



DRAFT

**Financial and Program Management and Control/Accounting Department
Procedure Manual: Sample Policy and Procedure¹**

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¹ This is an example of sample documents that offer general guidance based on federal law and regulations and do not necessarily apply to all health centers under all facts and circumstances. Further, these materials do not replace, and are not a substitute for, legal advice from qualified legal counsel.



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INTRODUCTION

This manual puts in place basic accounting, billing, and cash control policies and procedures designed to protect and secure **(Organization Name)**, ensure the maintenance of accurate records of financial activities, and ensure compliance with governmental and private funding source reporting requirements. Where this manual conflicts with specific federal or State regulation or with **(Organization Name)**'s Board policy (such as the Personnel plan), the regulations or board policy shall prevail.

RESPONSIBILITIES

- The Board of Directors formulates financial policies, delegates' administration of the financial policies to the **(Management Position)**, and reviews operations and activities.
- The **(Management Position)** has responsibility for all operations and activities, including financial management.
- Exceptions to these policies may be made on an individual basis, as necessary, with the approval of the **(Management Position)**.
- The **(Financial Position)** is responsible to the **(Management Position or board)** for all financial operations.
- The **(Staff Position)** is responsible to the **(Management Position or board)** for operations.

GENERAL POLICIES: (Example showing proper business practices)²

- Current job descriptions are maintained for all staff members indicating their duties and responsibilities.
- There are separation of financial duties and responsibilities so that no staff member has sole control over cash receipts, payroll, bank reconciliations, accounts payable or other accounting functions.
- Accounting duties are rotated among **(staff positions or staff)** whenever possible.
- Financial Procedures are reviewed annually by the **(Staff position)**.
- Separate General Ledger accounts are maintained as required by funding source regulations.
- Accounting forms and timesheets are typewritten or completed in ink. Whiteout or correction tape is not be used.
- Passwords must comply with organizational standards. They are to be treated confidentially and are not shared with other staff. Policies may be established requiring the expiration of passwords where appropriate.

² Authors' note: Using the following sample as a guide, each Business Category should tailor this procedure manual to reflect their own structures and operations.



Compliance with External Policies

(Organization Name) accounting policies and procedures are consistent with: ***(choose the ones that apply or add additional as needed. Delete all others)***

- Generally Accepted Accounting Principles (GAAP).
- 45 C.F.R. Part 75
- GASB 34

Security and Access:

To ensure that only authorized staff can access the financial, personnel, payroll, computer, on-line and paper records of the organization:

- Security and access is determined by the **(Staff position(s))**.
- Access to computer or on-line systems for accounting, personnel, payroll, and online and phone banking is controlled by ***(detail how this access is limited)***. Within each system, access permission is set to allow the appropriate level of access depending on staff positions and job duties.
- Upon separation of a staff member, the password is immediately locked to prohibit any unauthorized activities or entries and keys to **(Organization Name)**'s office(s) are returned.

OVERVIEW OF **(Organization Name)** ACCOUNTING SYSTEM:

The financial records of **(Organization Name)** are maintained on **(Type of accounting system. If manual so designate)** using the **(Accrual, modified accrual or Cash)** basis of accounting. Access to the accounting system is controlled to maintain the reliability and integrity of the data. Security is set by the **(Financial Position)** to allow different levels of access. The **(Executive/ Board Position(s))** has(ve) full access to the entire system including setup and administration. ***(Note positions that have access to the accounting systems and whether or not it is limited to only certain modules or functions, if applicable)***.

- **Data Backup:** Backup is done daily to assure that the data is secure and will not be lost in the event of a computer failure. **(Media used)** are rotated according to the day of the week and once per month. Year end back up **(Media used)** are kept for 2 years. **(Media used)** are stored in a locked fire-resistant cabinet.
- **Funds Received:** The funds received policies and procedures ensure that all in-coming funds are properly recorded and safeguarded through separation of duties and proper



documentation. The **(Executive/board position(s))** designate which staff is authorized to collect in-coming **(Organization Name)** funds.

- **Funds Disbursed:** Specialized procedures govern check writing and petty cash procedures. Only the **(Staff/board position)** may authorize the issuance of checks. Access to the check printing system is limited to accounting staff and is controlled by **(note control used)** by the **(Staff position)**. Petty cash access is limited to staff assigned by the **(Staff position)**.
- **Payroll System:** Access to the payroll system is controlled to assure accurate and confidential data. Access is limited to accounting staff responsible for payroll processes. Payroll is processed by **(Staff position and, if applicable, External service initiated by staff position)**. One example of information to include here *"Payroll data is maintained on line and transmitted to the payroll service for processing. The payroll service is responsible for tax payments and reports. The (staff position) verifies the payments at the end of each month by analyzing the payroll service reports and the bank reconciliation statement."*

DETAILED ACCOUNTING PROCEDURES

Funds Received

- Cash (**will or will not**) be accepted from participants for payment of deposits, credit checks, loan payments, etc. Cash may be accepted from staff or others in payment of amounts due to **(ORGANIZATION NAME)** in amounts less than **(designate amount, if applicable)** for copies, faxes, or other expenses.
- In each office, mail is to be opened promptly and distributed by the **(Staff position 1)**.
- All checks, money orders and cash are promptly logged into a "Cash Receipts Log" maintained **(note whether a computer spreadsheet, manual ledger, etc.)** and then given to the **(Staff position(s) 2)** for processing these receipts. The **(Staff position 1)** will restrictively endorse the back of any checks received; and enter into the "Cash Receipts Log" prior to distributing checks to designated staff.
- The **(Staff position 1)** will log in-coming cash into a pre-numbered duplicate Cash Receipts book. A pre-numbered receipt will be issued or mailed to issuer of cash by the **(Staff position 1)**, preferably at time of receipt.
- Documentation for receipts (letter, stubs, etc.) is provided with the checks/cash when forwarded to designated staff for processing and deposit.
- Funds awaiting bank deposit are kept in a locked file/safe with access limited to staff designated by the **(Executive position)**.
- **(Staff position 2)** verifies the checks and cash to documentation received, makes copy of checks and prepares deposit for delivery to bank.



- **Note how deposit gets to the bank, i.e. designated staff delivers or bank courier picks up. Is a log kept of the daily or weekly deposits that went to the bank and who took them.**
- Bank confirmations are delivered to the **(Staff position)** to attach to back up documentation. The deposit is entered into the accounting system by **(Staff position)**, and then filed in chronological order into a Cash Receipts file/folder for the month.
- At the end of the month, **(Staff position 1)** totals each column of the Cash Receipts log verifying that all bank account totals add up to total funds received for the month and then prints out the log, retaining one copy, for the auditors, and forwarding a second copy to **(Executive position)** or other designee to verify against the deposits listed on the bank statement(s).

Receipt Books

Receipt books are assigned by the (Executive/accounting position) to (Staff position)

- The **(Staff Position)** is responsible for safeguarding the receipt book.
- Receipt Books must be kept in a secure place at all times.

Receipt Books consist of three-part, pre-numbered forms. They should be used in numerical order and filled out completely. The original is to be given to the person (participant) from whom funds have been received. The second copy (yellow) is to be sent with the transmittal form and the cash to the **(Financial position)** for processing and deposit. The third copy (pink) is to remain in the receipt book.

- Receipts may be voided, but the pink copy of any voided receipt must remain in the book.
- The receipt book should be reviewed against either the monthly bank statement or Cash Receipts log to assure all cash received was recorded and deposited.
- When all the receipts are used, the book must be returned to the **(Executive position)** or other designee who will issue a new book.

Petty Cash

The purpose of a Petty Cash Fund is to facilitate small business purchases or reimbursements needed in the day-to-day operations of the organization, without going through the check writing process.

The limit for the petty cash fund is set by the **(Executive position)**.

- Petty cash is kept in a locked box and secured in a locked filing cabinet, safe or locked desk. Only assigned custodians will have keys to the box.



- Disbursements of up to **(establish an amount)** may be made from the petty cash fund for miscellaneous expenses. Disbursements in excess of this may be made with prior approval of the **(Executive position)**.
- If funds are requested to make a purchase, purchaser must complete a Petty Cash receipt for the amount of funds received prior to custodian providing the requested funds.
- The purchaser must submit receipts for all purchases to the custodian of the fund, including change if funds were requested prior to purchase. In the case of a lost receipt, the **(Executive position)** or other designee may approve a disbursement based on a memo describing the item and cost.
- The custodian will ensure that the petty cash slip is properly completed and a proper receipt is attached.
- The custodian will ensure that the petty cash box contains receipts and cash totaling the amount of the fund at all times.
- Any irregularities in the petty cash fund are reported immediately to the **(Executive position)**.
- Loans will not be made from petty cash funds.
- Requests to replenish the fund are completed by the custodian and approved by the **(Executive position)**. Petty cash replenishment checks are made out to the custodian who is responsible for cashing the check for the fund.
- The **(Executive position)** or Designee will periodically make unannounced checks of petty cash.

Fund Disbursements

The fund disbursement policies and procedures are designed to ensure that disbursements are properly made based on adequate documentation and proper authorization.

Approvals and Authorization

- The **(Executive position or other designee)** will authorize the following expenditures: General Funds, Indirect Funds, Leases for Space or Equipment, Purchases of Equipment, Contracts for Services, all Credit Card Expenses.
- Program managers will authorize expenditures within their departments.
- Authorization for expenditures may be delegated. Delegation of expenditure authority will be in writing and approved by the **(Executive position or other designee)** and **(Accounting position)**.

(ORGANIZATION'S NAME) Funds

- Payment for supplies or services will be made based on invoices, not statements.



- Requests for Payment (RFP) are submitted with the original invoice attached. The RFP is coded by the staff requesting the payment as to the fund and expense code to be charged. The RFP is signed by an authorized staff member indicating approval of the expenditure.
- RFP/Invoices are processed by the **(Financial position)**. Each invoice is stamped "ENTERED" or "POSTED" when entered as a payable in the accounting system and the check and all corresponding documentation is stamped "PAID" when the payable is processed for payment.

Custodial funds

(Organization name) administers funds on behalf of government agencies as prescribed by contract between the agency and **(Organization name)**. Custodial funds are subject to the same security safeguards as **(Organization name)** funds.

- Original invoices for [Program 1] and [Program 2] are maintained in the family files. Contractor payments and/or invoices for [Program1] are approved by authorized staff and entered into the data system. A payment schedule is printed and submitted to accounting for payment to the vendor and invoicing to the funding agency. [Program 2] payment releases and invoices are approved by [Insert] and administrative staff, before copies are submitted to accounting for payment.

Missing Invoices

In the event that an invoice for services or supplies is lost, a memo explaining the expense and detailing the cost is submitted with the Request for Payment for approval by the **(Executive or other designee position)**.

Vendor Documentation

All vendors must submit an IRS Form W-9 Request for Tax Payer Identification and Certification or equivalent to the Accounting Department, prior to payment. A determination is made by the **(Financial position)** on the need to file an annual IRS Form 1099-Misc. on payments made to vendors. Form W-9's should be mailed to all current vendors each year prior to Form 1099 preparation to assure information is current.

Check Writing Procedures

- Checks are processed (How often? Weekly, bi-weekly, etc).
- Checks are written **(describe method, e.g., manually, through accounting software, through other software that must then be entered in accounting software, etc.)**.



The (**Executive or Financial position**) will designate staff with access to the check printing system. Except where specifically authorized by the (**Management position**) the (**Financial position**) does not write checks.

- Checks are automatically numbered, electronically signed, and printed on blank check paper using MICR cartridge toner. Facsimile signature of the Executive Director is used.
- Checks are not to be postdated, signed blank, or made out to cash.
- A copy of each check is attached to the RFP/Invoice plus any other documentation, such as purchase orders or shipping documents, and filed in check number order in the respective Paid vendor files.
- Voided or spoiled checks will have the signature block torn off and will then be filed in numerical order with the cancelled checks received from the bank.

Checks are recorded in the Disbursement log and given to the (**Executive position and/or signatories**) for review and approval.

Check Approval Process

This procedure is designed to ensure that all checks have adequate documentation and authorization and that there are no missing checks or checks written to phantom vendors.

- The RFP is reviewed for proper account coding, appropriateness of expenditure, and authorized signatures.
- The RFP is compared with the invoice and the check amount. The copy of the check is initialed by the (**Executive position or designee**) to indicate the review has been completed and the documentation is in order.
- The batch of checks is reviewed in check number sequence to assure no checks are unaccounted.
- The Disbursement log will be reviewed by the (**Executive position or designee**) to assure that the first check in each batch of checks begins with the next sequential check after last batch processed. The Disbursement log is initialed by the reviewer to indicate that all checks in the current batch have been verified to assure there is no gap in the check sequence.
- If there are no questions to be resolved, the Disbursement log and signed checks are returned to the (**Financial position or other designee**) as authorization to mail or release the check to the vendor.
- Checks are mailed to vendors by the (**Staff position**) unless specific arrangements had been made in advance for pickup of checks at the office. If a check is picked up, the person picking up the check must provide identification which agrees with the payee on the check or must have verifiable written authorization from the payee to pick up the check.



Electronic Payment and Transfers:

These procedures ensure that unauthorized transfers will not be made. Procedures may vary based on the system of the banking institution.

- Required documentation for all transfers is the same as for Requests for Payment.
- Electronic banking allows wire transfers, electronic transfers, stop payments on checks, and account balance inquiries be initiated and completed via computer or telephone.
- Wire transfers, electronic transfers, and stop payments cannot be set up and approved by the same person.
- Password security is set to allow wire transfers, electronic transfers, and stop payments to be set up by staff designated by the **(Executive position or designee)**.
- Transfers can only be approved and sent by the **(Financial position or designee)** and can only be transferred between **(Organization name)** accounts.
- When a wire transfer, electronic transfer, or stop payment has been set up by the accounting staff, the documentation supporting the transaction is given to the **(Executive or Financial position)** for verification and approval before the transaction is initiated.
- Electronic transfers to and from the Investment Account are approved by the **(Executive position)** and completed by the **(Financial or staff position)**. The Investment Account has been established so that only transfers into valid (ORGANIZATION'S NAME) accounts may occur.
- An Authorization for Interfund Transaction is completed and signed by the **(Executive position)** prior to any transfer from or to the Investment Accounts. The Authorization details the accounts and the explanation of the transfer which is set up to transfer only to designated **(Organization name)** accounts.

Payroll

These procedures are designed to assure that payroll is based on proper authorization and required documentation, is paid at the approved rate, is only paid to actual employees, and to assure that proper and timely reporting is made to federal, state, and local taxing authorities.

(Organization name) uses **(describe method used for processing payroll and required payroll tax deposits, e.g., manually, in-house software, outsourced to payroll company, etc)**.

- **(Organization name)** payroll is processed on (how often is it processed) basis. Pay periods are **(detail payroll periods, i.e., 1-15 and 16 –End of Month, every other Friday, etc)**. Pay dates are **(detail dates payroll payments are made available to employees)** but checks may be issued earlier if requested and approved by **(Executive position)**.



- Payroll is based on time sheets completed by employees and approved by supervisors. Each time sheet reflects the cost centers to which the employees' time is charged.
- Time sheets will reflect the use of sick, vacation, or other leave time, if applicable. Overtime for Non Exempt employees requires the prior approval of the employee's supervisor.
- Time sheets must be completed in ink with no whiteout or correction tape. Changes are initialed by the employee. The time sheet will be signed by both the employee and the assigned supervisor.
- New hires and salary and/or benefit changes must be approved by the (Executive position). A Personnel Action Form authorizing the salary, wages and employee position is completed by the (Staff position) and signed by the (Executive position and/or supervisor) and forwarded to the (Financial position) for processing.
- Payroll records are maintained by the (Financial position) in a confidential manner. Information regarding payroll will not be discussed with other staff. Files must be in locked cabinets with access limited to designated personnel.
- Documents that verify tax withholding and authorize other deductions such as health insurance premiums or voluntary contributions are filed in the payroll files by the (Financial position). A separate file contains the I-9 forms for each current employee and is maintained by the (Staff position).

Payroll Preparation and Payment

- Payroll is prepared from employee time sheets which have been completed and signed by the employee and reviewed, approved, and signed by the supervisor.
- The (Financial position) will check each time sheet for computational errors.
- Hours worked by cost center are converted to percentages and entered into the payroll system.
- For salaried staff, computation of partial pay periods will be based on the percentage of the pay period worked.
- Payroll is submitted electronically to the payroll service by the (Accounting position).
- The (Financial position) or other designee receives the payroll vouchers, checks, or reports directly from the payroll service to assure that all of the checks are for actual employees or other required payments (i.e., garnishments). This information is reviewed for appropriateness prior to forwarding to the (Financial position).
- Once approved by the (Executive position), the (Financial position) verifies the payroll is accurate and complete by verification against submission data.
- Paychecks are directly deposited to the employees' bank accounts. Employees receive duplicate vouchers which detail all deductions.
- The payroll service prepares checks to vendors for employee deductions such as contributions to 403(b) accounts, cafeteria [125(b)] plans, garnishments, and



donations. Electronic fund transfers are made by the payroll service for employee contributions to the (ORGANIZATION'S NAME) retirement plan.

- An electronic transfer of funds to cover payroll is made to the payroll service by **(Organization Name)**'s bank at the request of the payroll service.
- **(Organization Name)** account clerk verifies the fund transfer against the submitted payroll information.
- Payroll tax deposits are made by the payroll service. Reports are reviewed by the **(Financial/Staff position)** to verify the accuracy of the deposits.
- Monthly payroll expenditures by cost center are entered into the General Ledger by **(Staff position)** using a Payroll Journal Entry.

Purchasing

Leases

- Only the **(Executive position)** can sign lease agreements.
- Copies of all leases will be maintained by the Accounting Department. An RFP authorizing payment of the lease for the fiscal year is maintained by the Accounting Department. The RFP will be reviewed by the **(Financial position)** and **(Executive position)** annually.

Consultant/Contract Services

- The **(Executive position)** will review and approve proposed contracts.
- Consideration is made regarding in-house capabilities to accomplish services before contracting for them.
- Written contracts clearly defining work to be performed is maintained for each consultant and contract services by (Staff position) and Accounting department.
- The qualifications and reasonable charges for fees are considered in hiring consultants and proof of insurance and Form W-9, at minimum, will be required.
- Requests for Proposals will be issued for amounts exceeding **(specify dollar amount or other criteria meriting an RFP)**.

Furniture and Equipment

All furniture and equipment purchases must be pre-approved by the **(Executive position)**

Loans

Third Party Loans



- Loans from outside sources (other agencies, banks, etc.) are authorized through board action and initiated by the **(Executive position)** or other designee.
- Loans to third parties must be approved by the **(Executive position)** and evidenced with a Promissory note prepared by **(Financial position)** and signed by requesting third party before funds are released.
- Upon repayment of funds, the promissory note is returned to the **(Financial position)**.

Intra Fund Loans

- Intra fund loans must be authorized by the **(Executive position)**. Only **(Organization name)** Funds may be used for this purpose. Custodial funds will not be used for intra fund loans.
- An Internal Lending Rate is established by the **(Organization name)** Board to determine the cost of using **(Organization name)** funds.

Employee Loans

Loans may be made to employees to meet emergency situations.

- All requests must be submitted to the (Executive Director) or other designee in writing, for approval.
- Generally, employee loans are limited by established guidelines and may not exceed the net pay for one pay period; are interest free; and must be repaid within six months.
- Employees must execute a repayment agreement which states that repayment to **(Organization name)** will be automatically deducted from the employee's pay check(s), and agree if termination of employment occurs prior to full loan repayment, the remaining balance will be deducted from the final paycheck.
- Employee loans will be made only from the General Fund.

Bank Accounts

The Board of Directors may delegate by resolution the authority for the board Chair, Vice-Chair, Secretary, Assistant Secretary and Treasurer to establish bank accounts and set signatory authority.

Bank accounts are established to meet the needs of the organization for separation of funds and the specific requirements of funding sources. Separate accounts for specific federal or state programs which exceed the FDIC limits must be collateralized by the bank to ensure the safety of the deposit. All other accounts, where possible, are established to maximize the use and earnings of cash.

- A complete listing of all accounts and the account numbers shall be maintained by the **(Financial position)**.
- Bank Reconciliations for each account are completed monthly by the **(Financial position)**. The bank statements are received by the **(Executive position)** unopened to assure that they remain intact.
- Reconciled bank statements are reviewed by the **(Executive position)** or designee monthly.
- Outstanding checks more than (designate number of days) old are investigated and stop payments issued as required. Replacement checks are reissued after appropriate documentation has been collected.

Accounts Receivable

For each grant, contract, loan or other agreement, the **(Executive position)** will designate the staff responsible for preparation of invoices, payment requests, or reports necessary to secure payment to (ORGANIZATION'S NAME). The following procedures ensures that all requests for funds are properly recorded and tracked.

- Generally, the **(Designated Department)** processes invoices to partner agencies, with copies provided to the **(Financial position)**.
- Generally, **(Designated Department)** processes requests for funds from **(Identified funder)**, with copies provided to the **(Financial position)**.
- The **(Financial position)** prepares requests for funds from other agencies.
- Billings to funding agencies are entered as revenue/receivable when sent out to the agencies.
- Aged receivables are reviewed by **(Executive position)**.
- Write-offs of uncollectible receivables must be approved by the **(Executive position)** and documented through the general journal entry for each write-off.
- Accounts receivable are reviewed by the **(Executive position)** and **(Financial position)** annually to ensure that receivables have a reasonable expectation of being collected and any necessary steps are to taken to ensure collection. If there is no reasonable expectation of collection, a decision is made on what action to take.

OTHER FINANCIAL SAFEGUARDS

Personnel Records System:

Access to the personnel records system is controlled to assure the confidentiality, privacy, and appropriate access to records and reliability of data. Access is limited to the **Executive Position, Financial position and key administrative staff**.

Paper personnel files are maintained in locked file cabinets. The files contain all personnel related information in sections, including *employee selection documents* (resume, application, transcripts, test results, offer letter, etc.), *employee performance documents* (evaluations, letters of recognition, and disciplinary actions), *employee development* (completion of training certificates, education records, specialized licenses), and *miscellaneous data* (employee handbook receipt, requests to inspect personnel file, leave of absence requests, attendance records, letter of resignation, termination records and other employment related documents). Additionally, one file containing all Form I-9's for current employees eligible to work in the United States is maintained. Access is controlled by the **(Executive position)** and **(HR or Financial position)**.

(ORGANIZATION'S NAME) Credit Cards

(Organization name) authorizes credit cards for key staff for the purpose of facilitating business purchases including business travel that is not easily handled through normal disbursement processing. Due to the potential for theft, misuse, and auditing problems, use of **(Organization name)** credit cards is monitored carefully. The **(Executive or Financial position)** reviews all credit card purchases, and the **(Executive position)** must approve all payments. Misuse of credit cards or failure to follow these procedures will lead to restrictions or loss of credit card privileges.

- Each card holder is given instruction when they receive the card designed to ensure that the cards are used for **(Organization name)** business only and to protect against misuse and theft and must sign a declaration of his/her understanding.
- The **(Financial position)** must be notified immediately if a card is lost or stolen. If the **(Financial position)** is unavailable, the **(Executive position)** or other designee will be contacted.
- Appropriate credit limits are established by the **(Executive position)** for each card and a list of all card holder and card holder numbers is maintained by accounting.
- Phone Credit Cards are issued to employees who travel frequently. Phone bills are reviewed by the **(Financial position)** to assure that there is no misuse of the cards.
- Credit and phone cards for employees who resign or are terminated are canceled immediately by the **(Financial position)**.

Employee Benefits

These procedures are designed to ensure that employees receive the appropriate benefits as specified in the Personnel Plan.

Employee Leave: Vacation and Sick Leave



- Employee balances are maintained by the payroll service based on data submitted and checked by the Bookkeeper. Employee vacation leave balances appear on employee paycheck vouchers.
- **(Organization name)** funds the vacation accrual on a monthly basis to ensure that all programs pay their fair share of the vacation liability and to ensure that **(Organization name)** liability for accrued leave is fully funded. Based on a rate determined by the costs of salary, fringe benefits, and the accrued time, charges are made monthly to funding sources based on the time spent on specific programs and aggregated in a vacation pool fund. When vacation leave is used by an employee, the salary and fringe costs for that time are charged to the vacation pool fund.
- Sick leave is not funded. There is no liability for payment to an employee for accrued sick leave when an employee leaves **(Organization name)** employment
- Sick Leave pay is charged to each funding source as it is used, based on time worked during a pay period. If an employee is sick the whole pay period, the leave is charged to the cost centers that would be normally charged by the employee.

Retirement

(Organization name) has a Profit Sharing 401 (k) plan for employees, which is self-directed. The Board of Directors determines on an annual basis the contribution to be made on behalf of staff. A third party administrator is retained to insure that the plan is up to date, to process distributions, and to prepare tax filings.

- Employer contributions are transmitted to the investment company as soon as administrative feasible to comply with ERISA (Employee Retirement Insurance Securities Act) requirements.
- Salary deferrals to either the 401(k) or to employee established 403(b) plans are transmitted with each payroll. Written employee authorization is required before salary deferrals are deducted and sent to the appropriate fund. Employees must re-elect these directives on an annual basis during the "Open Enrollment" period.

Other Benefits:

1. Cafeteria 125 and Flexible Benefit Plan. These two benefits allow pre-tax payment of health insurance premiums. The Flexible Benefit Plan also allows for payment of unreimbursed medical or child care payments. A benefit administrator maintains the records, processes reimbursement checks, and sends reports to participating employees and **(Organization name)**. Written employee authorization is required before deductions are made from employee's salary and forwarded to the plan administrator. Employees who participate in the plan send reimbursement requests directly to the plan administrator. Reimbursement checks

are sent to (ORGANIZATION'S NAME) for signature before being given to the employee. The **(Executive position)** or board signatories are authorized to sign the checks.

Travel

Travel policies and procedures assure that all travel costs are pre-authorized, documented and are consistent with applicable regulations.

Mileage Reimbursement

- The reimbursement rate for privately owned vehicles is the rate paid by Federal agencies for the use of private vehicles, unless otherwise established by the Board of Directors, not to exceed the current GSA rates.
- Mileage reimbursement forms must be completed in ink and signed by the employee, approved by the supervisor, and submitted to the **(Financial position or department)**. Reimbursement for mileage expense is made along with other vendor payments. The **(Executive or Financial position)** must approve payment of mileage claims which have been submitted late.
- Mileage Reimbursement records are maintained by the **(Financial staff)**.
- Employees are required to have proof of auto insurance on file with the **(Financial or personnel staff)**. Employees will not be reimbursed for mileage unless proof of insurance is on file for the period in which mileage is incurred.

Travel out of service area

- Travel out of the **(Organization name)** service area must be pre-approved by the **(Executive position)** or other designee. Travel out of state requires pre-approval by the **(Executive position)**.
- Federal per diem guidelines apply unless otherwise established by the board, not to exceed the current Federal GSA rates. Exceptions may be approved by the **(Executive position)**.
- The **(Executive position)** or other designee may approve travel advances for employees. When authorized, the **(Financial position)** will process a Travel Advance Request for employees based on estimated per diem and other anticipated travel costs.
- Following a trip, employees will submit to the **(Financial position)** a properly authorized Travel Expense Report. The report must detail all expenses, and required receipts must be attached. The report will reconcile the advance funds received and will show funds to be returned to **(Organization name)** or additional expenses to be paid to the employee.

Board of Directors Travel and Reimbursements

- **(Organization name)** Board members may be paid allowances and reimbursements for business expenses incurred in the performance of their duties.
- Claims for reimbursement must be approved by the **(Executive position)**.

Allocation of Costs

The purpose of the cost allocation policy is to ensure that all programs are charged their fair share of the costs whose benefits are not readily identifiable with a specific program or funding source but are necessary to the general operation of the organization.

Indirect Costs

- Indirect costs are those costs that are not attributable to a specific cost center and which generally benefit the organization as a whole, such as salaries, benefits and other costs relating to the (Executive position), accounting staff, and other administrative staff. Costs relating to the Board of Directors are also considered indirect costs.
- 45 C.F.R. Part 75, Subpart E and Appx. IV established the federal requirements for determination of allowable and unallowable direct and indirect costs and the preparation of cost allocation proposals.
- Annually, **(Organization name)** submits an (Indirect Cost Rate Plan) or (Cost Allocation Plan) proposal to their cognizant agency for approval as required by 45 C.F.R. Part 75, Appx. IV.
- Please refer to the current *Approved* (Indirect Cost Rate) or (Cost Allocation) plan.

Property, Inventory and Control

(Organization name) property inventory procedures provide for management control of **(Organization name)** owned property and documentation of property for potential insurance losses and tax reporting. All property in excess of **(dollar amount)** in value but less than the established capitalization threshold at the time of original purchase is included in inventory.

- **(Organization name)** will maintain property records to reflect furniture and equipment purchased, including tagging of these items, and include location, changes, deletions, etc.
- Every year a physical inventory and of all furniture and equipment plus estimates of supplies on hand is completed prior to year end. Any discrepancies are brought to the attention of the **(Executive or Financial position)** for appropriate action.
- Transfer of furniture or equipment within or between locations is approved by the **(Executive position or other designee)**.



- Equipment to be retired is documented with an explanation for release. The listing of equipment to be retired is authorized by the (**Executive position**). Any salvage value received is so noted on the records.
- Equipment acquired under a Federal award will be used and disposed of in accordance with 45 C.F.R. § 75.320.

Fixed and Capital Assets

(**Organization name**) has established a capitalization threshold of (**Amount**) for property expected to benefit the operations of the organization for multiple years to be considered a fixed asset.

- All property with an acquisition cost in excess of (**Capitalization threshold**) (the federal definition of a fixed asset) is purchased with (**Organization name**) funds so that no property has federal character.
- The cost of all property acquired through federal or state funds will be clearly designated on the Statement of Financial Position as Paid in Capital, including depreciation of such assets.
- Capital Assets include buildings and improvements.
- Property purchased meeting the fixed asset definition is tagged with a pre-numbered asset tag noting (**Organization Name**) and added to the list of assets maintained by the accounting department. This list is categorized by type of fixed asset, e.g., buildings, furniture and equipment, plant assets, etc. and includes the asset number, date of installation, cost including taxes, shipping and installation fees, and life expectancy for depreciation purposes. A copy of the invoice(s) should be maintained with these asset records until asset is sold or deleted.

Equipment Depreciation

The purpose of depreciation is to recognize the decreased value of the property over time (useful life) and to quantify this 'usage' as an expense to each cost center deriving benefit from its use.

- A fixed asset, as previously defined, is depreciated according to the (**Organization name**) Depreciation Policy.
- The Depreciation Policy sets the useful life of property types (Buildings, Capital Assets, Furniture & Equipment, Vehicles, etc.) which may differ from depreciation methods used for income tax purposes.
- Depreciation Schedules are prepared for the full fiscal year utilizing the guidelines of the Depreciation Policy.



- A separate schedule is made for each property/asset type. The schedule is maintained by the **(Financial position)**. As depreciable property is purchased, it is added to the depreciation schedule in the month following purchase/installation.
- A recurring journal entry is set up for posting each month, charging the depreciation expense to the appropriate program(s).

Audits

(Organization name) is required to have a (type) on an (how often) basis. Periodically, as determined by the Board, a Request for Proposal is sent to audit firms qualified to provide the type of audit that meets **(Organization name)** and/or funder need. The Audit Committee is responsible for soliciting bids, interviewing firms and making the recommendation to the Board of Directors when selecting the firm to be awarded the audit contract. Acceptance of the audit contract will be evidenced by a signed audit engagement letter that contains the type of service to be provided, the timeframe for providing the service, the cost for the service including incidental expenses, the term of the engagement and a clause stating "if unanticipated issues arise during the course of the audit that will result in additional fees, the audit firm will notify the Audit Committee for approval prior to incurring additional costs".

The audit is reviewed in detail by the Audit Committee, but presented to the board by the auditor and accepted by the Board of Directors based upon recommendation by the Audit Committee.

Taxes and Reporting Requirements

- The auditor prepares Form 990 "IRS Return of Organization Exempt from Income Tax," the (State Form) "(State Form Name) Exempt Organization Annual Information Return," and (list any other tax forms related to year-end audited numbers in this section).
- The (Staff Position) completes and submits Welfare Exemption and Business Property forms on **(Organization name)** owned and leased offices.
- Welfare Exemption forms for **(Organization name)** multi-family properties are completed by **(Organization name)** property management staff.

Grants and Contracts

Contract and grant documents are reviewed and approved by appropriate program staff, as well as the **(Financial position)**, prior to being signed by the **(Executive position)**.

- The **(Executive or Financial position)** will carefully review each award to ensure that **(Organization name)** will be in compliance with all financial provisions.
- The Program Manager will carefully review each award to ensure that all programmatic provisions will be met.



- Original copies of signed grants and contracts are filed in the contract file with copies to the **(Financial position)**, program staff, and **(Executive position)**.
- The **(Financial position)** will assign appropriate general ledger account numbers and customer numbers for each new grant or contract.
- The **(Financial position)** will designate the appropriate staff responsible for preparation of reports, payment requests and/or invoices.
- The **(Financial position)** will maintain individual contract files containing copies of the grant/contract, any amendments, relevant correspondence regarding the grant/contract, and reports of expenditures or billings.
- A log of all grants/contracts is maintained by **(Designated staff)** detailing grant/contract numbers, effective dates, and reporting requirements.

Budgets

Budgets provide a standard by which to measure performance, encourage planning, and allocate resources in accordance with funding source requirements. Budgets should use reasonable assumptions of income and expenses. All budget assumptions should be documented to facilitate a thorough analysis and evaluation, not only of the budget, but of the actual revenue and expenditures as they relate to the budget.

- The organization budget is prepared by the **(Staff positions involved)**.
- Budgets are submitted to the **(Executive position)** for review and approval prior to submission to the Board of Directors.
- The **(Executive position)** will submit an annual organization budget to the Board of Directors for their approval.
- The General Fund budget is established and approved by the Board of Directors.
- Note when budget reports are reviewed and by whom

Internal Reporting

Reports assist the Board of Directors, **(Management or Executive position)**, and funders with managing and controlling of program activities and financial resources.

- Monthly financial reports, including a revenue and expense report, and balance sheet where appropriate, will be provided to the **(Executive and Board of Directors)**.
- The **(Financial position)** will prepare monthly and quarterly reports as required by funding sources.
- The **(Executive position)** or designee will review the reports to the funding sources.
- The **(Executive position)** or designee will sign all reports to funding sources.
- The **(Financial position)** will prepare and maintain, on a current basis, a listing of reports and due dates for funding sources.

- It is the responsibility of the (**Financial position**) to ensure that all financial reports are submitted on a timely basis.

Record Retention

(**Organization name**) sets guidelines on the retention of records which will meet the requirements of all federal and state agencies, as well as those of other funding sources.

(**Organization name**) will comply with 45 C.F.R. §§ 75.361-370 (Record Retention and Access).

- Financial records, supporting documents, statistical records, and all other records pertinent to an agreement shall be retained for a period of three years with the following qualifications:
 - a. If any litigation, claim or audit is started before the expiration of the three-year period, the records shall be retained until all litigations, claims or audit findings involving the records have been resolved.
 - b. Records for nonexpendable property acquired with Federal funds shall be retained for three years after its final disposition.
 - c. When records are transferred to or maintained by the Federal sponsoring agency, the three-year retention requirement is not applicable to the recipient.
- The retention period starts from the date of the submission of the final expenditure report or, for grants and other agreements that are renewed annually, from the date of the submission of the annual financial status report.
- Recipient organizations should be authorized by the Federal sponsoring agency, if they so desire, to substitute microfilm copies in lieu of the original records.

Record Retention for Accounting Records

Type of Record	Years
Detail Ledger	10
Trace Reports	8
Time Sheets/Travel Vouchers	8
Accounts Payable	8
W-2 , Quarterly Reports, etc.	8
Payroll Records	8
Bank Statements, Cancelled Checks	8
Check registers	8
Deposit Data Entries, Journal Entries	8
Partnership Records	Indefinitely
Contracts	10



Tax Returns	Indefinitely
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Special Funds

(**Organization Name**) maintains several special funds which are governed by special policies and are used for specific activities.

General Fund:

The (**Organization name**) Board retains sole discretion for budgeting and expenditure of General Funds. They are usually used to fund activities not allowable under federal, state or local grants.

- The (**Executive position**) approves all expenditures.

Risk Management and Insurance

In the implementation of the Risk Management Policy, (**Organization name**) will insure those risks which (**Organization name**) deems appropriate using an insurance professional who is knowledgeable about the market, who understands or is willing to learn about (**Organization name**) operations, is an assertive advocate for (**Organization name**)'s interests, and is organized and responsive to (**Organization name**)'s needs.

Investment Policy

The purpose of the investment policy is to minimize risk and maximize investment return, while at the same time assuring that (**Organization name**) can meet the cash need for ongoing operations.



Financial Systems A=Approval &/or Authority C=Controls Security R=Responsibilities in this area	(ORGANIZATION'S NAME) Board of	Executive Director	Controller	Deputy Director	Program Manager	Program Manager	Program Manager	Bookkeeper	Acct. Clerk III	Loan Processors	Clerical Support Staff	Administrative Support Staff	Admin. Analyst (Computer)
Security & Access		AC	AC										R
Data Backup		AC						R					C
Funds Received			C					R	R	R	R		
Receipt Books			AC							C		R	
Petty Cash		A	AC					R	R		R		
Fund Disbursements		AC	AC	A	A	A	A	R	R				
Electronic Payments & Transfers		AC	AC					R	R				
Payroll		AC	AC	A	A	A	A	R	R			A	
Purchasing		A	A	A	A	A	A	R	R				
Leases		A	R										
Consultant/Contract Services		A	R										
Furniture & Equipment		A	A						R				
Loans		A											
Third Party Loans		A											
Intra Fund Loans		A											
Employee Loans		A	R										
Computer Loans		A	R										
Bank Accounts	A	AC	AC										
Personnel Records		A	AC					R				R	
(ORGANIZATION'S NAME) Credit Cards		A	AC										
Employee Benefits	A							R					
Travel Reimbursement		A											
Allocation of Costs		A	A					R	R				
Property & Inventory Control			AC						R				
Audits	A		R										
Taxes & Reporting		A	R										
Grants & Contracts		A	R										
Budgets	A	AR	R	R	R	R	R						



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Internal Reporting			R					R	R				
Record Retention		A	A										
MFH owned by (ORGANIZATION'S NAME)	A	AR	R	R		R							
MFH owned by (ORGANIZATION'S NAME) controlled asset corp.	A	AR	R	R		R							
(ORGANIZATION'S NAME) Subsidiaries	A	AR	R	R		R							
Risk Management & Insurance	A	AR	R										
Investment Policy	A	AR	R										