the bid process. Please contact SC First Steps Office for any assistance in planning a successful pre-proposal workshop.*

5. Conduct a public meeting for the **BID OPENING**.

- All bids must be kept sealed until this meeting.
- Provide a sign-in sheet to be signed by all present at this meeting.
- Note on the *bid log* the date opened.

6. EVALUATE bid proposals using the scoring sheet and **SELECT THE VENDOR**.

- a. Bids should be scored according to criteria established by your partnership board and evaluation committee. These criteria should be consistent with any applicable guidelines that have been announced by the First Steps State Board of Trustees.
- b. Each evaluation committee member should score each vendor using the Score Sheet and cumulative scores should be tabulated. The committee should evaluate proposals based on qualifications, description of services, and cost. Please keep in mind that if one vendor has the highest total score, but has a higher price, that bid may still be selected by a majority vote of the county partnership board. When this occurs, written justification must be recorded explaining how other criteria outweighed the cost factor and kept on file along with all other scoring information. The written justification also must be promptly filed with SC First Steps Office.
- c. References should be contacted before the scoring can be considered complete. One member of the committee should call a reasonable number of references, compile reference notes, and present this information to the committee. It is important that all references be asked the same questions regarding potential vendors.
- d. The evaluation committee will make a recommendation to the county partnership board based on the vendor with the highest score, except as explained in b., above. The board then will make a decision on the award. The evaluation committee will provide the board with all scoring materials. If the committee determines that a bid is non-responsive to the request for bids, it may recommend to the board that the bid not be considered.
- e. The county partnership board may negotiate the price, scope of work, and other terms after awarding the contract to the vendor with the highest score or other vendor selected as set forth in 6, above.
- f. After a vendor has been selected by the board, letters of intent should be mailed to **all bidders**. (See Attachment E for a sample Letter of Intent.) The award becomes official after a waiting period of seven (7) days from the mailing of the letter of intent.
- g. The county partnership board may withdraw the request for bids or reject all bids at any time or may withdraw an award at any time prior to the execution of the contract. This should be clearly stated in the request for bids.

h. Request to Review the Award

1. To request the review of a contract award, an applicant must submit a letter requesting review to the Executive Director. The letter must be received by the Executive Director within seven (7) consecutive calendar days from the date of the intent to award letter. Letters must include specific meritorious reasons and supporting documentation justifying the review of the award or the request may be declined.
2. A final decision regarding request for review that has been accepted must be reached by the county partnership board within twenty (20) consecutive calendar days after receipt of the written request and a letter must be sent to the applicant indicating the decision and the basis for the decision. If needed, the Executive Director will schedule a meeting with the applicant to review the award. This meeting should be held within ten (10) consecutive calendar days after receipt of the written request for review. The applicant has the right at this time to view all responses/proposals, information such as scoring, and any documentation pertaining to scoring collected by the evaluation committee, except information and records privileged under law (e.g. legal advice). The county partnership must respond to the requesting party in writing with a decision within thirty (30) consecutive calendar days from the date of the review meeting, if such a meeting is conducted.

NOTE: The public may view ALL scoring information, including any notations made by the evaluators, upon request. County partnerships must keep all information related to a given bid filed at the local county partnership.

7. Develop a **CONTRACT**. (See *Attachment F* for a sample vendor contract.)

The following items must be kept on file at the local County Partnership office for a minimum of 3 years:

- Copy of the request for bids.
- Advertisement of the request for bids.
- Names and professional affiliations of evaluation committee members.
- Sign-in sheet for bid opening public meeting.
- Original vendor proposals.
- Score sheets and all scoring information.
- Copy of the contract with the selected vendor.

8-C. Score Sheet

ATTACHMENT A

Sample Score Sheet

Vendor Name:			
Date:			
Reviewer's Name:			
Name of Service:			
<u>A. Quality Criteria</u>	<u>Possible Points</u>	<u>Score</u>	<u>Comments</u>
Maximum total points:			
Insert criteria here, developed by your partnership, to achieve quality service to children and families. Quality criteria have been developed for many First Steps and early education programs and services. Samples are included in this section.			
<i>TOTAL POINTS QUALITY CRITERIA:</i>			
<u>B. Vendor Qualifications</u>	<u>Possible Points</u>	<u>Score</u>	<u>Comments</u>
Maximum total points:			
Has the vendor previously preformed similar work? Are results available for review? Are staff qualified to perform service, based on quality criteria?			
Does the proposal contain required references and documentation of experience or education of staff?			
<i>TOTAL POINTS VENDOR QUALIFICATIONS:</i>			
<u>C. Scope of Work</u>	<u>Possible Points</u>	<u>Score</u>	<u>Comments</u>
Maximum total points:			
Has vendor proposed sufficient time to complete the required quality work? Has the applicant proposed adequate staff or other resources to complete the work? Does the proposal reflect a			

thorough understanding of the desired outcome? Does the proposal offer adequate methods for evaluation and adjustment? Other: _____			
<i>TOTAL POINTS SCOPE OF WORK:</i>			
<u>D. Cost</u>	<u>Possible Points</u>	<u>Score</u>	<u>Comments</u>
Maximum total points:			
<i>Insert your requirements here:</i>			
<i>TOTAL POINTS COST:</i>			

8-D. Sample Bid Request

ATTACHMENT B

Sample Bid Request
**BID FOR _____ SERVICES,
_____ COUNTY FIRST STEPS
PARTNERSHIP BOARD**

PART I: BACKGROUND and PROBLEM STATEMENT

The Background should include but is not limited to a brief discussion of the following:
MISSION AND GOALS of your County Partnership,
NEED STATEMENT of a particular problem in your county and how your partnership plans to address the problem,
QUALITY CRITERIA required for successful intervention, and
OUTCOMES expected as a result of implementing the strategy/service.

PART II: BID REQUIREMENTS

A. SCOPE OF WORK

This section should specifically describe the purpose of your bid request and include the following:

1. Target population.
2. Service Delivery area(s).
3. Expected Outcome or evaluation requirements.
4. Quality Criteria

Applicable guidelines adopted by the State Board of Trustees and quality criteria for prevalent programs among First Steps Partnerships may be found in the service templates. These were developed across South Carolina in collaboration with experts and partners in school readiness. Ongoing research and the emerging school readiness outcomes and indicators for the state of South Carolina will require updates of service templates and quality criteria.

5. List any specific deliverables required by potential vendors, including but not limited to:
 - a. Provide services to ____ children and their families.
 - b. Specific service models, curriculum, or service standards that the potential Contractor must adhere to.
 - c. Specific evaluation and reporting requirements.
 - d. Type of training and required hours of training to be provided, and to whom.
 - e. Coordination of services with specific agencies/organizations.
 - f. Dates of required service, or the agreement period.

It is critical that all potential vendors be made aware of all programmatic and service provision reporting requirements through the bid process.

B. VENDOR QUALIFICATIONS

Potential Contractors should provide written information or documentation on their ability to meet all of the required qualifications. Minimum requirements may include:

1. Educational requirements of staff.
2. Years of experience delivering service.
3. Staffing ratio requirements.
4. Office/equipment requirements.
5. Child care providers must meet:
 - a. South Carolina licensing/regulatory requirements, and
 - b. Advocates for Better Child Care (ABC) Enhanced Program Standards or NAEYC Accreditation Standards
6. Ability to receive reimbursement for services.
7. Insurance coverages (if required).

C. COST

1. Total cost.
2. List each item or unit of cost with amount of cost.
3. Specify payment schedule requested.

PART III: BID REQUIRED INFORMATION

The potential contractor shall provide the following information with their responses:

1. A description of how the potential contractor will implement the services/activities in the Scope of Work. Include a timeline with projected dates for beginning and completing work.
2. A brief narrative explaining past experiences in conducting the activities in the Scope of Work and serving the target population.
3. A resume including education and experience (corporations, organizations, or associations should provide resumes for each individual that may provide the service (if applicable, include certifications).
4. At least three professional references that includes phone numbers and addresses.
5. Documentation that supports that the potential contractor is solvent, for example, financial statements.
6. A proposal of cost, which includes the budget and a budget justification.
7. A signed cover letter with the original and five (5) copies of response, including all attachments/appendices.

8-E. Sample Newspaper Advertisement

ATTACHMENT C

Sample Newspaper Advertisement

Bids are being solicited by the _____ County First Steps Partnership Board for consultative services. Consultants will provide expertise and assist with the development of needs and resources assessments, as well as a strategic plan regarding school readiness and support services that are critical to children being successful in school. Consultants will also have an integral role in developing a grant application including a request for funding from the State Office of First Steps to implement needed services identified through the assessment processes. The deadline for submittals is (enter date) by the hour of (enter time). A pre-proposal conference will be held on (date) at (time) at (place, complete with address). To request a copy of the bid request please contact _____ (contact person, include address, room number, if applicable, and telephone number). Bids will be opened publicly at (time), on (date), location (name of office, address and room number).



8-F. Sample Letter To Prospective Vendors

ATTACHMENT D

Sample Letter to Prospective Vendors

Dear Potential Vendor:

This document is a bid request for the provision of consultant services to the _____ County First Steps Partnership Board. A scope of work, a description of minimum qualifications, and a list of key event dates are enclosed.

Information regarding vendor qualifications must be submitted to the _____ County First Steps Partnership Board at the address below no later than (date), (time), local time. After this date, no further information will be accepted from prospective applicants.

This bid request does not commit the _____ County First Steps Partnership Board to issue a contract, or to procure/contract for any services specified herein. Further, the _____ County First Steps Partnership Board will not reimburse applicants for any costs incurred in the preparation of their responses.

The _____ County First Steps Partnership Board assumes no responsibility for unmarked or incorrectly marked envelopes or packaging containing any bids or responses from applicants. If you have any questions or concerns please call (*insert the name of the board chairperson*) at (*insert the phone telephone number*).

We hope that you will submit a proposal in response to this bid request as we seek to provide quality services to the children and families across the state. It will take all of us working together to improve the school readiness of South Carolina's children.

Mail or hand-deliver responses to:

County Partnership Board
Mailing Address

Sincerely,

8-G. Sample Letter of Intent to Award

ATTACHMENT E

Sample Letter of Intent to Award

Date:

Issue Date: (Issuing Date of BID REQUEST)

Opening Date: (Public opening date)

Description: (Enter Service Name)

Awarded To: Insert name and address of Contractor

Contract amount: Insert total amount to be paid to Contractor

Contract period: Insert length of time that you will contract with the Contractor
(i.e., 7/1/2004 through 6/30/2005).

Bidders Option to Request Review: Any actual bidder who is aggrieved in connection with the intended award of a contract may request a review of the award by delivering a letter to the _____County Partnership Board requesting such review. The letter must be delivered within seven (7) calendar days of the issuance of the notification of award and must include specific reasons, with supporting documentation, why the review is requested

The _____County First Steps Partnership Board reserves the right to negotiate final terms of the contract with the selected Contractor and to withdraw the award at any time prior to the execution of the contract.

(Should be signed by the board chairperson or designee.)

Local Partnership Operations Manual

9. Contracting

9-A. Introduction

There are four basic contractual relationships that you will enter into, besides your annual grant agreement with SC First Steps:

- Between Local Partnerships and vendors who can use a **Purchase Order** to provide **Goods** whose total costs are equal to or less than \$2,500.
- Between Local Partnerships and the contractors who provide **Goods** above \$2,500.
- Between Local Partnerships and the contractors who provide **Services**: programmatic, other. This contract may include goods to be purchased in complicated situations.
- Between Local Partnerships and other organizations in **Collaborative Agreements** where money does not change hands.

The goal in establishing legally binding and professional contracts is to establish clear roles and responsibilities of the contractor and the Local Partnership. Differences in interpretation can result in the need for legal consultation or arbitration, both of which can be costly and time consuming. Establishing clear, comprehensive and professionally worded contracts will help avoid potential problems.

The focus of this chapter is to discuss the contracts the Local Partnerships may execute. Included in this chapter, are 4 templates that can be used and adapted as needed. It also includes a section discussing contract monitoring as well as a brief discussion on contract amendments.

General Contract Guidance:

While developing a contract, it is important to consider that the structure of a contract can have an impact on outcomes. While it may be obvious, efforts must be made to ensure that all parties understand the contract. No work should begin prior to the contract being signed. Also please be mindful that all questions should be resolved before the contract is signed. OFS requires that you have a legal contract in place with all contractors. This can be as simple as a Purchase Order, or as comprehensive as the Service or Goods Contract templates. It is also important as collaborative efforts are established between multiple organizations, that a written agreement describes each party's agreement and understanding. This will help communications and build stronger partnerships.

Annual Local Partnership Grant Agreement:

This agreement will be entered into between the Local Partnership board and the OFS each year when the state Board of Trustees (BOT) approves your funding formula grant application. This agreement outlines information regarding the Local Partnership award and the responsibilities of OFS and the Local Partnership. If you have questions about this contract, please contact your Program Officer.

Goods Contract Options:

There are two types of Goods Contracts that you can use. They include goods purchases that are equal to or less than \$2,500, which would be a **Purchase Order**, or above \$2,500, which would be a **Goods Contract**.

Goods Contracts:

The Goods Contract template can be used if the Local Partnership needs to purchase goods for amounts greater than \$2,500. It is comprehensive and describes the responsibilities of both parties. This is a template and can be modified as needed. It includes an addendum that can be used to spell out details of the goods. This contract can be used in conjunction with the Purchasing guidelines to meet your needs for any items.

Purchase Order

The Purchase Order can be used for any goods that are being purchased for \$2,500 or less. It is a simple contract that can be executed very quickly and contains simple standard legal guidance that should help protect the Local Partnership. The PO can be used for one-time services as well, such as a plumbing repair or computer repair. This can be used anytime the vendor and Local Partnership deem necessary as long as it does not exceed the total cost limitations.

Each Purchase order will be given a number. The numbering convention will be as follows:

FY	County Number	Document # (Consecutive Order for FY)
20	- 26	- 101 =20-26-101

Service Contracts:

The Service Contract Agreement should be used only for services to the Local Partnership. This could include a wide range of services. While standard fee-for-service contracts are most common, there are a variety of contracting options available. Fee-for-service contracts are clear; a vendor is paid for providing a specific service and payment is tied to providing the tasks required. For example, you might contract with a local school district to provide parenting education for children before school entry in your community. Very likely, you will pay the school for a specified number of children which would allow an underserved child to participate in the Parents as Teachers program. You will pay the school as they provide documentation showing services are rendered and they provide services for children and families for the duration of the contract.

Another option is the performance-based contract. In this model, a vendor is paid for outcomes/results rather than inputs. For example, a contract is developed indicating specific outcomes required and the vendor is paid if the result occurs. This model can be challenging in human service agencies since it is often long-term results that are desired. However, this model does have some applicability for OFS. For example, the Local Partnership may choose to contract with a vendor to provide adult literacy classes. In a performance-based contract, the Local Partnership pays the vendor a set amount for each adult in the class who achieves reading at a certain grade level at the end of the program. Subsequently, the vendor's primary responsibility is to ensure that this outcome is achieved. If the outcome is not achieved, they are not paid. The risk is left entirely with the contractor.

Service Contract Agreements should be based on an annual agreement. OFS guidelines allow up to 4 renewals (5 years) without rebidding for contracts above \$10,000. Language should be included in your contracts spelling out any renewal options. Remember, you should follow the purchasing guidelines established for the Local Partnerships when using contracts. Even with the renewal clause in the agreement, a new agreement should be signed each year.

Note: It is important to clearly identify if a service contract is the correct way to handle a service need that requires personnel. The IRS has identified 20 criteria to evaluate whether a person should be a contractor or an employee. This can be a complicated evaluation as there are 20 different criteria that need to be used. Generally, it is far less risky to hire someone as an employee if the Local Partnership is uncertain. Generally, if the contractor does the same work for many organizations, or has a business license, and

separate tax ids for that business, there should be much less risk associated with hiring them to do work as a contractor. If the Local Partnership is using a social security number for the person as the tax id for a contractor, paying them an hourly rate, or based on hours of work, completion of a time-card, etc., there is greater risk in hiring them as a contractor. These items would indicate the individual is an employee. The risk of having a contractor that should be an employee to the Local Partnership can be significant if there should be an audit and they are found to be incorrectly treated as a contractor. We would encourage the partnership to seek guidance from Tax Professionals if they are uncertain. For more information, refer to the IRS guidance on identification of a contractor versus an employee.

Collaborative Agreements:

This contract does not include any transfer of funding. The agreement details what each partner is going to do in a Collaborative arrangement that is beneficial to all partners. This document can help document sharing of confidential information, spell out responsibilities, document communications, etc. It makes these efforts official and helps clarify roles.

9-B. Contract with Vendors

First Steps legislation requires each Local Partnership to conduct a competitive bid process whenever purchased goods or services are equal to or greater than \$10,000. Establishing good contracts in these situations will help ensure that your missions are fulfilled and that the county partnership and OFS funding is protected. Please refer to the Purchasing Chapter to get more information on specific requirements.

All contracts or collaborative agreements, (contractual agreements) must be signed by the Local Partnership board chair or its designee. The Local Partnership board must approve signature authorizations for contractual agreements.

To assist you in this area, the OFS has provided 4 sample contract templates you should utilize for all vendor agreements.

The contract templates found on the following pages include the standard items that will ensure each contract the Local Partnership executes complies with legal requirements and includes a standard attachment that can be used to describe the scope of services and activities. The Local Partnership must ensure that contractors' charges are in-line with services and activities described in the scope of work. Therefore, you probably want to include a few additional items that will help you manage and ensure timely and effective service provision. For example, you may wish to add language that:

- Uses an addendum to fully describe the services and activities the contract covers: (*Exhibit A* in the sample contract) to fully develop the scope of work.
- Spells out reporting requirements and report due dates; refer to required program specific data collection information to determine what is needed to fulfill these requirements.
- Tells the contractor when invoices are expected and in what format you would like to see costs itemized; remember to request detailed invoices to ensure that you are only paying for services outlined in the scope of work.
- Explains any financial penalties that you may wish to put in place for poor performance.
- Includes budgetary information that is required as part of the agreement.

A contract is only as good as the monitoring in place. Please refer to the section below for recommendations



in this area. Remember, it is the responsibility of the Local Partnership to monitor expenditures made by contractors and to confirm that they relate directly to services that the contractor agreed to provide.

9-C. Contract Monitoring

Once vendors are in place and contracts are finalized, the Local Partnership has the responsibility to monitor contractors, to ensure that contractors are adequately carrying out the scope of work described in the contract and achieving the outcomes desired by the Local Partnership. Ultimately you will be held responsible if a contractor does not fulfill its role.

Contractors are responsible for execution of the agreed-upon tasks specified in their contract and for making available accurate budgetary and programmatic data to the Local Partnership Executive Director upon request. One way the Local Partnership will be able to monitor your contractor is through regular reports and invoices.

There are three main points to remember, no matter which method you choose for contract monitoring:

1. Establish a clear contract document using one of the templates provided in the addendums.
2. Require regular reports showing the work accomplished by the contractor is meeting the requirements per the contractual agreement.
3. Review invoices as they relate to the vendor's established services.

Invoices

Once services have been provided, the contractor will submit an invoice to the Local Partnership. Invoices should be generally submitted on a monthly basis and within 15 days of the end of a calendar month through the appropriate process through the financial management system. A different submission schedule can be considered, but remember, your financial management system will be less current if you go with a period that is less frequent. Maintaining aggressive time frames helps the OFS maintain an up-to-date accounting record. Local Partnership staff must work with contractors to ensure that invoices are accurate and submitted in a timely manner. Remember after the fiscal year ends on June 30th, all vendors have one month to submit all invoices. If they are not submitted by the end of July, the invoice will be paid with the subsequent FY funds which could cause a delayed time frame for payment.

As the Local Partnership Executive Director, you should ensure that when an invoice is received, it should be checked against your Budget Spending Plan (BSP) and review it for accuracy and reasonableness. All invoices should be checked against the aforementioned service activities to ensure each service is in agreement with what is stated in the provider's contract.

For example, you may receive an invoice for a parent education program. The invoice might include costs for items such as personnel, supplies, books, or snacks and the cost of a new copy machine. It might seem odd that you would be invoiced for a copy machine since the contract is for PAT enrollment and associated home visits for children and families. Consequently, it may be necessary to seek clarification regarding this particular expenditure. If the vendor cannot show how this expense was included in the contract, the county partnership can remove the cost of that expense from the invoice.

must have two signatures to ensure fiscal accountability. The Finance Manager has been instructed that they are not to pay any invoice that does not have two signatures. For amounts less than \$2,500, these two signatures can be any two of the three categories of Local Partnership employees or board members, Category 1, Staff, Category 2, Executive Director, or Category 3, an appropriate Board Member. Your Local Partnership should develop this approval process that meets your needs. For amounts over \$2,500, these two signatures must be the Executive Director and an appropriate board member. The board member should be the Local Partnership board chair, the vice-chair, or the chair of your finance committee (or your Treasurer, whichever is applicable to your county). While only one additional signature (other than the Executive Director) is required, the Local Partnership should give all three of these board members signature authority as outlined below to ensure that there will be another person available to sign.

All signatures for this process should be done electronically through the Blackbaud financial management system. If the financial management system cannot be used, then a back-up process has been established. That process would include emailing the invoice, or an electronic version with signatures, to the Finance Manager for payment. If there is an emergency and a board member's signature is not possible, with OFS approval, the Finance Manager may process a payment, as long as the signatures are provided at the first available opportunity.

The First Steps legislation requires, "Disbursements may be made only on the written authorization of the individual designated by the Local Partnership board, and only for the purposes specified." Therefore, to implement this policy, we are asking that the Local Partnerships do the following:

- The Local Partnership board must approve persons with invoice signature authority. OFS suggests those persons be the Executive Director and the three board members discussed above. The meeting minutes must reflect who those persons are and that they have been designated with signature authority by the Local Partnership board.
- Fill out the attached signature authority form. Make one copy for your files, send one copy to your Finance Manager, and send one copy, with a copy of the minutes discussed above immediately to OFS.
- Any time you need to change your persons with signature authority, be sure to follow the procedures above.

Invoices must be coded based on the OFS accounting structure. When processing contractors' invoices, proper coding is essential and required while submitting the invoices through the financial management system. Any questions you have in this area should be discussed with your Finance Manager or Finance Staff at the OFS.

Effective January 1, 2020, Executive Directors must ensure that all signed contracts are submitted to the Finance Manager through an attachment in the financial management system, and to the OFS Program Officer. It is important to note that the Finance Manager will not pay any invoices without a signed contract on file. The Finance Manager will load each contract into the financial management system as a commitment. These committed amounts will appear on monthly financial reports. As payments are disbursed, contract committed amounts will be reduced.

Contract Numbering

All contracts must be numbered. The contract number should be a maximum of 20 characters. The format is as follows: Fiscal Year/County #/Contract Sequence #/Contractor Name. The contract number should be positioned as a footer on all pages. No one contract should have the same contract number. For example, Horry County First Steps Partnership Board has contracted with the Horry County School District for a particular service(s), the contract number may read as follows: 20-26-01- HCSD. Horry County First Steps has a second contract with the Horry County School District for Local Partnership staff payroll, that contract number may read: 20-26-02-HCSD

Breach of Contract

In rare instances, you may have serious difficulty with a contractor and a breach, or a violation, of the contract may occur. If the Local Partnership does encounter this situation, please contact the OFS immediately for assistance in handling the matter.

Anything that hinders delivery of the best possible service or products can adversely impact your success. Disputes with contractors can be costly. Using properly prepared written contracts can protect you from disputes, which will make your partnership more successful. Should you have any questions or concerns regarding contracts, please contact your OFS Program Officer.

Vendor Site Visits

Site visits may be announced or unannounced. It is recommended that you notify the contractor at least one week in advance. The purpose of site visit is to review operations, records, policies and documentation for contracted services. Please notify the contractor of specific items to be reviewed during this process to ensure that your visit will be most effective. You may wish to observe daily operations, interview staff, program recipients, and read the contractor's policies to ensure they are being carried out. You may also wish to review financial records at this time. The site visit can be an effective contract-monitoring method especially if the contractor is given the opportunity to address your findings. This should be a mutually beneficial time for Local Partnership staff and the contractor to discuss service provision and expectations.

Special Consideration for Advance Payment

A contractor may request advance payment for services not yet rendered. In this situation, the contractor must provide the Local Partnership with a written request to include the amount and the justification for advance payment. The Local Partnership board must approve the contractor's request for advance payment.

The Local Partnership and the contractor may then file a special consideration request with the purpose of agreeing that the Local Partnership release funds in advance to a contractor. The special consideration request shall include an effective date, effective time period, monetary amount, and the justification for this request; each shall be subject to the authorization of the OFS. The special consideration request shall be an attachment to the contract.

9-D. Contract Amendments

Occasionally, in working with your contractors you may encounter a situation in which a contract needs to be amended. An amendment should be completed when the following contract items, but is not limited to these, need to be changed: 1. the scope of services is modified, 2. the time period changes, or 3. the amount of funds changes. **The total contract amount cannot be increased by more than 10% per year.** For

example, you may find that an adequate amount of referrals cannot be obtained for a service and expenditures are less than expected. You find that you have additional funds and decide that another sub-contractor can expend funds within the current fiscal year. In this situation you may wish to develop a contract amendment. A template has been provided for you.

If you find yourself in this situation, contact your Program Officer for assistance if needed.

Attachments to this Chapter

1. LP Contract for Purchase of Goods 2020
2. LP Purchase Order 2020
3. LP Contract for Purchase of Services 2020
4. LP Contract Amendment
5. LP Collaboration Agreement 2020

10. Fiscal Controls

10-A. Introduction

Section 59-152-150(A) of the First Steps legislation requires OFS to adopt and implement a standard fiscal accountability system for all counties that includes, but is not limited to, a uniform, standardized system of accounting and internal controls.

In addition, your financial activities are subject to the general requirements of IRS code 501(c)(3) and Code of Laws, Title 33, Chapter 31, the *South Carolina Nonprofit Corporation Act*, under which all non-profit organizations must be incorporated.

Fiscal controls are important to:

- Avoid creating the perception that any OFS funding has been spent inappropriately
- Ensure that revenues earn the maximum interest possible
- Avoid audit findings
- Ensure that your partnership spends in accordance with the Budget Spending Plan (BSP) approved by OFS and your county board

Although OFS does not require your partnership to carry out its own accounting functions, you will play an important role in ensuring that your budgetary functions run smoothly and accurately. This chapter explains how you should:

- Manage incoming revenue
- Process vendor invoices
- Change model codes in your approved BSP
- Track employee costs against your program codes

NOTE - First Steps legislation requires that the board designate an individual to have authority to authorize expenditures from your approved BSP. Please ensure that this authorization has been voted upon by the board and is reflected in your board minutes. Send a letter to First Steps including the name of the designee, and the date of the Board vote with a copy of the minutes.

10-B. Cash and Revenue Management

This chapter is designed to help you manage your revenue, and provides standard policies that will make this process efficient and effective. Your partnership will manage two kinds of funding to operate your programs and achieve your goals. These two revenue sources are OFS state (and private) allocated dollars, and private/local cash donations made directly to your partnership.

OFS Cash Disbursements

- OFS will make quarterly disbursements directly to your RFM based upon your annual allocation from OFS.
- Deposits will be maintained in an interest bearing account – all deposits will be made within one business day to ensure maximum interest is earned. Private funds you get from the state office and OFS public funds your partnership receives will be accounted for separately.
- No payments will be made without an authorized signature(s) from the County Partnership Board.
- Your RFM will provide you with monthly reports describing your account transactions.

Private & Local Dollars Sent To Your Partnership Directly

- Executive Director (ED) receives a private cash donation, or a cash donation from a local government body.
- ED sends this check including an “In-Kind Match/Private Cash Local Donation” form to the RFM within one business day of receipt (see page 3).
- The RFM will deposit this check into your private donation account and record the amount in the accounting system.
- If budget has not been previously approved for this cash/revenue, the ED must immediately complete a Budget Reallocation Form and forward to the OFS for budget approval. The normal budget reallocation process must be followed as reflected in section 10-D of this chapter.
- No payments will be made without an authorized signature(s) from the County Partnership.
- The RFM will provide the ED with monthly reports describing account transactions.

The form on the following page should be submitted to the RFM with each cash contribution.

In-Kind Match/Private Local Cash Donation

County Partnership Name: _____

Date: _____

Total Donation Received: _____

Name of Donor: _____

Fiscal Year: _____

Fund Code, Program Code
and Mode Code: _____

Currently Budgeted In BSP?
(Yes or No) _____

If this item was not anticipated in your BSP, please describe how you intend to use this new funding below. SEND A BUDGET RE-ALLOCATION FORM TO OFS.

10-C. Invoice Payment

Your partnership will receive invoices for contracted services on a regular basis. These invoices should be:

- Reasonable and accurate based upon the BSP
- Submitted in a format that tells your RFM which program codes and model codes to charge the expenditure against
- Prepared by the contractor on a monthly or quarterly basis

Before authorizing the RFM to make payment, you should review invoices carefully. You will find a payment authorization form on page 7 of this chapter that must be sent to the RFM with each invoice submitted.

When you receive an invoice, you should:

- Review the invoice for accuracy and reasonableness. Invoices must clearly state the type of service/supply being reimbursed. If travel is involved, the invoice must show distinctly the name of individual, purpose of trip, registration, lodging, meals, etc. Advance payments may be authorized but **must** be reconciled later based on actual expenses incurred.
- An authorized county partnership **board member must approve** all invoices made payable to and/or for the benefit of an **executive director**. The supporting document must be adequate and clearly state name of individual, purpose, amount, etc.
- **Periodically request and review receipts and supporting documentation from all contractors**
- Ensure that the invoice is coded correctly based on OFS accounting structure (see Chapter 5)
- Prepare a payment authorization form if you approve of the invoice (*effective December 1, 2002, all invoices in excess of \$500 must have two county designated signatures. These two signatures must be a county office staff person and a board member. The board member should be the Chair, the Vice-Chair, the chair of your finance committee (or your Treasurer, whichever is applicable to your county) or another appropriately designated board member.*)
- Send both the invoice and the authorization form to your RFM as quickly as possible. Retain a copy of both items for your records.
- **Mileage:** Advance payment for county partnership employees shall not exceed 75%. Employees must request the final 25% (as applicable) reimbursement upon return from the trip. All employees must use the internet “Mapquest” as support documentation for all out-of-town/trip mileage reimbursements.

- **Meals (out-of-town travel only):** Advance payment for county partnership employees shall not exceed 75%. Employees must request the final 25% (as applicable) reimbursement upon return from the trip. All employees must request payment of actual meals missed during the trip. Meals are payable based on the state's current rate: **in-state** (\$6 breakfast, \$7 lunch & \$12 dinner); **out-of-state** (\$7 breakfast, \$9 lunch & \$16 dinner). Additional payment (*in excess of standard meal rates*) may be reimbursed using the county partnership's own local-private or grant funds.
- **Credit cards for county partnerships:**
 - Authorization: county partnership board of directors
 - Use: must be used **only** for official county partnership purchases
 - Payment: must submit to RFM the original receipt (received at time of purchase) and corresponding monthly statement

In addition to invoices from vendors, you will also be receiving invoices for items that you purchase to operate your county office. These invoices should also be submitted with a payment authorization form to your RFM. For example, you may open an account at your local office supply store to purchase supplies. This store will then invoice you for all purchases made within a given period. When you receive this invoice you treat it like any other invoice (see above). Remember you must include a payment authorization form with **ALL** invoices.

Remember, it is important to send invoices and payment authorization forms to your RFM so that payments can be processed and entries can be made in the accounting system as quickly as possible. This will help ensure that your fiscal system is accurate and time effective. This is particularly important as the fiscal year closes.

END-OF-YEAR INVOICE SUBMISSION:

RFMs will not pay invoices received in the RFM's office after July 31st for services rendered and supplies (ordered & received) in the previous fiscal year.

SERVICES:

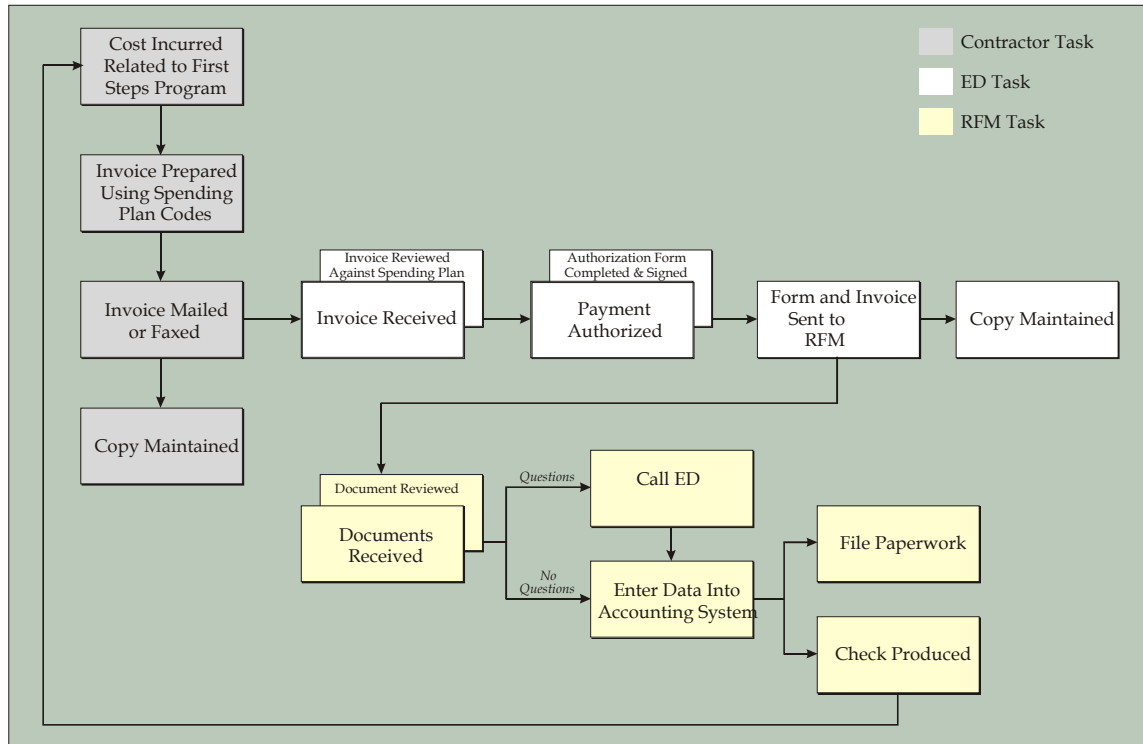
All services rendered/received in the current fiscal year must be paid using current fiscal year funds. For example, if you hire a contracted consultant for services performed in June 2011 (FY 2011), you cannot use FY 2012 funds to make the payment for those services. Additionally, you cannot pay in advance for a service to be received in the next fiscal year without prior approval from SC First Steps, Financial Management Division.

SUPPLIES, MATERIALS AND EQUIPMENT:

All supplies, materials and equipment ordered in a previous fiscal year must be received in that fiscal year in order to be paid with that fiscal year's funds. For example, supplies ordered on June 1, 2011 (FY 2011) must be received on or before June 30, 2011 in order to be paid using FY 2011 funds.

The following chart illustrates the invoice payment process.

INVOICE PAYMENT PROCESS



By following these simple steps, invoices will be managed and paid in a timely basis. Efficient billing schedules will be established to ensure that payments are not paid early or late, but as close to the due date as possible. OFS suggests that in your contract/memoranda of understanding you establish a payment schedule with each vendor that clearly establishes a timetable for flow of invoices and payments. By adopting a pre-established schedule, your vendors will be able to predict payment and your RFM will be able to manage his/her work load effectively. For example, you might require all vendors to submit invoices by the 15th of each month to receive payments on the 30th of each month. All vendors would understand that if they did not submit an invoice by the required deadline, a check would not be processed until the end of the following month. By establishing a timetable you reduce the risk of errors and you manage vendor expectations.

Requirements of this nature can be established in your contracts. More on contracts can be found in Chapter 9 of this manual.

INVOICE PAYMENT AUTHORIZATION FORM

Partnership
 Name: _____

Vendor
 Name: _____

Total Amount
 of Invoice: _____

Fiscal
 Year: _____

INVOICE PAYMENT DISTRIBUTION

example: 10-1012-5160			
COST CENTER	AMOUNT	COST CENTER	AMOUNT
COST CENTER	AMOUNT	COST CENTER	AMOUNT
COST CENTER	AMOUNT	COST CENTER	AMOUNT
COST CENTER	AMOUNT	COST CENTER	AMOUNT
COST CENTER	AMOUNT	COST CENTER	AMOUNT

SPECIAL ISSUES / INSTRUCTIONS

--

ED's Signature: _____ Date: _____

Board Member
 Signature _____ Date: _____

RFM's Signature _____ Date: _____

10-D. Budget Re-allocations

Your BSP establishes expenditure ceilings for each program code and each model code. These items are entered into the accounting system and become the benchmark against which all spending is analyzed.

Many of these initial estimates will remain the same throughout the year; however, we understand that sometimes even carefully planned budgets require modifications. As a result, OFS has developed four ways to modify your budgets throughout the year. All BSP modifications must follow the appropriate approval process below.

1. NEW STRATEGIES:

Any proposed new strategy must be approved, prior to use of funds for that strategy. This is true whether the strategy involves a reallocation of approved public (funds 10, 11, 55 and 56) or state-level private (fund 15) funds or the use of previously unallocated (“Pending Strategy/Plan Approval”) public (funds 10, 11, 55 and 56) or state-level private (fund 15) funds.

- The proposed strategy must first be approved by the OFS program staff (Parenting, Early Education, Childcare, Health or School Transition), and the Division of Finance
- The proposed strategy must then be approved by the State Board of Trustees Program and Grants Committee
- The proposed strategy must be approved by the full State Board of Trustees

2. ALLOCATION OF PENDING FUNDS:

Any proposed allocation of “pending” (unallocated) funds 10, 11, 15, 55 or 56 to an approved strategy must be approved, prior to use of funds for that strategy.

- The proposed allocation must first be approved by the OFS program staff (Parenting, Early Education, Childcare, Health or School Transition), and the Division of Finance
- The proposed strategy must then be approved by the State Board of Trustees Program and Grants Committee, and submitted to the full State Board of Trustees as information.

3. RE-ALLOCATIONS GREATER THAN 15%:

- Reallocations of funds 10, 11, 15, 55 or 56 from one approved strategy to another approved strategy that is 15% or greater than the sum of funds from the approved strategy being reduced, must be approved by the OFS; submitted to the Program and Grants Committee and to the full State Board of Trustees as information.

4. **OTHER RE-ALLOCATIONS:**

- All other reallocations will be approved by the OFS.
 - o Reallocations are **required** when moving budget from one category to another category **(i.e., from County Operations - non payroll to Program Services OR from Program Materials to Program Equipment, etc.)**.
 - o Reallocations from one model code to another model code **within** a category are **not required**.
 - o Total category budget cannot be exceeded.

Your RFM and/or OFS Fiscal Manager will be available to provide advice and assistance on any questions you may have on how and when you may wish to modify your expenditure ceilings. In addition, your RFM and/or OFS Fiscal Manager can help you if you have technical questions on how to fill out the re-allocation form.

County Partnership Board Official Approval Signatures

COUNTY: _____

DATE: _____

Board Chairperson NAME: (PRINT)	
TITLE:	Board Chair
SIGNATURE:	

Executive Director <i>(Must be designated by board)</i> NAME: (PRINT)	
TITLE:	Executive Director
LIMITATION: Budget Re-Allocation Form Invoice Payment Authorization Form Contract Authorization	<i>[Please choose an option for each]</i> \$ _____ amount or <input type="checkbox"/> no limitations \$ 500.00 limitation \$ _____ amount or <input type="checkbox"/> no limitations
SIGNATURE:	

Board Member #1 NAME: (PRINT)	
TITLE:	
SIGNATURE:	

Board Member #2 NAME: (PRINT)	
TITLE:	
SIGNATURE:	

County partnerships (CP) may choose to require the Board Chair's signature, a Board member's signature or to delegate authority to the Executive Director either entirely or up to a specified amount of funding. CP re-allocation forms **will not** be approved by SCFS without at least **one** of the above signatures. The CP board shall determine how many members have signature authority. Please send a completed copy of this form **and** a copy of the CP board minutes approving the above authorizations to:

County Partnership Finance

SC First Steps To School Readiness
 1300 Sumter Street, Suite 100, Columbia, SC 29201
 FAX: (803) 734-1431

REMEMBER TO:

Send a copy of this form to your RFM

10-E. Employee Time Keeping

Each county board of directors establishes a payroll schedule for its employees (twice monthly: 24 pay periods per year or every two weeks: 26 pay periods per year). Your partnership may have hired one or more employees to manage your First Steps programs, or to conduct programs from your central partnership's office. The cost associated with each employee has been included in your BSP document and must be recorded against the correct program and model codes. To ensure that this occurs correctly, each employee must complete a time sheet. Below you will find a format to use for this purpose.

As you know the First Steps legislation requires that you remain within an 8% administrative cap. One way some counties have achieved this goal is by allocating their staff persons' time, where appropriate, between program and administrative functions. The best way to demonstrate the amount of time any such "split" staff person spends performing program and non-program functions is also through a time sheet.

For each day, **each** county staff member will record the hours attributable to the relevant code. Please review the following examples:

Executive Director - 80% administrative, 20% programmatic; this person's time sheet might resemble the following:

Type	9-18-10	9-19-10	9-20-10	9-21-10	9-22-10	Total
1012-Administrative	8	8	4	4	8	32
1050-Indirect Programmatic	0	0	4	4		8

If your administrative assistant is 100% administrative in nature, his/her sheet would look like this:

Type	9-18-10	9-19-10	9-20-10	9-21-10	9-22-10	Total
1012-Administrative	8	8	8	8	8	40
1050-Indirect Programmatic	0	0	0	0		0

If your country has decided to operate a child-care subsidy program at the county office level and you have hired one person to perform resource and referral functions, her/his timesheet would look like this:

Type	9-18-10	9-19-10	9-20-10	9-21-10	9-22-10	Total
2012-Parents as Teachers (In-House)	8	8	8	8	8	40

Twice per monthly or bi-weekly, you must send these time sheets to your RFM. New employees must initially work two(2) payroll periods before receiving their first pay check. Therefore, all employees will have one(1) payroll period in arrears. **Example for twice monthly:** *If an employee begins work on June 1, the first payroll period is June 1 to June 15. The second payroll period is June 16 to June 30. The employee will receive their first pay check on July 1 for the payroll period June 1 to June 15.*

While employees' paychecks will not be withheld if time sheets are not submitted, timesheets are critical for accounting purposes and must be submitted for **ALL** county staff on a timely basis. Time sheets must also be submitted to the RFM for county staff whose payroll is prepared by an entity other than the RFM.

An authorized county partnership board member must approve all payroll changes relating to a county partnership Executive Director.

Paychecks will be written at the RFM's office and sent to the ED for staff distribution.

All employees should sign a form stating they have read and understood all of the county partnership's policies regarding human resources.

Some of the items included in the human resources manual are as follows:

- Vacation Time
- Sick Leave
- Bereavement Leave
- Other Benefits (dental, disability, etc.)
- Termination Process
- Dress Policy
- Internet Usage
- Miscellaneous
- Sample Timesheet

11. Annual Reports, Plans and Audits

11-A. County Partnership Accountability Tool

The purpose of this tool is to assist county partnerships in preparing for successful future audits and assessing progress in the implementation of the strategies outlined in annual renewal plan. The County Partnership will conduct a self-assessment of its overall operations in the following areas (if applicable):

Board Membership Composition, Terms, Attendance and Board Chair Election
Freedom of Information and Conflict of Interest
Board Powers and Duties
Fiscal Stewardship
Program Assessment Data
Parenting and Family Strengthening
Child Care Quality Enhancement
Early Childhood Education
Other Strategies e.g. Health

An annual review may be conducted by your OFS Regional Technical Assistant. A written report with program compliance and recommendations will be submitted by OFS to the County Partnership. Technical assistance to County Partnerships will be available by OFS.

11-B. Fiscal Closeout Reports

The fiscal closeout reports are invaluable and legislatively mandated items that will lead to better program management, accountability and to the development of a more precise spending plan in future years.

Each Regional Finance Manager (RFM) will be responsible for producing these reports following fiscal year closeout. Reports will be provided to you within 45 days after the fiscal year ends and will be considered final within 60 days of the year's end. In addition, you will see how "actual" program spending is compared to "plan" spending. As you know, you are required to have all invoices submitted to your RFM for processing on July 31st for year-end. Invoices that are submitted later than this data will not be booked against the previous fiscal year but will be applied to the following fiscal year. This may result in fiscal issues, so counties are encouraged to require its contractors to submit invoices in a timely manner throughout the year, but especially at the end of a fiscal year.

Executive Directors (ED) should review the fiscal reports with their RFM for accuracy, understanding, potential audit issues and future BSP development. Although the ED is not responsible for producing these reports, the Ed may be required to explain them to OFS and/or an independent auditor. These reports are key in maintaining a proper audit trail and to producing good budgets in subsequent fiscal years. RFMs will seek ED approval on these fiscal reports before they are submitted as final.

11-C. Annual Reports

County Partnerships are mandated to collect data and submit an annual report to the Office of First Steps by October 1 of each funding year. The report must include all information required by section 59-152-70(A)(7) of the enabling legislation.

11-D. Strategic Plan and Needs and Resources Assessments

Strategic planning is both a process and product, which includes the assessment of the needs and resources in your community; both guide the development and implementation of First Steps programming. Section 59-152-70 states that "First Steps Partnership Board(s) shall, among other powers and duties: coordinate a collaborative effort at the county level which will bring the community together to identify the area needs related to the goals of First Steps to School Readiness; develop a strategic long-term plan for meeting those needs; and create and annually revise a county needs assessment."

County Partnerships should complete the strategic plan every three (3) years. This plan should be based on the findings of the needs and resource assessment, which should be updated annually. If you have specific questions concerning strategic planning, contact your regional technical assistant.

11-E. Volunteerism report

On the following page, you will find a template for your volunteerism report. You are free to make this report as long or as short as you would like. We developed this tool because we received feedback from counties stating that the simple match report did not include information on many valuable community resources that are not allowable match because they have been funded with state dollars or because they have been deemed "unessential." (See Chapter 6)

Some key items that you would want to include are:

- Board time
- State-funded items
- The value of state agency collaboration
- Local volunteer events
- Fund-raising events

Remember this report is your opportunity to be a "cheerleader" for your partnership and your community. Please make it your own by writing as much as you would like and adding pictures, appendices, quotations, etc. to tell your local story.



COMMUNITY SUPPORT/VOLUNTEERISM ANNUAL REPORT

FIRST STEPS COUNTY PARTNERSHIP: _____

FISCAL YEAR _____

It is important to document all support for First Steps initiatives, not only official match items. Each fiscal year, community members, state-funded agencies, and organizations will donate goods, services, and hours that enhance First Steps programs in each county. Without this support, First Steps could not achieve as great a level of success.

Because the values of contributions are not included in county accounting systems or fiscal reports, OFS developed the Community Support/Volunteerism Annual Report to document and measure these services. The services include, but are not limited to:

- *Contributions funded with state dollars:* services, space, or time that does not count as official match and is therefore not entered into the accounting system.
- *Other non-essential, in-kind contributions:* donations of unpaid services that support First Steps initiatives but are not essential to program operations.
- *Volunteer hours:* donations of unpaid time provided by individuals or organizations that are non-professional. This time can be fairly valued at \$14/hour.

The reporting forms for Volunteer Services, Community Support, and the Volunteer Tracking Form found in Chapter 6 will aid in generating this report. As always, backup documentation should be maintained and readily available for review.

Contribution Summary:

TYPE OF CONTRIBUTION	EQUIVALENT COST OF GOOD OR SERVICE (if applicable)	TOTAL NUMBER OF VOLUNTEERS (if applicable)	TOTAL HOURS (if applicable)
STATE FUNDED			
IN-KIND, NON-ESSENTIAL			
VOLUNTEER SERVICES			
OTHER _____			
TOTAL			

Please provide written detail on the above contribution costs and activities:

State-funded (not counted as match but critical to your program operations):

Other in-kind contributions (donations of unpaid services that support First Step program initiatives but are not essential to program operations):

Volunteer services and/or programs (donations of unpaid time provided by individuals that are non-professional):

Please highlight events, activities, and/or achievements attained through state-funded contributions, other in-kind contributions, or volunteer services/events:

Please include other relevant information:

11-F. Record Retention

Please remember that you are bound by certain record retention policies. These rules require that you maintain all records for a minimum of three years and longer if you are involved in an actual audit. These rules are spelled out in your contract and are required by law. If and when a partnership receives federal funds record retention rules may be even more stringent and the county partnership should be certain that it is aware of all grantee responsibilities in this area for each funding source received.

It is important that when you enter into an agreement with a sub-contractor that you remind the sub-contractor that they are bound by the same laws. We recommend that you visit your sub-contractors at least annually to review their documentation and record storage policies. You might wish to make these visits unannounced.

Many documents will only be maintained on the vendor site. If this vendor is not maintaining records in an acceptable manner, you may find yourself in a difficult situation later. If changes are required in a vendor's record retention systems, it is better to learn this before an audit.

EDs should determine who is keeping audit records and original documents. EDs may wish to develop a system in which two different individuals and locations maintain two sets of documents in the event either party ever misplaces a document.

Each partnership should develop a record retention and document disposal policy in the first year of operation that is followed by all subcontractors, the RFM and the partnership staff.

11-G. Annual Financial Statements (County Partnership Audits)

Auditors will produce annual financial reports each year. Please be aware that you may be required to provide explanations and justifications on any item. Please be sure to review the final report carefully and ask your RFM about any items that are not clear to you.