

Financial Management Plan

CTLS, Inc.

Policies & Procedures

Revised October 19, 2010

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I. CTLS, Inc. Business Plan

A. OVERVIEW

The Board has implemented a fiscal management system with the highest standards of internal controls and financial accounting. The Board has adopted policies and procedures to provide guidance to the Central Texas Library System, Inc. (the Corporation) staff, and provides oversight to insure that the Corporation consistently follows those policies and procedures.

This Overview provides a general guide to the principles the Board will follow. More detailed policies and procedures which implement these principles can be found in Chapters II, III, and IV of this document which is entitled *Financial Management Plan of CTLS, Inc.*

The CTLS, Inc. Board will comply with the following provision of the *Rules for Administering the Library Systems Act* by providing a complete and detailed plan for the sound fiscal management of any state and federal grants awarded to the Corporation.

\$1.63 Fiscal and Administrative Responsibility

(a)

(7) detailed business plan, including cash flow analysis, cash flow management plan, verification of lines of credit or cash reserves, risk analysis, risk management plan, and verification of specified insurance coverage, and a plan providing for the annual accumulation of cash reserves as described in §1.64 of this title (relating to Cash Reserves: Regional Library System) such that the reserve shall be fully funded by the date of submission of the sixth annual program of service submitted under the terms of this rule.

1. Overview & General Approach

The CTLS, Inc. Board will insure professional management of its finances, personnel, and risk management activities by employing competent financial staff, institution of internal controls, and by contracting with Financial Services Providers to provide payroll and general oversight of financial operations.

The Financial Services Providers will provide the following services to the Corporation:

- a. Personnel and Payroll
- b. Monthly Bank Statement reconciliation
- c. Consulting services for quality control purposes

Specific policies and procedures related to these services can be found in Chapters II & III of the *Financial Management Plan of CTLS Inc.*

2. Insurance & Risk Management

The Executive Director will oversee and be responsible for the following:

- a) Periodic review and assessment of liability risk exposures;
- b) Ensure that all necessary liability & property insurance coverages are in place;

- c) Coordinate with property/liability insurance broker annually for reviewing coverage options and handling policy renewal negotiations;
- d) Arrange training and/or other risk reduction measures as required or recommended by insurers.

A more detailed assessment of risks can be found following this Overview in the *Risk Management Plan*.

3. Cash Flow Analysis Plan

The Executive Director will monitor the Corporation's cash balance and project the Corporation's future cash needs for each month of the fiscal year. At the beginning of each month, the Executive Director will review the Corporation's revenue and expenses, assessing the budgeted payments for the period; actual bills, payrolls, and other obligations on hand and due; known additional priority payments coming up soon; the checkbook balance, which reflects actual rather than budgeted cash transactions; and known income.

4. Cash Flow Management Plan

Cash flow management is the process of monitoring, analyzing, and adjusting cash flows. The Corporation will perform a regular cash flow analysis and use cash flow forecasting to prepare accurate and timely cash advance requests to head off cash flow problems. The Corporation's Office Coordinator will work closely with the Executive Director to make sure that any large expenditure for the forthcoming month is incorporated into the monthly cash flow analysis and projection.

5. Verification of Lines of Credit or Cash Reserves

The cash reserve required by contract may be used to satisfy obligations and maintain operations in the event of an interruption in cash flow will be deposited in a federally-insured, interest-bearing bank account. The reserve for unallowable costs comprised on non-grant funds is maintained in a separate account controlled by the Friends of CTLS, Inc. The Corporation will provide grantor agency with information on these accounts and provide regular reports on the account balances.

6. Risk Analysis

The principal risks to the Corporation are loss of CTLS money or property through theft, mismanagement, or accidents, and also injuries caused by the Corporation's employees or Board members or other acts which create liability for the Corporation. Lesser risks are that there will be an interruption in cash flow or that the Corporation's employees will incur costs that cannot be paid with grantor agency funds. The Corporation's risk management plan and the required cash reserves plan described below will address all these risks. A more detailed assessment of this can be found following this Overview.

7. Verification of Specified Insurance Coverage

The Corporation will maintain adequate liability coverage for all Corporation activities and will provide the Board of Directors and the grantor agency with proof of such coverage annually.

8. Maintenance of the State of Cash Reserve

Grantor agency requires a cash reserve for two purposes:

- 1) to pay allowable expenditures during periods of interrupted cash flow, such as salaries, benefits, rent, utilities, insurance, and outstanding invoices, and
- 2) to pay costs arising from unallowable purchases, employee dishonesty, or legal judgments.

Allowable Costs

The Corporation satisfied the grantor agency requirement of a cash reserve in fiscal 2009. The cost basis for determining the amount in the cash reserve can change from year to year. The Corporation will estimate annually the following fiscal year's requirement and submit that estimate with the annual Plan of Service. These funds may be accumulated from grant funds for *allowable costs*.

Funds in this cash reserve will remain in the bank account of the Corporation at the end of the fiscal year. The Corporation may take action to increase or decrease this cash reserve as the funding level from the grantor agency changes in subsequent fiscal years.

Non-allowable Costs

Certain activities have been identified as ineligible expenditures under the Uniform Grants Management Guidelines. A reserve fund consisting of non-grant money has been set up to cover any costs that may be determined ineligible expenditures during a grant year. This reserve will be used to satisfy costs which cannot be paid with grant funds.

The exact amount to be set aside each year shall be determined by the grantor agency staff prior to the start of each fiscal year. Funds in this cash reserve will remain in the bank account of the Friends of CTLS, Inc at the end of the fiscal year.

B. RISK MANAGEMENT PLAN

The CTLS Board has adopted risk management policies and procedures to address the risks the Corporation may face. The risk management plan approved by the Board follows four basic strategies for controlling risk:

- Avoidance: Cease to provide or do not offer a service or conduct an activity considered too risky.
- Modification: Change the activity so that the chance of harm occurring and impact of potential damage are within acceptable limits.
- Retention: Accept all or a portion of the risk, and prepare for the consequences.
- Sharing: Sharing the risk with another organization by agreements with other nonprofits, purchasing insurance, and sharing responsibility for a risk with another service provider through a contractual arrangement.

1. OVERVIEW AND GENERAL APPROACH

- A. The Corporation will reduce the risk of financial losses by contracting with at least 2 Financial Services Providers to provide professional payroll administration and financial

oversight and back account reconciliations. This division of responsibilities will also help insure that opportunities for employee mismanagement or dishonesty will be minimal.

- B. The Corporation will also have directors and officers liability insurance, employment practices (business) liability coverage, hired and non-owned auto insurance, and a Texas commercial property damage policy that covers the property of the Corporation and any property that CTLS, Inc. would rent, such as office space. The Corporation will further reduce its potential liabilities by carrying general business liability insurance which indemnifies the Corporation against losses from employee dishonesty.
- C. The Corporation will choose a property/liability insurance broker, evaluate coverage options, and assist with renewal negotiations; and arrange for training and/or other risk reduction measures as required or recommended by insurers.
- D. The Executive Director shall provide for staff training as appropriate on selected topics such as supervisor responsibilities, liability risk reduction practices, etc.
- E. The Corporation's risk management procedures will insure that risks are regularly assessed and addressed.

2. OTHER STRATEGIES FOR MANAGING EMPLOYEE RISK FACTORS

A. Reasonable Accommodation for Qualified Employees with Disabilities

Except where it would cause the Corporation "undue hardship," as defined by federal or state law, the Corporation will provide qualified employees with disabilities reasonable accommodation where such accommodation will permit the disabled employees to perform the essential functions of their jobs. Employees needing accommodation for their disabilities are encouraged to make their needs known to their supervisors or the Executive Director.

B. Workplace Injuries

It is the policy of the Corporation that each employee is responsible for reporting any work-related or on-the-job injury to the Executive Director. Any employee who fails to immediately report an on-the-job incident which leads to the injury of the employee or a co-worker may be disciplined, up to and including termination. This policy is necessary to permit the Corporation to comply with federal and state laws with respect to workplace safety and employee rights under state workers' compensation laws.

CTLS, Inc. maintains workers' compensation insurance for its employees to provide for payment of medical expenses and partial salary-continuation in the event of work related accidents or illnesses. It is essential that each employee report any on-the-job injury, no matter how minor, to the Executive Director.

C. OSHA Compliance

The Corporation's facilities must maintain safety procedures and must inform employees about safety in the workplace. Where CTLS, Inc. has established workplace rules aimed at promoting safety in the workplace, employees must, without exception, follow the rules. The Corporation will post current OSHA posters and bulletins where applicable.

C. CASH RESERVE PLAN

1. THE STATUTE

SECTION 1. Section 441.131, Government Code, paragraph c., and as per adopted Rule 13, TAC 1.64,

(c) To ensure the sound management and viability of regional library systems, the Commission shall include in its rules provisions stipulating a cash reserve requirement for regional library systems. To enable the accumulation of sufficient reserves for the sole purpose of cash flow management, regional library systems may retain up to five percent of their annual system operation grant general revenue funds from year to year until the Commission's reserve requirement is satisfied. These funds shall be held in a federally insured account. The Commission may provide for periodic reporting and inclusion in the annual audit. Interest earned on these funds may be retained in this account, and shall be subject to the same terms and reporting as the corpus. These funds remain the property of the State, and must be fully and promptly returned if the Commission ceases to contract with the regional library system as provided by this section.

2. THE RULE

§ 1.64 Cash Reserves: Regional Library System

(a) A nonprofit corporation or business shall maintain cash reserves, not to include the performance deposit in §1.63 of this title (relating to Proposal Requirements), totaling both:

(1) an amount not less than 15% of all the ongoing operating expenses (administrative, personnel, and fringe benefits) in the proposed annual contract to be used to satisfy obligations and maintain operations of an interruption in cash flow; and

(2) an amount not less than 5.0% of the proposed total annual contract, less the ongoing operating costs, to be used to satisfy debts or other costs which cannot be paid with grant funds; these funds must be from sources other than a system operations grant.

(b) Regional library systems shall have five years to accumulate this cash reserve. For the purpose of this rule, the years will be considered to begin on the date the annual program of service for the subsequent fiscal year is due at the Texas State Library. For regional library systems in existence at the time the rule is adopted, the five-year period will begin with the submission of the next annual program of service after the adoption of the rule. For all others, the five-year period will begin with the submission of the first program of service by the regional library system.

The Corporation fulfilled the requirements of this rule in FY 2009 and will maintain the cash reserve as per the requirement below:

(c) The regional library system shall accumulate the cash reserve according to the following schedule:

“(6) With the submission of the annual plan of service for every year thereafter, the regional library system must demonstrate the cash reserve account required by this rule is fully funded.”

3. COSTS INCURRED THAT CANNOT BE PAID WITH STATE OR FEDERAL GRANT FUNDS

These extraordinary debts might arise from (1) unallowable purchases, (2) employee dishonesty, and (3) legal judgments.

The consequence of incurring such extraordinary debts would fall on the CTLS Board of Directors for payment, and while they could, theoretically, be returned to the grantor agency for payment, that agency would not be able to pay since state and federal guidelines prohibit payment for this type of expenditure.

Operating procedures and management controls established and enforced at the Corporation prohibit unallowable expenses. The likelihood of such occurrences is small but the Corporation shall be prepared to discharge such debts should they arise.

- a) The Corporation will secure blanket coverage by a fiscally sound insurance carrier for employee dishonesty up to \$250,000 for each occurrence.
- b) Board of Directors members are indemnified by an insurance policy purchased from a fiscally sound insurance carrier up to \$1,000,000 for each occurrence of legal judgments against them.
- c) The Corporation will secure coverage by a fiscally sound insurance carrier for hired and non-owned auto policy insurance up to \$1,000,000.
- d) The Corporation will secure commercial package insurance from a sound insurance carrier for property damage and other hazards for an amount up to \$1,000,000.

The CTLS Board of Directors believes that these provisions strongly reduce exposure to these types of risk. The establishment of a cash reserve for debts that cannot be paid with state or federal grant funds has been accomplished. This reserve fund, provided by the Friends of CTLS, Inc., consists of bank deposits and has been accumulated from sources independent of Texas State Library grant funds.

4. Administrative Costs during interrupted cash flow

The second risk area to be addressed by establishment and maintenance of cash reserves would involve satisfaction of debts and obligations during periods of interrupted cash flow, such as salaries, fringe benefits, rent on facilities, utilities, insurance policies, and outstanding invoices for allowable expenditures.

The Texas State Library rules for regional library systems require that regional library systems maintain a reserve of 15% of their *administrative expenses only*, to permit operation for a limited time without having to release staff or become dependent upon delinquent accounts. This side of the reserve addresses those costs, which are allowable according to state and federal grant guidelines. State law allows regional systems to carry over funds to subsequent fiscal years.

This is an appropriate response to this risk area. The Board has establish a reserve fund for this purpose, consisting of bank deposits or other cash equivalent items, in the amount of a minimum of 15% of annual administrative expenses.

5. Summary

Because administrative costs change from year to year, the total minimum reserve amount shall be recalculated by the grantor agency each year. The grantor agency staff will notify the Corporation by February 1 of the appropriated amount so that this requirement can be submitted with the Plan of Service on April 1 of each year.

6. THE PLAN

Allowable Costs

Rules and Formulas:

1. For the purposes of calculating the Cash Reserve as required by the Library Systems Act, the following costs will be included as administrative operating costs:

- Personnel
- Fringe benefits
- Professional services firm
- Rent
- Telephone
- Internet
- Insurance
- Travel @ 50%
- Copies @ 50%
- Postage @ 50%
- Repair and maintenance
- Office supplies @ 50%
- CPA fees
- Staff/board training
- Recruitment costs

2. The total of actual administrative costs, multiplied by 15%, the sum of which divided by 5 years equals the amount required for the allowable cost portion of the cash reserve requirement for each fiscal year.

3. By following the above-mentioned formula for five fiscal years, the amount of the allowable costs portion of the required cash reserve will be determined.

4. By April 1, 2009, the total cash reserve for allowable costs was met.

5. Funds for the allowable costs portion of the cash reserve requirement may be carried over from general revenue state funds.

6. Funds carried over from general revenue state funds may not exceed 5% of general revenue state funds for the fiscal year.

Non-allowable Costs

Rules and Formulas;

1. To calculate the cash reserve portion for non-allowable costs, subtract the total of actual administrative costs from the total of general revenue state funds for the fiscal year. Multiply the difference by 5% and divide the sum by 5 years.
2. By following the above-mentioned formula for five fiscal years, the amount of the unallowable costs portion of the required cash reserve will be determined.
3. By April 1, 2008, the total cash reserve for unallowable costs was met.
4. There is no ceiling on the amount that can be amassed in this category.
5. Sums amassed for non-allowable expenses may not come from general revenue state funds.

II. CTLS FINANCIAL POLICIES

OVERVIEW AND GENERAL APPROACH

The CTLS Board has established as an overarching policy the principles of cost effective management of Corporation resources and personnel. Corporation policies and procedures shall be based on cost-effective best practices for nonprofits. The Corporation will follow those policies as required by the Uniform Grant Management Guidelines (UGMG) and applicable state law.

Procedures adopted by the Board shall contain a statement that the applicable procedure has been reviewed for cost effective best practices for nonprofits.

CTLS, inc. strives to have the best possible system of internal controls and financial accounting. The Corporation will ensure professional management of its finances by hiring qualified and well trained staff and by contracting with qualified financial services providers that will provide critical financial review or direct services. These policies shall guide the work of Board and staff:

A. Accurate, timely financial reports and information returns

The Board Treasurer provides oversight to ensure that the Corporation provides accurate, timely financial reports to the Board and to funding agencies. The Treasurer and the Corporation's staff shall maintain an annual calendar of reporting deadlines and confer regularly to ensure that all reports have been filed.

B. Approval of plans and commitments before they are implemented

The annual budget directs in general how funds are spent. This budget is based on the Corporation's fiscal year (September 1 through August 31). Board approval is required to spend funds on projects that have not been incorporated into the approved annual budget. The Executive Director and Board shall review monthly comparisons of financial statements with budgeted amounts, leases, and other major commitments. The Treasurer reports the financial condition regularly to the entire Board. Budget amendments, when needed, are allowed. They must conform to grantor agency's rules.

C. Compliance with government regulations

The Corporation complies with all government regulations pertaining to grants and contracts. When new funds are awarded from a public entity, the CTLS Treasurer and Executive Director shall review all documentation to ensure that the Corporation is in compliance with all regulations of the contracting organization.

D. Contracts and procurements

The Corporation shall select contractors on the basis of demonstrated competence, knowledge, and qualifications, and on the reasonableness of the proposed fee for services. Procedures regarding contracts and procurement comply with UGMG requirements, are to be used for purchases or contracts over \$15,000, and will be found in section IV of this document.

E. Credit Cards

The Corporation may have credit cards for the purposes of expedient payment for small purchases, auto rental, and on-line transactions. Employees may be issued cards with specific credit or expenditure limits as appropriate. Credit and/or debit card statements will be processed as regular invoices. The Office Coordinator will follow the process for payments as described in the CTLS, Inc. Financial Procedures.

F. Disbursements

The Board of Directors, acting through the Executive Director, authorizes payments for services and financial commitments of the Corporation. The Board officers, the Executive Director, and any other persons deemed appropriate by the Treasurer shall be authorized to sign checks on behalf of the Corporation. All checks over \$2,001 (with the exception of payroll and office rental checks) must be approved by an officer of the Board; checks over \$7,000 must have two signatures, with one being a Board officer. Cash is disbursed only upon proper authorization of the Executive Director, for valid business purposes. All disbursements are properly recorded.

G. Deposits

All funds intended for the Corporation are received, promptly deposited, properly recorded, reconciled, and kept under adequate security. The full amount received must be promptly deposited. Cash received must not be used for making change, petty cash purposes, etc.

H. Finance Committee

The Board of Directors will annually appoint a Finance Committee to work under the Board Treasurer to ensure appropriate presentation of an annual budget, appropriate expenditure of funds, and the presentation of monthly financial statements. The Finance Committee reviews the annual audit and presents it to the Board of Directors.

I. Fixed assets

Fixed assets may be acquired and disposed of only upon proper authorization by the Board of Directors, are adequately safeguarded, and properly recorded. The Corporation will conduct an annual inventory of fixed assets and maintain a central list of fixed assets, which includes registration numbers, warranty information, original cost, and service contract information, if appropriate.

J. Grants, gifts, donations, and bequests

All grants, gifts, and bequests are received and properly recorded. Compliance with terms of any related restrictions is monitored by the Executive Director and Treasurer. Unless otherwise stipulated, all grants, gifts, donations, or bequests, become the sole property of CTLS, Inc.

K. Investments and accounts

In order to minimize risk and maximize benefit, the Corporation uses federally insured local banking and savings institutions. With the exception of checking and money market accounts, the maximum amount on deposit with any institution may not, in the usual course of business, exceed \$100,000 or the amount insured by an agency of the United State government. The Treasurer reviews our position monthly and instructs the staff to make any changes required.

L. Line of Credit

The Corporation may maintain an appropriate line of credit to ensure regular cash flow.

M. Payroll

CTLS, Inc. shall contract with a Financial Services Provider to prepare and administer the Corporation's payroll. Disbursements are made only upon proper authorization to bona fide employees. The Corporation shall ensure that those payroll disbursements are properly recorded and that related legal requirements (such as payroll tax deposits) are complied with. Electronic direct deposit of pay checks shall be the preferred method of payment by the corporation. Employees may elect to receive paper paychecks on a regular basis with adequate advance notice. Payroll checks are never released prior to payday.

N. Donated goods, services and disposition of surplus supplies or equipment

Donated materials are recorded in an "In-kind ledger" with annotations about source, materials and estimated values for goods and services. Estimates are recorded at fair market value. Services, including but not limited to, volunteer hours (direct service, event, board and administrative) and professional services (accounting or legal, etc.) shall be computed at rates commensurate to the tasks performed. The Board may review the In-kind Ledger each year. In-kind contributions may be factored into the Corporation's annual budget and audit.

Surplus supplies consist of outdated, worn, or damaged materials no longer useable by member libraries or to the Corporation. The Corporation may transfer ownership of gift, donated, or withdrawn materials, supplies, or equipment to other non-profit entities whose primary focus is the support of public libraries or public library development in the state of Texas. If required by grant guidelines, equipment will be noted on property inventory.

O. Segregation of duties

Contracting with Financial Services Providers for specific professional services ensures a proper segregation of financial responsibilities. All disbursements are initiated from properly authorized documentation. The Treasurer or other Board officers or the Executive Director approve payments and sign checks. All checks over \$2,001 (with the exception of payroll and office rental checks) must be approved by an officer of the Board; checks over \$7,000 must have two signatures, with one being a Board officer. All banking and security statements are delivered either by mail or electronically to the Executive Director, who reviews and initials prior to sending them to the contracted organization for reconciliation. The Executive Director reviews the disbursements and accompanying documentation each month.

P. Procedures

The Executive Director, in consultation with the Board Chair and Finance Committee, will make any necessary adjustments in the approved procedures without formal Board action, provided the adjustments conform to the accepted policies of the Board. See section IV for documentation of approved policies.

III. CTLS PERSONNEL & TRAVEL POLICIES

A. PERSONNEL POLICIES

1. OVERVIEW AND GENERAL APPLICABILITY

These policies apply to all Corporation employees, unless specified otherwise by state law.

2. CHANGES IN POLICY

The CTLS Board of Directors reserves the right to amend, supplement, or rescind any provisions of these policies except for the provision of "AT WILL" employment – as it deems appropriate in its sole and absolute direction. All such amendments, supplements, or changes of any kind will be circulated in writing. Revisions may be in the form of memoranda.

3. EQUAL EMPLOYMENT OPPORTUNITY POLICY

The Corporation believes that all persons are entitled to equal employment opportunity and does not discriminate against its employees or applicants because of race, color, religion, sex, sexual orientation, national origin, ancestry, age, marital status, disability, veteran status or any other basis prohibited by federal, state, or local law. Equal employment opportunity will be extended to all persons in all aspects of employer-employee relationships, including recruitment, hiring, training, promotion, transfer, discipline, layoff, and termination.

4. EMPLOYMENT RELATIONSHIP

It is the policy of the Corporation that all employees who do not have a written, individual employment contract with the Corporation for a specific, fixed term of employment are employed "AT WILL" for an indefinite period. This means that the Corporation can terminate an employee's employment at any time, for any reason, with or without cause or notice. At the same time, employees may terminate their employment with the Corporation at any time for any reason. No employer representative is authorized to orally modify the "AT WILL" policy for any employee or to enter into any oral agreement contrary to this policy.

A criminal background investigation – at the Corporation's expense - may be initiated on all prospective employees prior to employment. A qualified third party will conduct these investigations and employment offers may be contingent on the findings of such a report.

5. NEPOTISM

The Executive Director shall not approve the appointment of any person who is related within second degree by affinity (marriage) or consanguinity (blood) to any supervisor.

6. EMPLOYMENT CATEGORIES

A. Regular Full-Time Employee

A "regular full-time employee" is one who is regularly scheduled to work 30 or more hours per week. Regular full-time employees who are scheduled to work 30 hours per week are eligible for full employer-sponsored employee benefits.

Any employee of CTLS, Inc. who was on the payroll of the Austin Public Library on August 31, 2005 shall be considered to be a legacy employee of the System.

B. Regular Part-Time Employee

A "regular part-time employee" is one who is regularly scheduled to work 29 or fewer hours per week. Employees who work a minimum of 1,000 hours per year are eligible for employee benefits. Regular part-time employees are eligible for employer-sponsored employee benefits at a rate determined by the Board of Directors.

C. Temporary or Contract Employee

A temporary or contract employee is one who is hired, or is under contract, to work for a specifically defined time to meet a special business need or emergency. Temporary or contract employees will not be eligible for employer-sponsored employee benefits, even if the duration of their employment extends beyond the original agreed-upon length of time, and even if they are "employees" of this employer under common law.

D. Exempt/Nonexempt Employee

1. Under the regulations of the federal Fair Labor Standards Act (FLSA), there are two categories of employees – exempt and nonexempt.
2. Nonexempt employees are those who are covered by the FLSA. Nonexempt employees must be paid overtime at the rate of time and one-half their regular rate of pay for all hours worked in excess of 40 each week. Only hours worked count in the overtime calculation. Therefore, holidays not worked, vacation days, sick days, etc. are not counted. The test is hours worked, not hours paid.
3. Generally speaking, exempt means that an employee is not under the protection of the FLSA. Exempt employees do not receive overtime hours worked in excess of 40 per week.
4. The Corporation does not have the authority to determine exempt or nonexempt status. This determination is made by applying a formula established by the FLSA to certain job-related criteria.

7. PAYROLL ADMINISTRATION

A. Payday

All employees are paid on a bi-weekly basis every other Friday on a schedule determined by the Executive Director and the payroll administrator.

The workweek begins at 12:00 AM Sunday of each calendar week and ends at 12:00 midnight Saturday night. Direct deposits are made into employee accounts on the Friday following the end of a two-week cycle.

B. Timekeeping Procedures

Federal law requires the Corporation to keep timely and accurate records on all nonexempt (hourly) employees.

C. Work Schedule/Hours

1. The Corporation's offices are open 8 a.m. to 5 p.m. Monday through Friday. Flexible employee scheduling and/or telecommuting may be approved by the Executive Director.
2. Employees who are unable to be at work because of illness, jury duty, or other excusable situations must call the CTLS office and speak directly to the person in charge. Employees who are more than 15 minutes late for work should call the Corporation's office and speak directly to the person in charge.

D. Overtime

Overtime worked by non-exempt staff must be pre-approved by the Executive Director. Nonexempt employees will receive overtime pay of 1.5 hours for each overtime hour worked. Overtime pay does not begin to accrue until after the non-exempt employee has worked over 40 hours in one week. Exempt employees may be asked to work more than 40 hours per week when circumstances dictate. Part time exempt employees will be paid for every hour they work up to 40 hours in any one work week.

E. Payroll Deductions

Federal withholding tax, Social Security tax (FICA), Medicare tax and any other mandated deductions are deducted from all paychecks as required by law. The amount of this deduction is determined on the basis of earnings and number of dependents, according to the schedule prescribed by the IRS. All employees are required to complete a W-4 form and manage their own deductions. A W-2 statement of total annual earnings and tax withheld will be provided to each employee no later than January 31 of the year following the earning period. Employee contributions to retirement accounts or for employee match for health insurance for family members or other voluntary deductions will be withheld according to the schedule established by the Financial Services Provider, the Corporation's staff, and the individual employee.

8. TIME OFF FROM WORK

A. Vacation

1. Full-time employees shall earn vacation per the following schedule. Legacy employees will use the number of years employed by the Austin Public Library as the basis for earning vacation hours:

Years 1-5	12 working days per year
Years 6-10	15 working days per year
Years 11-15	18 working days per year
Years 15 or more	20 working days per year

2. Vacation for part-time employees shall be prorated.
3. Vacation may be taken in increments of no less than one (1) hour.

4. Accumulation of vacation time: No more than six (6) weeks or two hundred and forty (240) hours of vacation may be carried into the next year, except with the consent of the Executive Director. Accrued vacation exceeding the maximum accumulation must be used by the end of the current fiscal year or will be forfeited. Upon the employee's resignation or termination for any reason other than cause, the Corporation will pay only for vacation accrued up to a maximum of 240 hours. With the approval of the Board of Directors, the Executive Director may initiate the pay out of employee vacation prior to the employee's separation from employment with the corporation.

5. Vacation is earned at the end of each pay period.

6. The scheduling of vacation is the responsibility of the Executive Director. All use of vacation is subject to the approval of the Executive Director. Employees may schedule the use of vacation time as they see fit once permission has been obtained from the Executive Director. The Executive Director's vacation shall be approved by the Chair of the Board of Directors.

7. Any hours taken in excess of accrued vacation time will be considered unpaid time off.

B. Sick Leave

1. Sick leave shall be accumulated at the rate of four hours per pay period.

2. Illness will be reported within the first hour the Corporation's office is open. If an employee is on continuous sick leave for three (3) or more days, a return-to-work form completed by a health care provider may be requested by the Executive Director before the employee is allowed to return to work.

3. Sick leave may be used for personal illness and/or illness of a member of the immediate family. The immediate family is defined as those individuals related by kinship, adoption, or marriage that are living in the same household, or if not in the same household, are totally dependent on the employee for personal care or services on a continuing basis.

4. The Executive Director may require medical certification in case of frequent or extended absences.

5. On September 1, 2005, each legacy employee will be credited with a sick leave balance of up to 40 hours, based on a one-for-one match of sick leave hours accrued as of August 31, 2005. The Executive Director is excluded from this provision. During the first six months of Fiscal Year 2006, employees may take up to 40 hours of anticipated, but not yet accrued, sick leave.

C. Emergency Leave

1. Leave may not exceed three (3) days for each occurrence, unless approved by the Executive Director, who has the authority to grant one or two weeks of emergency leave, depending upon the particular circumstances.

2. In some limited instances, the Executive Director may authorize emergency leave when an employee has a life-threatening illness and has exhausted all paid leave.
3. The Executive Director will determine and authorize the use of all emergency leave.
4. Bereavement leave used will not be charged to vacation or sick leave and is limited to three (3) days.
5. The Executive Director will authorize the use of emergency/bereavement leave and business-related funeral attendance.

D. Personal Leave

1. The Corporation allows time off for the handling of personal affairs. Each employee is allowed two (2) paid days per year for personal leave.
2. Scheduling requires prior approval of the Executive Director.
3. Unused personal leave may not be carried over into the next fiscal year and is subject to the same approval process as vacation scheduling.
4. Unused personal leave will not be paid in the event an employee separates from employment.
5. The employee is paid for each day according to the number of hours scheduled for a normal workday.

E. Court Leave

No employee shall be penalized, disciplined, or discharged for lawfully complying with a valid subpoena to appear in a civil, criminal, legislative, or administrative proceeding. Employees receiving a subpoena should contact their supervisor immediately to schedule time off for their appearance.

1. When in response to a subpoena or by direction of proper authority, an employee appears as a witness or serves in any recognized court of law, time off without charge to leave or loss of pay will be granted.
2. Leave will be limited to that part of the day required for actual jury or witness duty.
3. A copy of the summons of the court must be attached to the time sheet covering the period of leave.

F. Military Leave

1. CTLS, Inc. must comply with state law.
2. CTLS, Inc. must grant military leave.
3. The employee must notify the employer when called up.

G. Bad Weather Day

The Executive Director may decide that weather conditions make travel to and from work too hazardous for employees. This judgment will be made based on the decisions of other local governments and school districts in the Austin metro area. If the Corporation closes due to inclement weather, all employees scheduled to work on that day will be paid and the time charged to Other Pay. If an employee is already scheduled off that day, then the employee will not be paid. The Executive Director or her/his designee will notify all staff as soon as possible after a bad weather day has been declared.

9. TIME AND ATTENDANCE AND UNPAID LEAVE OF ABSENCE POLICY

A. Attendance

1. Each employee's presence at the work place every workday is an important element of the system's proper business operations. Attendance and promptness for work duties are therefore essential functions of each employee's job. Unexplained or unexcused absences and incidents of unexplained or unexcused tardiness from work will be disciplined up to and including termination.
2. When an employee must be absent from work or tardy because of unexpected illness or family emergency, the employee, or a representative of the employee, such as a family member, must speak directly to the person in charge. In extreme emergencies, an employee or representative should notify the employee's supervisor of the employee's reasons for any absence within 48 hours of the employee's work shift.
3. When the employee's supervisor receives no information from the employee or a representative after 3 days of absence from scheduled workdays, the employer will deem the employee to have voluntarily quit his/her employment.
4. When an employee has properly notified a supervisor regarding an unexpected illness or family emergency, and if the employee has used all of his/her vacation, sick leave, and personal days, the employee may request that his/her absence be considered unpaid leave. Regardless of leave type, the employer has the right to require the employee to provide a medical or other appropriate verification of the employee's reasons for the unscheduled absence from work.

B. Leave under the Federal Family and Medical Leave Act

Because the Corporation employs fewer than 50 employees, it does not offer FMLA. (29 CFR 825.104)

10. BENEFITS

A. Medical Care Benefits

The Corporation provides health insurance for eligible regular full-time employees. The Corporation provides health insurance for eligible regular part-time employees at a rate determined by the Board. CTLS provides health insurance for eligible dependents of regular full-time and part-time employees at a cost to the employee. The amount and extent of the benefits subsidy will be determined by the CTLS Board of Directors. These benefits are subject to change or cancellation at the discretion of the Corporation at any time. All employees shall

be eligible to participate in the Medical Expense Reimbursement Plan (MERP) adopted by the Board in September 2005. The Executive Director shall retain this document in her files.

An eligible employee who is covered by an existing health insurance policy may opt out of the corporation provided health plan. If the employee pays for this policy out of her/his own pocket, the Executive Director may increase the employee's pay equal to the amount of the cost of the Employee Only coverage. This additional pay will not be eligible for the SEP match. This action is subject to approval by the Board of Directors.

B. Defined Contribution (Retirement) Plan

The Corporation provides a defined contribution (retirement) plan for all employees eligible to participate in the plan. All regular employees are eligible for this plan and will receive a summary plan description upon enrollment. Temporary employees are not eligible for this benefit.

C. 403 (b) Plan

The Corporation will make arrangements for an additional retirement fund plan for all employees eligible to participate in the plan.

D. Holidays

The Corporation observes 11 holidays each year defined by the Executive Director and approved by the Board of Directors, granting time off with pay to all employees. The following holidays shall be observed:

- New Year's Day
- MLK Jr.'s Birthday
- Presidents' Day
- Memorial Day
- Independence Day
- Labor Day
- Veterans' Day
- Thanksgiving Day
- Friday after Thanksgiving
- Christmas Eve
- Christmas Day

When one of these holidays falls on a Saturday or Sunday, the Corporation will observe the holiday either on the preceding Friday (Saturday holiday) or following Monday (Sunday holiday). When a paid holiday falls during an employee's vacation period, it shall not be deducted from the employee's vacation accumulation.

11. ANTI-HARASSMENT POLICY

A. Harassment Policy

Individuals associated with the Corporation shall not be subject to any form of perceived or actual harassment in the workplace or at the Corporation's sponsored functions. Forms of harassment

include but are not limited to verbal or physical threats, horseplay, or intimidation of any kind. This policy covers all applicants and employees regardless of position, title, seniority, or function, as well as clients, temporaries, volunteers, visitors, independent contractors, and vendors. An individual covered by this policy has the responsibility to immediately report any incidents of actual or perceived harassment to the Executive Director or to the Chair of the Board of Directors.

B. Sexual Harassment Policy

Individuals associated with the Corporation shall not be subject to any form of perceived or actual sexual harassment in the workplace. This includes all applicants and employees regardless of position, title, seniority, or function, as well as clients, temporaries, volunteers, visitors, independent contractors, and vendors. An individual covered by this policy has the responsibility to immediately report any incidents of actual or perceived sexual harassment to the Executive Director or to the Chair of the Board of Directors.

C. Discipline

Any employee engaged in harassment of any kind will be subject to discipline, up to and including immediate termination. First-time offenders may be disciplined in this manner and all disciplinary decisions will be made on a case-by-case basis.

12. SUBSTANCE ABUSE AND FIREARMS POLICY

The Corporation recognizes the problem of substance abuse in our society, including illegal drugs and misuse of alcohol, prescription drugs and over-the-counter drugs. The Corporation will strive to balance respect for individual privacy with the need to keep a safe and productive work environment; the Corporation is committed to and will aggressively pursue the goal of this policy. The Corporation will strive to maintain a work environment free of substance abuse.

Concern for the safety of all employees is the motivating factor behind this policy on the possession of guns and firearms in the workplace.

A. Prohibited Conduct

1. Illegal Drugs.

This policy prohibits any employee from having possession of, being under the influence of, or using, consuming, transferring, selling or attempting to sell, or transfer any form of illegal drug.

For purposes of this policy, an "illegal drug" is any drug (a) which is not legally obtainable; (b) which may be legally obtainable but has not been legally obtained by the employee; or (c) which is being used in a manner or for a purpose other than as prescribed for the employee.

2. Alcohol.

This policy prohibits any employee from being impaired by alcohol while on employer business or at any time during the hours between the beginning and ending of the

employee's work day, and whether on the Corporation's property or not. This policy also prohibits any employee from using, consuming, transferring, selling, or attempting to sell or transfer alcohol while on the Corporation's property or at any time during the hours between the beginning and ending of the employee's work day, whether on the Corporation's property or not, except as specifically authorized by CTLS.

3. Prescription and Over-the-Counter Drugs.

This policy prohibits any employee from abusing prescription medications or over-the-counter drugs while on the Corporation's business or at any time during the hours between the beginning and ending of the employee's work day and whether on the Corporation's property or not.

For purposes of this policy, "prescription or over-the-counter drug abuse" means taking medications that were prescribed for someone else; using prescription drugs or over-the-counter drugs for a purpose other than that for which they were prescribed or manufactured; or other than in accordance with the doctor's instructions or recommended dosages.

Employees are expected to consult with their physicians regarding the effect of medications prescribed for them and to consult any package warnings for over-the-counter drugs. When an employee is taking a prescription or over-the-counter drug that can or will have an effect on the employee's normal mental and/or physical state or interfere with work such as operating vehicles, machinery, equipment, etc., the employee should inform his/her immediate supervisor so that an accommodation may be made to allow the employee to continue job performance without endangering his/her health and safety or the health and safety of others.

4. Guns and Firearms

The possession of guns and firearms on the Corporation's property, whether during normal work hours or otherwise, is strictly prohibited. Any employee found to be carrying or holding a gun or firearms on the Corporation's property will be subject to immediate termination.

B. Consequences of Failure to Comply with these Policies

Any employee who violates any provision of this policy shall be deemed guilty of misconduct and subject to discipline, up to and including termination from employment, even for the first offense. This shall include any use, possession, or sale of illegal drugs as prohibited by this policy; any use or abuse of alcohol as prohibited by this policy; and any prescription or over-the-counter drug abuse as prohibited by this policy. Possession of firearms/guns on the Corporation's property will be subject to the same penalties as above.

13. PROBLEM RESOLUTION

The management of the Corporation will review and resolve employee problems promptly. Employees should bring problems to the attention of their supervisor and/or the Executive

Director. If needed, the problem should move up to the Board Chair for resolution. Employees will not be penalized for bringing up a problem to management.

14. DISCIPLINARY PROCEDURES

It is the policy of the Corporation to treat all employees equitably, and to administer all policies, procedures, rules, and regulations consistently. When an employee's performance is unsatisfactory, or when an employee violates the rules and regulations of the Corporation, appropriate disciplinary action may have to be taken. The carrying out of the policies in this section should not be construed as preventing, limiting, or delaying the Corporation from taking appropriate disciplinary action against an employee at any point in the procedure, including termination without prior warning, when the Corporation in its sole discretion finds such action appropriate.

When circumstances dictate, consultation with the Board Chair or appointee should take place before disciplinary action is taken.

It is not possible to list all the forms of behavior that are considered unacceptable in the workplace. The following are examples of infractions of rules of conduct that may result in disciplinary action, up to and including termination of employment:

- Theft, fraud, gambling, weapons, or explosives in the workplace
- Falsification of Corporation records including, but not limited to, employment application and time sheets
- Being impaired by alcohol or drugs while on duty
- Threatening, boisterous, or intimidating conduct or language, including fighting, horseplay, and practical jokes which adversely affect operations, Corporation property, or persons on the Corporation's property
- Negligence or improper conduct leading to damage of property
- Insubordination (refusal to comply with instructions), failure to perform reasonable duties as assigned
- Disrespectful conduct to clients, fellow staff members, supervisor, board members, or general public
- Violation of the Corporation's policies, including safety or health rules
- Sexual or other unwelcome harassment of co-workers, clients, or the general public
- Excessive absenteeism, tardiness, or unauthorized absence from work place during the workday
- Unauthorized disclosure of business "trade secrets" or confidential information
- Unsatisfactory performance or conduct

Employment with the Corporation is by mutual consent of the employer and the employee, and either party may terminate that relationship at any time, with or without cause, and with or without advance notice.

15. TYPES OF DISCIPLINARY ACTION

Whenever an employee commits an offense warranting disciplinary action, the employee's supervisor may begin disciplinary action using the steps listed below.

- A. Employee counseling, or oral reprimand.
- B. Written reprimand. This may be the final notification an employee receives.
- C. Termination.

STEPS IN THE PROCESS

Employees are expected to perform their jobs in a professional manner. It is not possible to list all the types of behavior that are unacceptable in the workplace. Conduct listed in **11. Anti-Harassment Policy** and **14. Disciplinary Policy** shall apply. If disciplinary action is needed, it will be handled as follows:

First infraction: *employee counseling with an oral reprimand*

Second infraction: *written reprimand.* This step may be omitted if conduct is of such a serious nature that it is inadvisable to give a written reprimand.

Third infraction: *termination of employment*

DOCUMENTATION

Documentation is necessary during the disciplinary process. It is the responsibility of the supervisor to maintain records describing the steps taken and the outcomes of disciplinary actions undertaken to remedy employee performance or conduct.

Confidential documentation will be kept for all disciplinary procedures.

16. OTHER PERSONNEL POLICIES

A. E-Mail and Internet Policy

All employees of the Corporation are granted the privilege of accessing the Internet. Internet access is intended to be solely for business-related purposes. Personal use of the Internet via the Corporation's computers will be deemed acceptable if done during an employee's assigned break or lunch periods. Any personal Internet access to content or materials which are of an offensive nature, including pornographic or obscene materials and materials that otherwise may reasonably be considered inappropriate, will be considered willful misconduct and will result in immediate discharge.

The Corporation is dedicated to providing a work environment that is free from unlawful harassment. Transmitting offensive materials through the employer's e-mail may be viewed as creating a hostile work environment, thereby exposing the Corporation and individuals to

liability. Accordingly, it is also prohibited and will be cause for discipline, up to and including termination from employment, to transmit material which is defamatory, discriminatory, threatening, profane, slanderous, libelous, or otherwise offensive. Materials covered by this restriction include documents, messages, jokes, images, cartoons, programs, and software.

Employees should consider all e-mail messages and attachments as formal business correspondence. Employees should expect that anything in an electronic file is always available for and subject to review by the Corporation. Employees are also reminded that they should respect the confidentiality of co-workers in their e-mail communications.

To ensure compliance with the Corporation's policies, CTLS retains the right to monitor all use of the Corporation's computers, including all use of the Internet and all documents and e-mail. Employees are put on notice that they should have no expectation of personal privacy with respect to any file, e-mail, document, attachment, program, voice mail, or other material contained within the Corporation's computers.

B. Use and Care of Corporation Property

CTLS believes that a professional work place is essential to growth and overall well-being. The workplace is a reflection of professionalism. It is therefore expected that all employees will act responsibly with regard to the care of the work place. Buildings, equipment, and supplies are the property of the Corporation. Cooperation is expected when employees are asked to share this property. The Corporation's property is not to be removed at any time for personal use unless approved by the Executive Director. Each employee should help keep costs to a minimum and assist in maintaining the quality of the building, furniture and equipment by following the "housekeeping rules" that are promulgated from time to time. Cleanliness of surroundings is also enjoyed by all employees. Housekeeping is everybody's job, and it is essential for workplace safety.

C. Personal Appearance

General Guidelines:

- All employees should wear clothing that is neat, clean and appropriate.
- Clothing must fit well—it should not be excessively tight or baggy.
- Hair, both facial and on top of the head, should be neat and clean. Facial hair must be well-groomed.
- Shoes must be in good condition.
- Employees should dress according to the business needs for an occasion. For example, attending a Board meeting will necessitate a different mode of dress than a normal workday.

On any item, employees should ask a supervisor if unsure of appropriateness before wearing to work. Noncompliance with dress standards may result in the staff member returning home to change on Leave without Pay, performance reminders, disciplinary counseling, and extended Leave without Pay if necessary.

D. Leaving Work during Normal Working Hours

Time off during normal working hours for any reason (Sickness, Physician Visit, Personal Business - With/Without Pay, etc.) must be approved by the Executive Director.

E. Solicitations and Distribution of Literature

Solicitation, literature distribution, and related activities are prohibited on the Corporation's property.

F. No Smoking

The Corporation is committed to a smoke-free environment. Those employees who smoke should do so for a very brief period of time outside the Corporation's facilities at least 15 feet from the facility and any entrance. Excessive break periods taken for the purpose of permitting an employee to smoke may be disciplined by the Executive Director. Employees are expected to keep designated smoking areas clean and to properly discard cigarette and cigar butts.

G. Changes in Status

Employees should report any change in marital status, dependents, exemptions, address, telephone number, etc. to the Executive Director and Office Coordinator to keep personnel records correct, and to assure that employees receive ample opportunity to participate in employee benefit programs for which they are eligible.

H. Confidentiality

Many employees are in positions that give them access to confidential information. This information must be respected and not discussed in any manner with anyone. Any breaches of this rule will result in immediate dismissal.

I. Job Performance and Evaluations

The Executive Director will evaluate the performance of each employee at least annually. This duty may be delegated to another employee acting as the lead or supervisor of a project or work unit. Evaluations may be written or oral. The annual review process may not result in an increase in salary. Other factors affecting the financial condition of the Corporation will be taken into consideration in determining salary adjustments.

J. Probationary Performance Period.

New employees must successfully complete a 3 month probationary period to determine if they are suitable for the position for which they were hired. A probationary employee may be discharged at any time during this period without cause or explanation.

K. Evaluation of the Executive Director

Evaluation of the Executive Director will be conducted by the Board on a schedule to be determined by that body. The evaluation shall take place in executive session at either a regular or a called meeting of the Board.

L. Outside Employment

The ability to achieve the Corporation's long-term goals is dependent upon the efforts of a cohesive and disciplined team. Accordingly, it is hoped that employees will not find it necessary or desirable to engage in other outside employment with another employer. Employees who desire to engage in outside employment must make sure that such outside employment does not conflict with an employee's ability to perform his or her functions with the Corporation. Permission must be granted by the Executive Director before an employee can engage in outside employment.

M. Conflicts of Interest

Employees are prohibited from using the Corporation's facilities or information for personal advantage or outside employment.

N. Telephone

Personal telephone calls must be limited to emergencies or necessities. Excessive personal telephone usage will subject an employee to discipline, up to and including termination. No personal long-distance telephone calls may be made without the approval of the Executive Director. Personal cell phones should not be used to the extent that they interfere with the work at hand and the atmosphere in the workplace.

O. Breaks

Breaks will be provided to employees as required by state law and as appropriate for the proper operation of the facility in which the employee works.

P. No Privacy

The Corporation reserves the right to inspect each employee's work area at any time, and for any reason. Employees should have no expectation of privacy in their work spaces, including desks, drawers, cabinets, file cabinets, or other assigned storage areas.

Q. Personnel Files

The Executive Director will maintain employee personnel records in the manner required by federal and state law. With reasonable notice and upon proper request, the employee or his/her designee may inspect the employee's personnel records, unless state or federal law protects the confidentiality of the records.

R. Public Education and Participation

Employees are permitted to participate in educational and professional activities regarding library development, the library profession, and other relevant issues on the Corporation's time as approved by the Executive Director. Participation in such activities must be related to or result in the benefit of libraries and to the Corporation.

S. Political Activities

Employees taking part in campaigning and political activities must do so on their own time as private citizens in the community (city, precinct, school district, county, state, etc.) in which they

reside. Employees are prohibited from campaigning, wearing political buttons and other paraphernalia, or displaying political literature of any kind in the workplace.

R. First Amendment Issues

Employees' First Amendment rights will not be reduced by the Corporation's policies.

T. Open Records

All information collected, assembled, or maintained by the Corporation in association with the transaction of official business is considered public information and available to the public during normal business hours unless otherwise protected by State or Federal law. In the event of individual requests for copies of this public information, the Executive Director will follow state guidelines regarding the cost of reproduction of the materials under an Open Records Request.

U. Copyright Policy

Employees must obey all applicable copyright laws. Where applicable and allowed by grant guidelines, the ownership of materials produced or published by the Corporation's staff on CTLS time become the property of the Corporation.

V. Personal Copies of CTLS-Owned Materials

The Corporation's employees are prohibited from making personal copies of Corporation-owned audiovisual materials, books, and software. Installation of business and productivity software on home computers is allowed if expressly stated in the Software License Agreement.

17. SEPARATION POLICY

Employment with the Corporation is on an "at-will" basis and may be terminated by either the employee or the Corporation at any time, with or without cause or notice. Employment at-will is a term and condition of employment and continued employment for all persons employed by CTLS, Inc.

A. Lay-Offs

If conditions ever demand that a reduction be made in the staff of the Corporation, the order in which employees are released will be determined by past performance, special skills, qualifications for work, and flexibility. Seniority will not be the determining factor.

B. Discharges and Performance based releases

The Corporation may discharge an employee at any time with or without cause. Some of the situations that may result in discharge for cause include but are not limited to the behaviors or actions of employees as listed in **11. Anti-Harassment Policy** and **14. Disciplinary Policy**. Below is an abbreviated list of actions/behaviors that may result in termination of employment:

- Insubordination, criminal behavior, unexcused absences, habitual tardiness, harassment, and disclosure of confidential information.
- Poor performance on the job

This list is not meant to be exhaustive as other actions of employees may warrant termination. Corporation staff will follow the process of discipline outline in **15. Disciplinary Procedures** when circumstances warrant such an approach.

C. Voluntary Resignation

The Corporation's employees are asked to give two weeks' notice before the effective date of resignation. The Corporation may allow the employee to continue employment during the two weeks' notice period, or accept the resignation effective immediately. In such instances, consent may be given to pay the employee for the requisite notice period as if the employee had actually worked – or the employee may only be paid up to and including the day of the notice.

D. Performance-Based Release

- A performance-based release is a separation initiated by the Corporation for unacceptable performance or behavior.
- Unacceptable performance or behavior must be properly documented and disciplinary procedures followed when appropriate. Earned but unused vacation may be paid.

E. Acts of Misconduct

Acts of misconduct are very serious cases that require immediate dismissal of an employee without prior warning.

F. Reduction in Force

When an employee's job is eliminated and the employee cannot be placed in another job based on their training, experience, and qualifications, their employment will be terminated and the separation will be classified as a "Reduction in Force." All earned but unused vacation benefits may be paid.

G. Group Health Continuation Coverage

The Corporation will comply with all applicable federal and state laws and regulations governing the continuation of medical benefits after separation from employment from the Corporation.

B. TRAVEL POLICY

1. INTRODUCTION

A. Purposes. The purposes of this travel policy are as follows:

- To establish clear, uniform policies and procedures for the reimbursement of travel costs incurred while on Corporation business for both staff and Board of Directors.
- To clearly identify travel expenses eligible for payment by CTLS, Inc.
- To account for and report properly all travel-related expenses.

B. Official Policy. This policy applies to official travel of all the Corporation's employees and CTLS Board of Directors when traveling on official corporation business. Official travel is travel that is reasonable and necessary for the conduct of CTLS, Inc. business.

2. EMPLOYEE RESPONSIBILITIES

- Ensure that a Travel Expense Claim is filed promptly and in accordance with this policy.
- Be conservative in expenditures while traveling on Corporation business, as if such costs were being paid by the employee personally. Exercise prudence in the selection of lodging, meals, and training.

3. AUTHORITY TO TRAVEL

Authorization. All travel by employees and board members shall be authorized and approved by the Executive Director.

4. EXPENSES ELIGIBLE FOR REIMBURSEMENT

A. Lodging Receipts are required for accommodations. Hotel reimbursement rates conform to State of Texas policy regarding reimbursement rates and are the maximum amount an employee may receive for eligible travel expenses. The Comptroller's office follows the Federal Reimbursement rates unless a Texas city or county is not shown on the federal schedule.

B. Meals and incidental expenses such as tips and laundry. Meals reimbursement rates conform to State of Texas policy regarding reimbursement rates and are the maximum amount an employee may receive for eligible travel expenses. The Comptroller's office follows the Federal Reimbursement rates unless a Texas city or county is not shown on the federal schedule. This rate may be adjusted annually as the State rate changes.

Actual Costs Reimbursement Method: Travelers will be reimbursed for meals based on the actual costs paid, including tips. The maximum daily reimbursement for meals tracks the allowable per diem maximum. That maximum may be adjusted at the beginning of each fiscal

year. Employee shall use the Corporation's Standard Meal Claim Form to document meal expenditures.

Meals Eligible for Reimbursement: Time of departure from or arrival in Austin determines the meals eligible for reimbursement, according to the following schedule. If claimant is based outside of Austin, the residence of the claimant is used to calculate reimbursement eligibility:

Leave from Austin Meal Allowed

Before 7 AM Breakfast
Before 11 AM Lunch
Before 5 PM Dinner

Arrive in Austin Meal Allowed

After 9 AM Breakfast
After 1 PM Lunch
After 7 PM Dinner

C. Transportation. Reimbursement of transportation costs will be based on the most economical and practical mode of transportation.

- Air Transportation. Use coach-class accommodations.
- Personal Vehicle. An employee may be reimbursed for the use of a privately owned vehicle while on official travel only. Reimbursement for transportation shall be made at the rate set by the federal government as found of the federal travel website. This rate may change from time to time. If adjustments take place during the fiscal year, those changes will apply.
- Automobile Rental. An employee may secure an automobile rental if she/he can demonstrate that this mode of travel is less expensive than personal automobile mileage reimbursement. The cost of the rental plus gas will be reimbursed on an actual cost basis.

D. Other Reimbursable Expenses

1. Receipts required. Expenses included as part of a registration fee (e.g. meals, lodging, etc.) is not additionally reimbursable as separate items.

- Training Seminars and Conferences. The receipt shall include the program location and date(s) that are included in the registration fee.
- Taxi Service in other Cities. Related to approved travel for business purposes. Transportation to/from entertainment and restaurants is not reimbursable.
- Telephone/Facsimile. Business call or faxes charged to lodging bills or credit cards will be recognized as a reasonable expense.
- Parking. Actual parking costs are reimbursable with receipts.
- Tolls. Actual cost for tolls taken when use of this road way is a reasonable expense.

E. Personal travel expenses that are not reimbursable include, but are not limited to, the following:

- Loss of funds or personal property
- Entertainment expenses, including the cost of alcoholic beverages, or the cost of movie rental expense.

- Transportation—Taxi fare, parking, toll fees, or mileage—to and from entertainment and restaurants.
- Flight or trip insurance.
- Laundry/dry-cleaning costs (unless using the per diem method)
- Excess baggage charge for personal belongings.
- Repair costs for privately owned vehicles.
- Cost of meals in excess of the daily maximum allowed amount.
- Cost of lodging in excess of the daily maximum allowed amount.
- Excessive mileage reimbursement (mileage incurred for personal reasons).
- Unauthorized registration fees.

5. TRAVEL ADVANCES

A. Optional Advance. A travel advance is an option available to an employee on travel status who will have out-of-pocket cash expenses.

- A completed travel claim must be filed within 30 days from the return of the business trip.
- If this condition is not met, the advance amount will be treated as income to the employee and no adjustment can be made when it is returned.

B. Request for Travel Advance. Employees requesting an advance should submit a completed travel advance request in writing to the Executive Director.

C. Return Advance. The claimant must return an advance in a timely manner no later than 30 days after the end of the trip:

- **Excess Advance.** Any unspent advance amount must be returned via personal check to the Office Coordinator within ten working days.
- **Canceled Trip.** If the trip is canceled, the employee must return the advance check immediately to the Office Coordinator.

D. Past Due Advances. If a Travel Expense Claim for an advance is not received by the Office Coordinator within 30 calendar days, the Executive Director may notify the employee that no further advances will be made until a Travel Expense Claim is submitted.

6. DEFINITION/CONDITIONS FOR REIMBURSABLE TRAVEL

A. Operational Travel. Travel necessary to conduct the business of the grant shall be considered operational travel. Reimbursement for this category of travel shall be at the established rates as found on the federal web site at the time of the trip.

B. Board Travel. Travel necessary to conduct the business of the Corporation shall be considered board travel. This travel shall use the same standards established for Operational Travel.

Eligible travel may include but is not limited to membership meetings, committee meetings, training sessions, conferences, and board meetings. Board members seeking reimbursement for travel expenses shall use the forms provided by the Executive Director for that purpose.

C. Proof of personal vehicle liability insurance. To be eligible for mileage reimbursement, employees shall provide proof of personal liability insurance on any vehicle(s) used in the conduct of their normal duties. This proof shall be provided at the start of each fiscal year or when an additional vehicle is used by an employee.

If an employee does not own a vehicle, they must provide proof of a current Non-Owners Automobile Liability policy at the start of each fiscal year.

IV. CTLS Financial Management Procedures

CTLS, Inc. policies and procedures shall be based on cost-effective best practices for nonprofits. The Corporation will follow those policies as required by the Uniform Grant Management Guidelines and applicable state law. Each published procedure shall contain a statement that it has been reviewed for cost effective best practices for nonprofits.

Implementation of Cost-Effective Practices for Nonprofits

1. The Corporation's policies and procedures which pre-date September 1, 2005 will be reviewed to insure that they are based on cost-effective best practices for nonprofit organizations.
 - a) When policies and procedures are found to be cumbersome or wasteful, those procedures will be streamlined to reflect best practices.
 - b) Procedures developed in response to suggestions by auditors will be examined thoroughly and changed only if the integrity of the original suggestion can be maintained
2. The Corporation's policies and procedures adopted after September 1, 2005 will be developed with cost effectiveness and best practices of nonprofit organizations as guiding principles. A statement noting this will be affixed to all policies and procedures as they are adopted or revised.
3. When a funding agency requests that the Corporation follow more stringent practices than are incorporated in CTLS, Inc. approved documents, the following process will be observed:
 - a) The Executive Director is required to obtain written citations from the funding agency before initiating the change in CTLS, Inc. procedures.
 - b) The Executive Director must apprise the Board immediately of this request from the grantor agency.
 - c) The Board may authorize this change to the current procedures.

A. FINANCIAL MANAGEMENT OVERVIEW

1. IN HOUSE FINANCIAL CONTROLS

- The Corporation's staff will provide a wide range of financial tasks in house. The following services will be the responsibility of the Office Coordinator:
 - Maintain the Corporation's books of record, including records of all financial transactions and journal entries.
 - Process approved invoices and pay the Corporation's bills;
 - Handle and record the Corporation's deposits;
 - Monitor the Corporation's cash balance and project the Corporation's future cash needs;

- Provide regular financial reports, (including Statement of Revenues & Expenses, Statement of Changes in Fund Balance, Revenues & Expenses
- Ensure compliance with all financial reporting requirements of both state and federal grants (as well as for any new grant);
- Manage spending according to its budget;
- Track spending by corporation bank card;
- Review and maintain strong internal financial management controls;
- Prepare information required for annual Internal Revenue Service (IRS) 990 for completion and submission by an independent Certified Public Accountant (CPA);
- Prepare for and assist with any financial review or audit conducted by an independent CPA.

2. CONTRACTING FOR FINANCIAL SERVICES

- The Corporation may contract with one or more Financial Services Providers for the following services:
 - Assist the Office Coordinator in the design of additional financial reports that help meet the information needs of the Corporation's Executive Director, Board of Directors, and funders;
 - Reconcile all bank statements on a monthly basis;
 - Provide monthly Balance Sheet to the Corporation's Executive Director and Board of Directors;
 - Process bi-weekly payroll, issue electronic paychecks, prepare timely tax reports, remit payments to federal agencies, and prepare W2 and 1099 forms at the end of the tax year.
 - Prepare for and assist with any financial review or audit conducted by an independent CPA.

3. GUIDING PRINCIPLES

- CTLS, Inc. will operate as a not-for-profit organization in accordance with IRS Code 501(c) 3.
- The Corporation will follow the guidelines for grant expenditures set forth in:
 - Office of Management and Budget-A-122; (OMB)
 - Uniform Grant Management Standards (UGMS);
 - Granting agency's guidelines or handbook;
 - Grantor agency contracts;
 - CTLS, Inc. Business Plan; and
 - CTLS, Inc. Financial Policies.
- The CTLS, Inc. Board of Directors will establish policies for expenditures using non-grant funds.

4. INTERNAL CONTROLS

- Division of Duties -- These functions will be performed by different people or groups:

- Authorizing transactions: Executive Director reviewed by Board of Directors;
 - Recording transactions: the Office Coordinator reviewed by Executive Director
 - Custody of assets (property): Office Coordinator reviewed by Executive Director;
 - Custody of assets (cash): the Office Coordinator reviewed by Executive Director
- Procedures for Authorizing, Recording and Reporting Transactions
 - Proper authorization and timely reporting of transactions;
 - Insuring of all employees with access to cash and other valuables; and
 - Proper supervision of personnel.
- Bank Accounts -- CTLS has federally insured bank accounts at each institution in which it deposits and maintains Corporation funds:
 - Operating Funds and Interest Bearing Checking Account -- Operating costs are drawn from this account. Normally, no more than one month's anticipated expenses will be kept in this account. Advances of grant funds are deposited into this interest bearing account.
 - Interest Bearing Cash Reserve Account
 - Grant funds which are allowed by contract to be set aside as the reserve to be used to satisfy obligations and maintain operations in the event of an interruption in cash flow are deposited in this account.
 - In the event of an interruption in cash flow, the required funds are transferred from this account to the operating account. The cash reserve account will be replenished when the grant funds are received.
 - Non-grant funds to cover costs which cannot be paid with grant funds are deposited into a separate account from the grant funded cash reserve account. Expenses which are not allowed to be paid with grant funds are drawn from the non-grant funds in this account.
 - The cash reserve may be maintained in financial instruments deemed by the Corporation to be the most appropriate and efficient.
 - Co-mingling of Funds -- Federal/state grant funds may be co-mingled at the bank or maintained in separate bank accounts or in different financial institutions.
 - The Cash Reserve account will be maintained as a separate account so that the interest accruing to these funds can be property attributed to this special reserve fund.
 - Non-federal/state grants and/or other funds under the control of the Board of Directors shall be held in a separate Unrestricted Account so that a clear trail of accountability can be maintained for the audit.
 - Handling Mail from the Bank – The Office Coordinator will identify electronic mail from the bank, print out the statements, and deliver them to the Executive Director. If the statements come via US Mail, the Office Coordinator shall deliver those statements unopened to the Executive Director. The Executive Director will review, initial and date the bank mail before giving it to the Financial Services Provider for monthly reconciliation.

- Reconciling Bank Accounts – the Financial Services Provider will reconcile all bank statements monthly.
- Credit Cards -- The Corporation may secure credit cards for program staff to use for work- related travel or incidental expenses.
 - Balances on all cards are to be paid off monthly so as to incur as little interest or carrying charges as possible.
 - The use of a corporate credit card is a privilege that may be withdrawn at any time should a staff member fail to adhere to the Corporation rules governing the use of this instrument.

5. HANDLING FUNDS

- Advances – Form for Request for Advance or Reimbursement from grantor agency
 - The Executive Director will prepare the monthly "Requests for Advances or Reimbursements" as required by the grantor agency in advance of expenditures. The amount of the advance should be limited to expenditures anticipated in the next month and shall be based upon:
 - Known monthly expenses (e.g., rent and payroll);
 - Review of cash flow projections; and
 - Inquiries of staff of expected expenditures.
 - The Executive Director will submit the Request For Fund on the Grants Management System (GMS) by the 14th day of the month.
 - The Office Coordinator may request confirmation that the request was received by the accounting department of grantor agency.
 - The Office Coordinator will check with the bank to see that funds from state have been deposited.
- Receipt of Funds
 - State and federal grants funds are deposited electronically into the Corporation's interest-bearing operating funds bank account.
 - Checks received in the mail or at Corporation events
 - The Office Coordinator will open the mail and note the arrival of all checks.
 - Corporation staff may receive payment for event attendance and issue appropriate receipts to individuals. Money is turned over to Office Coordinator immediately following event.
 - The Office Coordinator will log the following information:
 - Name of provider of funds;
 - Date received;
 - Amount of funds;
 - Purpose of funds; and
 - Signature of Office Coordinator, indicating funds were received.
 - The Office Coordinator prepares a detailed deposit slip and obtains Executive Director's approval and signature on document.

- The Office Coordinator handles all deposits to the accounts and keeps records of transactions.
- Internal Audits -- The Board's Finance Committee may set internal audits as needed to ensure that these procedures are strictly followed and report the results to the Board. The Board will set the frequency of internal audits.

6. PAYMENT OF INVOICES

- Payment process
 - The Office Coordinator produces checks from the payment documents.
 - The Executive Director or her designee will review all checks and payment documents for accuracy.
 - The Executive Director or her designee will sign checks under \$2,000. For checks of \$2,000 to \$6,999, the Executive Director or her designee will obtain approval to sign from the Board Treasurer or other Board member via e-mail. That e-mail will be printed and kept on file in the Office Coordinator's office. For checks over \$7,000, a Board member must co-sign with the Executive Director or her designee.
 - The Office Coordinator will mail the signed check to the vendor and log the date it was mailed.
- Reimbursement of expenses for staff and Board members
 - Expenses for travel, conference fees, and eligible incidental expenses incurred by staff in conjunction with their official job duties shall be reimbursable.
 - Board members will be reimbursed for travel directly related to their service on the Board according to the same policies and reimbursement rates established for staff travel.
 - Reimbursements will be requested using expense reimbursement forms signed by the staff or Board member and approved by the Executive Director or her designee.

7. REPORTS

- Financial Reports –

The Office Coordinator will prepare the following monthly financial reports to assist the staff and Board in controlling the Corporation's financial operations and to provide information to members of the Corporation:

 - Revenue and expense statement with comparison to budgeted amounts
 - Other reports as requested by the Executive Director or Board.

The Financial Services Provider will prepare the following monthly financial reports to assist the staff and Board in controlling the Corporation's financial operations and to provide information to members of the Corporation:

- balance sheet;

- Cash Flow Projection – the Executive Director will monitor income and expenditures and create a monthly cash flow projection based on:
 - Budgeted payments for the period;
 - Actual bills, payrolls, and other obligations on hand and due;
 - Known additional priority payments coming up soon;
 - Checking account balance, which reflects actual rather than budgeted cash transactions;
 - Known income.

- Payroll – the Financial Services Provider will process all payrolls, produce all payroll-related reports, and file all state and federal reports.

- Financial Status Report (FSR) – the Executive Director will prepare the quarterly Financial Status Report required by the grantor agency for each project funded under the annual contract with the grantor agency. These reports are due on or before the dates listed in the annual contracts with the grantor agency.

- Form 990 – the Auditor will prepare the information required for the annual Form 990 (Return of Organization Exempt from Income Tax) for completion and submission by an independent Certified Public Accountant (CPA).

- Grantor agency Monthly and Quarterly Program Reports - The Executive Director will be responsible for submitting all required programmatic reports to the grantor agency.

8. AUDIT

- The Corporation will arrange through normal procurement procedures for an annual audit by an independent, licensed certified public accountant.

- The audit will be conducted in accordance with generally accepted auditing principles in single audit requirements as detailed in OMB-A-133, if applicable.

- The Financial Services Providers and the Office Coordinator will assist the auditor as requested.

- In the event there are audit exceptions, the Executive Director shall prepare a written response to submit with the audit to the Board of Directors and to the grantor agency.

9. BUDGETING

- Biennial Budgets
 - Biennial Budgets will be developed in alternating years in accordance with the grantor agency's guidelines by the Long Range Planning Committee, Board of Directors, and the Corporation's staff with input from the member libraries.

- The Biennial Budget will be presented to the CTLS membership for approval and referral to the CTLS Board of Directors. The Board must approve the Biennial Budget.

- Plan of Service
 - The Plan of Service will be developed annually in accordance with grantor agency guidelines by the Corporation's staff with input from the Long Range Planning Committee, Board of Directors, and member libraries.
 - The Plan of Service will be presented to the Corporation's Library Representatives for recommendation to the CTLS Board of Directors. The Board must approve the Annual Plan of Service.

- Non-Grant Funds
 - Non-grant funds will be expended in accordance with goals developed by the Long Range Planning Committee, Board of Directors, and the Corporation's staff with input from member libraries.

B. PURCHASING

The Corporation shall select contractors and vendors on the basis of demonstrated competence, knowledge, qualifications, quality of item or commodity, and on the reasonableness of the proposed fee for services or equipment offered. Procedures regarding contracts and procurement comply with UGMG requirements and are to be used for purchases or contracts over \$15,000.

1. Awarding contracts over \$15,000:

- No employee, officer or agent shall participate in the selection, award or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer or agent, or any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award.

- The officers, employees, and agents of the recipient shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to sub agreements. Recipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.

- Any violations of such standards by officers, employers or agents of CTLS, Inc. shall be subject to disciplinary action as outlined in the Personnel Policies.

- Employees are prohibited from accepting gifts, money, or gratuities from persons receiving benefits or services from CTLS, Inc. Any gifts of whatever value received by the Corporation will be considered gifts to the corporation. Money and gratuities

received from public appearances as representatives of the Corporation will be deposited in the unrestricted account.

2. Contract Administration

- The Board Treasurer will ensure that a system for contract administration is maintained to comply with the terms, conditions and specifications of the contract and to ensure adequate and timely follow-up of all purchases.
- Staff shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.
- All procurement transactions over \$15,000 shall be conducted in a manner to provide, to the maximum extent practical, inclusive and free competition. CTLS, Inc. shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.
- Awards shall be made to the bidder whose bid or offer is responsive to the solicitation and is most advantageous to the recipient after considering all factors.
- The Corporation shall clearly set forth all requirements that the bidder or proposer shall fulfill in order for the bid or offer to be evaluated by the recipient. Any and all bids or offers may be rejected when it is in the Corporation's interest to do so.

3. Cost and price analysis

Cost or price analysis shall be made and documented in connection with every procurement action before a contract is awarded. Price analysis may be accomplished in various ways including comparison of price quotations submitted, market prices and similar indicia, together with discounts.

4. Procurement records:

Procurement records for purchases in excess of \$15,000 shall include the following: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained and (c) basis for award cost or price.

5. Errors in process:

In the event that procurement procedures have not been adequately followed, the Executive Director or Board Chair may request to reopen the procurement activity.

6. Use of governmental cooperative purchasing programs

The Corporation may choose to use the cooperative purchasing programs available to non-profit corporations when it is deemed advantageous to do so. When such a method of procurement is selected for such goods or services, it is presumed that the Corporation has met all legal bid requirements.

7. Professional services, utility services, real estate transactions

These services are exempt from the competitive procurement process.

- Professional services include accounting, architecture, landscape architecture, land surveying, engineering, auditing, and real estate appraisal.
- Preparation of tax rolls, tax statements, and inventory, as well as the third-party administrator of insurance benefits.
- Leasing of office space.

8. Sole Source Purchases

Purchases available from only one supplier are exempt from bidding requirements.

C. PAYROLL AND PERSONNEL RECORDS

1. RESPONSIBILITIES

- The Financial Services Provider Responsibilities
 - Produce biweekly paychecks and/or direct deposit notices for all employees;
 - File all quarterly and annual state and federal payroll reports;
 - Maintain all payroll journals and records;
 - Process employee pay rate changes;
 - Track all employee deductions and forward all insurance, retirement, and other voluntary withholdings to the appropriate parties;
 - Maintain and report employee leave records;
- Executive Director's Responsibilities
 - Review and sign timesheets;
 - Enter timesheets into the FSP payroll system;
 - Review and initiate payroll changes;
 - Review and initiate leave adjustments;
 - Approve requests for days off;
 - Maintain personnel files;
 - Hire and terminate Corporation staff.
 - Insure that all new employees complete all required forms
- Office Coordinator's Responsibilities
 - Review time sheets;
 - Post payroll expenses from reports from the Financial Services Provider that are generated each pay cycle.

2. PAYROLL PROCEDURES

- At the end of the day on every other Monday, all employees will submit timesheets to the Office Coordinator, who will ensure that the timesheets are correct. If not, they are returned to employee for correction and then given to the Executive Director for final approval.

- The Executive Director or designee will edit and sign the timesheets and enter them into the Financial Services Provider's electronic payroll processing system no later than 10:00 a.m. on Tuesday.
- The Financial Services Provider will calculate payments, prepare pay and deductions reports and direct deposit notices for employees, and initiate the direct deposits.
- The Financial Services Provider will provide pay statements showing all year-to-date balances including current pay rate, gross and net pay, all payroll deductions, balances for employee flexible accounts, and leave balances.
- Paychecks for all employees will be directly deposited into individual employee's account no later than 5 p.m. on payday.
- The Financial Services Provider will make the required employee payroll deductions both mandatory and voluntary.
- A second Financial Services Provider will make deposits into the individual employee's retirement accounts.

3. LEAVE/SICK LEAVE RECORDS & PROCEDURES

- The Executive Director receives a report bi-weekly from the Financial Services Provider of the accrued leave for each employee. Requests for leave are checked against leave balances before timesheets are signed by the Executive Director.

4. WORK WEEK

- The workweek is from Sunday, 12:00 a.m. through Saturday, 12 p.m. midnight.

5. EMPLOYEE TERMINATION

- Executive Director's Responsibilities
 - Examine leave record and determine whether the terminated employee has accumulated leave for which he/she should be paid.
 - Complete Employee Change Form with the last day of duty and reason for termination to put into the employee's file.
 - Change the payroll system to reflect separation from the Corporation and obtain a forwarding address for W2 form;
 - Secure return of any keys or assigned equipment before delivering final paycheck.
 - Notify Board of Directors of termination.
 - Request that System Administrator change passwords to all applicable accounts.
 - Change security system to remove terminated employee's building access code.

D. INVENTORY

1. EQUIPMENT/PROPERTY PURCHASED WITH GRANT & NON GRANT FUNDS

Definition

Equipment/property is an article of non-expendable, tangible personal property having a useful life of more than one year and an acquisition cost that exceeds the capitalization amount established by the Board of Directors of the Corporation.

- This section applies to all equipment (data processing, furniture, fixtures, software, etc.) purchased wholly or in part with CTLS, Inc. funds with a per unit cost of \$2,000 or more, excluding shipping and handling, and having a useful life of over one year.

Capitalization

The capitalization level for equipment purchased by CTLS, Inc. is \$2,000 per unit.

- Ancillary charges, such as taxes, duty, protective in-transit insurance, freight, and installation are excluded from capital cost in accordance with the Corporation's regular accounting practices.

Prior Approval of capital purchases

- The Corporation must furnish a statement to the grantor agency certifying the Corporation's capitalization level with the Prior Approval Request Form.
- The prior approval amount is the capital expenditure. Capital expenditure for equipment/property means the net invoice price for the equipment/property, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.

Processing Items to be placed on Inventory List or on Controlled Items List

- In conformance with UGMS, certain items of equipment (i.e. stereo systems, still, digital, and video cameras, facsimile machines, Video Cassette Recorders (VCR) and VCR/Television (TV) combinations, and cellular and portable telephones) will be maintained on a Controlled Items List if their cost is above \$500, or if they could be easily lost or stolen.
 - Equipment/property shall be processed in accordance with the procedures for all other purchases. Additional steps must be taken when items are placed on either the inventory or controlled items list.
 - The Office Coordinator will ensure that items costing more than \$2,000 are on the prior approval list and items meet the specifications outlined therein.
 - Upon receipt of equipment, materials, or services requiring prior approval, the staff of a member library will verify that all equipment has been received in good order. The invoice will be initialed signifying approval of payment and member library staff will send the invoice to CTLS, Inc. for payment.
 - The Office Coordinator will verify receipt of items purchased by staff.

- The Office Coordinator will create an equipment folder for the fiscal year. This folder will contain a copy of the invoice, location of the equipment, and unique stock or inventory numbers assigned to an item using equipment/property guidelines listed above. This file will be updated as items are received during the fiscal year.
- Equipment with a capitalization value of over \$2000 will be assigned an Inventory number and added to the Corporation's Inventory List. The Office Coordinator will add items to the Inventory List.
- Items on the Controlled Items List may not be assigned a unique number but a manufacturer's number or similar identifying mark may be noted in records.
- The Office Coordinator will attach the Inventory tag to items purchased by the Corporation's staff. If the item was purchased by or for a member library, the Office Coordinator will mail the numbered Inventory tag to the member library. Staff at these libraries will attach Inventory numbers to the item.

2. HANDLING OF FIXED ASSETS

- Expenditures for equipment are recorded at cost.
- Donated assets and capitalized donated items are recorded at their estimated fair market values at the date of donation.
- Depreciation expenses for equipment are calculated using the straight-line method and the estimated useful life of 3 to 10 years.
- Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expenses as incurred.
- The Corporation capitalizes all fixed assets with a cost greater than or equal to \$2,000 and a useful life greater than one year, unless otherwise stipulated by a grant. When an asset is purchased through a grant, the grant's capitalization rules apply.

3. MAINTENANCE OF INVENTORY AND CONTROLLED ITEMS LIST

Every Year:

- Complete and submit Equipment/Property Acquired form for grantor agency:
 - Items with a purchase value of \$2000 or more are placed on the official grant equipment Inventory List and the Equipment/Property Acquired form to be sent to the grantor agency.
 - Computers less than \$2000 cost will be added to the Controlled Items List since the value is under the capitalization level of the Corporation.
 - Label each item with a CTLS, Inc. Inventory Tag if over \$2000.
 - Log CTLS, Inc. Inventory Tag number on Inventory Control List.
 - Submit report to Executive Director for verification and signature.
 - Submit report to grantor agency on or before the due date (usually October 31).
- Complete and approve the Equipment/Property Retirement form:
 - Add items from the CTLS, Inc. Inventory that are to be retired.
 - Complete CTLS, Inc. Inventory Retirement form.
 - Arrange for disposition of items.

- Submit report to Executive Director for verification and signature.
- If applicable, assure that UGMS requirements on asset disposition are observed.
- Make corresponding changes to CTLS, Inc. Inventory records:
 - Add items from the Equipment/Property Acquired form.
 - Remove items from the Equipment/Property Inventory Retirement form.
 - Submit report to Executive Director for verification and signature. Any loss, damage, or theft shall be investigated appropriately.
 - Retain documentation and have available for inspection by grantor agency or audit as needed.
 - Update Inventory List for capitalized assets.
- Maintain a Controlled Items List for those assets that cost greater than \$500 but less than \$2,000 or that may be easily stolen or lost. This list is defined by the Texas Comptroller's Office. Items on this list are typically electronic items or other items especially vulnerable to loss from theft.
 - Add items to the Controlled Items List as appropriate.
 - Remove items from the Controlled Items List when asset is no longer in use or when it is removed from the Corporation office.

4. INVENTORY CONTROL

- Inventory Control Log / Spreadsheet
 - Upon acquisition, the Office Coordinator enters on the Inventory spreadsheet with the following information:
 - Fixed asset property number (on numbered inventory tag);
 - Description;
 - Manufacturer's model and serial number;
 - Vendor;
 - Total cost;
 - Date of payment;
 - Date of receipt;
 - Contract number; and
 - Location
- Disposal Salvageable Items –
 - If an item is no longer needed, but is still in working condition or can be economically repaired:
 - The member library or the Corporation's employee will notify the Office Coordinator that the equipment is no longer needed but is still in working order.
 - The Office Coordinator will contact all member libraries to determine if another member library needs the item.

- If another member library needs the equipment, the Office Coordinator will have the item shipped to the new library and change the Inventory Spreadsheet.
- If the item was purchased with grant funds, and no member library needs the equipment and it is not needed at the Corporation's office, the Office Coordinator will provide a written recommendation to the Executive Director on how to process the item.
- The Executive Director will approve or reject the Office Coordinator's recommendation and return the recommendation to the Office Coordinator for processing.
- If the item was not purchased with the Corporation's funds, the Executive Director will ask the Board of Directors for permission to sell the item. If granted, the Office Coordinator will sell the item at the highest marketable value, and the proceeds will be allocated according to instructions from the Board.
- Non-Salvageable Items - If the item is not salvageable:
 - If the item was purchased with grant funds, the Office Coordinator will provide a written request to the Executive Director asking permission to dispose of the item. The Executive Director will either approve or disapprove the Office Coordinator's recommendation and return the recommendation to the Office Coordinator for processing.
 - If permission is granted to dispose of the item, the Office Coordinator will add the item to the Corporation's Inventory Disposal Log.
 - The Office Coordinator will maintain the date of disposal and inventory description of the item.
 - If the item was not purchased with grant funds, the Executive Director will seek approval from the Board of Directors to sell the item at the highest marketable price, and the proceeds will be allocated according to instructions from the Board.

5. INVENTORY AND CONTROLLED ITEMS PROPERTY RECORD MAINTENANCE

The Office Coordinator will submit a completed Equipment/Property Acquired List from the previous fiscal year to the grantor agency by October 31 of each fiscal year.

E. RISK MANAGEMENT PROCEDURES

Overview and Approach

The purpose of these procedures is to establish clear guidelines for reporting, recording, and investigating accidents, incidents, and environmental events.

1. Reporting and recording accidents, incidents, and environmental events

- Employees must report all accidents, incidents, unusual occurrences, near misses, and environmental events to the Executive Director or her designee immediately.

- The Executive Director will immediately communicate with the involved employees and document the critical details to identify the cause factors.
- The Executive Director promptly contacts the insurance carrier for immediate support and guidance, and to ensure a proper and thorough incident investigation process.
- The employee must complete and sign an incident report and forward it to the Executive Director for review and further actions. The investigator with the insurance carrier may become involved in investigating the incident at the scene.
- The insurance carrier may make a recommendation and forward a copy to the Executive Director for review and internal communication purposes.
- All accidents involving moving and/or parked Corporation vehicles should be reported to the Police Department. A police report is necessary and should be obtained for the record.
- All unusual occurrences involving threat, burglary, harm or damages caused by willful act, violent behavior, and similar incidents must be reported to the Police Department for investigation. The completion of an incident report is required.
- The Executive Director or her designee provides assistance during the reporting, recording, and investigation process.

2. Employee Liability Requirement

Employee must provide proof of personal liability insurance on any vehicle(s) used in the conduct of their normal duties. This proof must be provided at the start of each fiscal year, or when an additional vehicle is used by an employee. If an employee does not own a vehicle, they must provide proof of a current Non-Owners Automobile Liability policy at the start of each fiscal year.

3. Guns and Firearms

The possession of guns and firearms on the Corporation's premises, whether during normal work hours or otherwise, is strictly prohibited. Any employee found to be carrying or holding a gun or firearm on the Corporation's property may be immediately terminated from his or her employment.

4. OSHA Compliance

The Corporation's facilities must maintain safety procedures and must inform employees about safety in the workplace. Where the Corporation has established workplace rules aimed at promoting safety in the workplace, employees must, without exception, follow the rules. The Corporation will post current OSHA bulletins and posters where applicable.

F. GIFTS, DONATIONS, AND WITHDRAWAL PROCEDURES

Overview and Approach

CTLS, Inc. accepts gifts of library materials or other equipment only on the condition that the Corporation is free to do what it wishes with the items. Unsolicited materials received through the mail are considered gifts following Title 39, Section 3009 of the United States Code, Postal

Reorganization Act of 1970. Part of this act states that “the recipient shall have the right to retain, use, discard, or dispose of unordered material without any obligation to the sender.” Further, “no mailer of any merchandise mailed in violation of this section...shall mail to any recipient of such merchandise a bill...or any dunning communications.”

(www.usps.com/websites/depart/inspect/merch.htm) Materials, supplies, or equipment reaching the end of its useful life will be disposed in ways that are fiscally responsible and respectful of the environment.

1. The Corporation is not able to appraise donated materials or equipment.

The Internal Revenue Service forbids recipients from providing a value for donations (IRS Publication 561, www.irs.gov/forms_pubs/pubs.html).

2. Monetary donations may be accepted as gifts to the Corporation and will be deposited into the Corporation's unrestricted funds account.

- The Office Coordinator will process all gifts, donations, or grants in accordance with established policies and procedures. (See IV. A. 5.)

3. Donations of tangible items may be accepted as a gift to the Corporation and added to the inventory of the Corporation.

- Tangible assets given to the Corporation will be handled in accordance with established policies and procedures. (See IV. F.)

4. Surplus library materials, supplies, and equipment may be disposed of when the useful life of those items has been reached.

- The Corporation will make every effort to re-use or re-cycle all supplies, materials, or equipment in a way that is fiscally and environmentally responsible.
- The Corporation may dispose of surplus supplies or materials using commercial refuse or recycling services.
- The Corporation may transfer ownership of gifts, donated or withdrawn materials, supplies, or equipment to other non-profit entities whose primary focus is the support of libraries or library development in the state of Texas.
- Surplus supplies and/or materials will be clearly marked as withdrawn or on permanent loan to indicate their status.
- Equipment purchased with non-grant sources will be disposed of in accordance with the best practices followed by nonprofit corporations and in a way that is environmentally responsible.
- Equipment purchased with grant funds will be disposed of in accordance with applicable grant guidelines.