

IDENT	FIN-06
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Title of Sponsor:	CFO
Title of Approving Official:	CEO/Board Chair
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SUBJECT: Bad Debt and Bonding Cost Policy

1. Purpose of policy

Vermont Information Technology Leaders, Inc. (VITL) may be the recipient of Federal grant funds, the use of which is subject to certain Notices of Grant Awards (“NGAs”) and Health Human Services (“HHS”) grant administration regulations found in 45 C.F.R. Part 75— UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR HHS AWARDS. It is the intention of VITL to satisfy the policy requirements of such regulations in the event that compliance is required pursuant to the awarding of federal grants in the future. Therefore, the purpose of this policy is to ensure that accounting for bad debt and bonding cost by VITL are in conformity with accounting principles generally accepted in the United States of America ("GAAP") and in compliance with federal regulations.

2. Scope

- a. This Policy shall be construed and applied to promote VITL’s compliance with the applicable Federal and State rules, regulations, and laws. In the event of a conflict between the provisions of this Policy and the requirements of an applicable state or federal statute or regulation, the applicable statute or regulation shall prevail.
- b. This policy applies to all debt and receivables owed to VITL regardless of funding source along with bonding costs associated with performance assurance.
- c. This Policy sets forth internal guidelines for the benefit of VITL and its officers, directors, employees and agents, and does not confer any right or other benefit on any third party. The provisions of this Policy may not be used by any third party in any action or other proceeding against VITL or its interests.

3. Bad Debt

- a. A bad debt is an amount owed to VITL that is determined to be unlikely to be paid or determined to be uncollectible and for which collection efforts will be discontinued.
- b. VITL monitors its accounts receivable to assess collectability;
 - i. A reserve for bad debts is established if in the judgment of management, the nature of the receivables warrants such action;
 - ii. Any receivable determined to be uncollectible and approved by the CEO/CFO is written-off;

- iii. Expenses associated with bad debts are unallowable.
 - I. The expense associated with either the establishment of a reserve for uncollectible receivables or the write-off of receivables determined to be uncollectible are unallowable.
 - II. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectible are also unallowable

4. Bonding Costs

- a. VITL and/or federal awarding agency may require assurance against financial loss by reason of the act or default of VITL or a vendor. Such assurance may include bid, performance, payment, advance payment, infringement, and fidelity bonds for employees and officials.
 - i. Costs of bonding required pursuant to the terms and conditions of the Federal award are allowable.
 - ii. Costs of bonding required by the non-Federal entity in the general conduct of its operations are allowable as an indirect cost to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances

5. Policy Review & Approval

VITL will review this policy every two years and reserves the right to update this policy at any time to reflect VITL's intentions and compliance requirements.

 _____ Reviewed by: CFO	<u>12/17/19</u> Date
 _____ Approved by: CEO	<u>12/17/19</u> Date
Approved by the VITL Board of Directors and effective December 17, 2019:	
 _____ Bruce Bullock, MD, VITL Board Chair	