



a path to a positive future

Accounting Policies and Procedures

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I. Introduction

The purpose of this manual is to describe all accounting policies and procedures currently in use at Lawrence Community Shelter and to ensure that the financial statements conform to generally accepted accounting principles; assets are safeguarded; guidelines of grantors and donors are complied with; and finances are managed with accuracy, efficiency, and transparency.

All Lawrence Community Shelter's staff with a role in the management of fiscal and accounting operations are expected to comply with the policies and procedures in this manual.

These policies will be reviewed annually and revised as needed by the staff and approved by the Executive Director and Finance Committee of the Board of Directors.

II. Division of Responsibilities

The following is a list of personnel and agents who have fiscal and accounting responsibilities:

Board of Directors

1. Reviews and approves the annual budget
2. Reviews annual and periodic financial statements and information
3. Reviews Executive Director's performance annually and establishes the salary
4. Two members of the board will be appointed by the board to be authorized signers on the bank accounts
5. Reviews and approves all contracts \$25,000 and over
6. Reviews and approves all non-budgeted expenditures over \$5,000
7. Reviews and advises staff on internal controls and accounting policies and procedures
8. Determines whether the organization should have an audit and, if so, chooses and contracts with the auditor

Executive Director

1. Reviews and approves all financial reports including cash flow projections
2. Sees that an appropriate budget is developed annually
3. Reviews and signs all issued checks and/or approves check signing procedures
4. Reviews and approves all contracts under \$25,000
5. Reviews and approves all grant submissions
6. Approves inter-account bank transfers
7. Is on-site signatory for all bank accounts
8. Opens all bank statements, reviews for any irregularities, and reviews completed monthly bank reconciliations
9. Oversees the adherence to all internal controls

Director of Finance and Operations

1. Approves all program expenditures
2. Monitors program budgets
3. Reviews all payrolls
4. Reviews and manages cash flow
5. Reviews and approves all reimbursements and fund requests
6. Processes all inter-account bank transfers
7. Assists Executive Director with the development of annual and program budgets
8. Reviews all incoming and outgoing invoices
9. Manages the petty cash fund
10. Receives all incoming accounting department mail except bank statements
11. Monitors and manages all expenses to ensure most effective use of assets

12. Monitors grant reporting and appropriate release of temporarily restricted funds
13. Oversees expense allocations
14. Monitors and makes recommendations for asset retirement and replacement
15. Reviews, revises, and maintains internal accounting controls and procedures
16. Initiates donor thank you letter acknowledgements
17. Reviews all financial reports
18. Makes bank deposits
19. Provides all relevant financial information to the 3rd party accounting firm as agreed

Director of Human Resources and Payroll

1. Prepares all payrolls and is responsible for all personnel files
2. Provides the following to 3rd party accounting firm:
 - a. New employee information
 - b. Changes to existing employee information
 - c. Information related to employee pay rates and deductions
 - d. Information related to garnishments
 - e. All information necessary to accomplish payroll

3rd Party Accounting Firm

1. Overall responsibility for data entry into accounting system and integrity of accounting system data
2. Processes invoices and prepares checks for signature
3. Makes bank deposits
4. Processes payroll
5. Maintains general ledger
6. Prepares monthly and year-end financial reports
7. Reconciles all bank accounts
8. Mails vendor checks
9. Manages Accounts Receivable
10. Maintain depreciation schedules
11. Prepares biweekly payroll
12. Provides Lawrence Community Shelter the following:
 - a. Provides printed payroll checks
 - b. Provides access to Employee Portal for employees to view check details
 - c. Calculates and submits payments for garnishments
 - d. Provides standard reports with each payroll
 - e. Provides access to Payroll Relief
 - f. Prepares and electronically files federal and state tax deposits
 - g. Prepares quarterly and annual payroll tax reports and W-2s

- h. Provides assistance with manual payroll check calculations, as needed
- i. Notifies the appropriate state agency of new hires
- j. Tracks paid time off balances

III. Chart of Accounts and General Ledger

Lawrence Community Shelter has designated a Chart of Accounts specific to its operational needs and the needs of its financial statements. The Chart of Accounts is structured so that financial statements can be shown by natural classification (expense type) as well as by functional classification (program vs. fundraising vs. administration). The Director of Finance and Operations is responsible for monitoring the Chart of Accounts and notifying the 3rd party accounting firm of revisions, as necessary. The Chart of Accounts is attached to this manual as an addendum.

The general ledger is automated and maintained by the 3rd party accounting firm using their internal software. All input and balancing is the responsibility of the Director of Finance and Operations with final approval by the Executive Director.

The Executive Director should review the general ledger on a monthly basis for any unusual transactions.

IV. Cash Receipts

Cash receipts generally arise from:

1. Contracts and Grants
2. Direct donor contributions
3. Fundraising activities

The principal steps in the cash receipts process are:

The Director of Community Engagement receives incoming mail. The Director of Community Engagement (are an authorized designee) opens, date stamps, and distributes the mail. The Director of Community Engagement enters cash receipts into the cash receipts for grants and donor contributions into Every Action (CRM software), makes copies of each check, and forwards all cash receipt materials to the Director of Finance and Operations. The Director of Finance and Operations enters all checks into a ledger to provide to the 3rd party accounting firm. The Director of Finance and Operations then deposits the checks.

All cash received will be counted, verified, and signed off by the Director of Finance and Operations and another available staff member. The cash will immediately be posted using the appropriate allocation. A receipt will be given to the paying party and a copy kept for internal purposes. The cash will be kept in a locked, secure location and deposited within 24 business hours.

V. Inter-Account Bank Transfers

The Director of Finance and Operations monitors the balances in the bank accounts to determine when there is a shortage or excess in the checking account. The Director of Finance and Operations recommends to the Executive Director when a transfer should be made. Authorization is given in writing for the Director of Finance and Operations to make the transfer. A copy of the transfer is provided to the 3rd party accounting firm.

VI. Cash Disbursements & Expense Allocations

Cash disbursements are generally made for:

1. Payments to vendors for goods and services
2. Taxes/license fees
3. Staff training and development
4. Memberships and subscriptions
5. Meeting expenses
6. Employee reimbursements
7. Marketing/promotional materials

Checks are processed biweekly. Invoices submitted are submitted by the Director of Finance and Operations to the 3rd party accounting firm for processing. Checks can be prepared manually within one day, but this should be limited to emergency situations. Checks prepared outside of the designated period will have an associated fee by the 3rd party accounting firm.

Requests for cash disbursements are submitted to the Director of Finance in three ways:

1. Original invoice
2. Purchase request (submitted on approved form)
3. Employee expense report or reimbursement request

All invoices must have the account code written on them and approved by the Director of Finance and Operations prior to being submitted to the 3rd party accounting firm.

Every employee reimbursement or purchase request must be documented on the approved form with receipts, nature of business, program allocation, and funding source (if applicable) before approving for reimbursement. Reimbursements must be authorized on the appropriate form before the expense occurs.

The Director of Finance and Operations reviews all requests for payment and:

1. Verifies expenditure and amount
2. Approves for payment if in accordance with budget
3. Provides or verifies appropriate allocation information
4. Provides date of payment taking into account cash flow projections
5. Submits to the 3rd party accounting firm, as required

The 3rd party accounting firm processes all received invoices and reimbursement requests and:

1. Immediately enters them into the Accounts Payable module
2. Prints checks according to allocation and payment date provided by the Director of Finance and Operations
3. Submits checks, with attached backup documentation, to Board Finance Committee for approval and signature. Checks in excess of \$5,000 must be authorized by the Board of Directors

4. Stamps invoice “paid”
5. Mails checks and appropriate backup documentation
6. Files all backup documentation in the appropriate file

Expense Allocations

Most non-salary expenses that benefit more than one cost center (administration, fundraising, and program) are spread across centers using a shared cost method. Under this method, the number of full-time equivalents (FTEs) within a department are divided by the total number of FTEs at the organization to determine the percentage of shared costs they should bear. This is done on a monthly basis by the Director of Finance and Operations.

VII. Debit and Pex Prepaid Spending Card Policy and Charges

All staff members who are authorized to carry an organization debit card or Pex prepaid spending card will be held personally responsible in the event that any charge is deemed personal or unauthorized. Unauthorized use of the debit card includes: personal expenditures of any kind; expenditures which have not been properly authorized; meals, entertainment, gifts, or other expenditures which are prohibited by budgets, laws, and regulations, and the entities from which Lawrence Community Shelter receives funds.

The receipts for all debit card and Pex prepaid spending card charges will be given to the Director of Finance and Operations within two (2) weeks of the purchase along with proper documentation. The Director of Finance and Operations will verify all debit card and Pex prepaid spending card charges with the monthly statements. A record of all charges will be given to the 3rd party accounting firm with applicable allocation information for posting. A copy of all charges will be attached to the monthly statements when submitted to the Executive Director for approval.

The Executive Director's debit card usage will be provided to the Board Chair and the Board Treasurer.

VIII. Accruals

To ensure a timely close of the General Ledger, Lawrence Community Shelter may book accrual entries. Some accruals will be made as recurring entries.

Accruals to consider:

1. Monthly interest earned on financial accounts
2. Recurring expenses, including employee vacation accrual, prepaid insurance, depreciation, etc.

IX. Bank Account Reconciliations

1. All bank statements are given unopened to the Executive Director. The Executive Director reviews the statements for unusual balances and/or transactions.
2. The Director of Finance and Operations ensures the 3rd party accounting firm has “read only” access to bank statements for timely reconciliation as follows: a comparison of dates and amounts of deposits as shown in the accounting system and on the statement, a comparison of inter-account transfers, an investigation of any rejected items, a comparison of cleared checks with the accounting record including amount, payee, and sequential check numbers.
3. The Director of Finance and Operations will verify that voided checks, if returned, are appropriately defaced and filed.
4. The Director of Finance and Operations will investigate any checks that are outstanding over six months.
5. The Director of Finance and Operations provide the 3rd party accounting firm with all ledgers and applicable information to complete the reconciliations.
6. The reconciliation report will be reviewed, approved, dated, and initialed by the Executive Director.

X. Petty Cash Fund

Petty cash funds are maintained by the organization. The funds are to be used for miscellaneous or unexpected purchases and the same approval procedures apply as mentioned in the cash disbursement section.

1. The petty cash fund will not exceed \$250 and is kept in a locked file cabinet at all times.
2. The Director of Finance and Operations oversees the petty cash fund.
3. All disbursements made from petty cash are acknowledged in writing by the receiving party.
4. All money returned to the petty cash fund is counted and verified by the Director of Finance and Operations and another staff member. Receipts for items purchased with petty cash must be included with the return and should include appropriate account allocations as well as supervisor approval.
5. The Director of Finance and Operations and the Director of Human Resources and Payroll together will periodically count the cash in the petty cash fund.
6. No checks will be cashed by the petty cash fund.

XI. Property and Equipment

Property and equipment includes items such as:

1. Office furniture and equipment
2. Facility Equipment
3. Computer hardware
4. Computer software

It is the organization's policy to capitalize all items which have a unit cost greater than \$1,000. Items purchased with a value or cost less than \$1,000 will be expensed in the period purchased.

The depreciation period for capitalized assets is as follows:

Computer Hardware	36 months
Office Equipment	60 months
Office Furniture	60 months
Computer Software	36 months
Facility Equipment	60 months

1. A Fixed Asset Log is maintained by the 3rd party accounting firm including date of purchase, asset description, purchase/donation information, cost/fair market value, donor/funding source, identification number, life of asset.
2. The Log will be reviewed by the Director of Finance and Operations.
3. Annually, a physical inspection and inventory will be taken of all fixed assets and reconciled to the general ledger balances.
4. The Director of Finance and Operations shall be informed in writing of any change in status or condition of any property or equipment.
5. Depreciation is recorded at least annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

XII. Personnel Records

1. All personnel files contain the following documents: an application and/or resume, date of employment, position and pay rate, authorization of payroll deductions, W-4 withholding authorization, termination data where applicable, a signed confidentiality agreement, a signed acknowledgement of receipt of Employee Handbook, an emergency contact form, and other forms as deemed appropriate by the Director of Human Resources and Payroll.
2. All employees will fill out an I-9 form and submit the allowable forms of identification to the Director of Human Resources and Payroll.
3. The completed I-9 forms will be kept in a secure location separate from the personnel files.
4. All personnel files are to be kept in a secure, locked file cabinet and accessed only by authorized personnel.

XIII. Payroll Processing

1. Timesheets are to be prepared by all staff on the approved form and submitted biweekly in Swipeclock. If the date of submission falls on a weekend or holiday, the timesheets are to be submitted the day prior to the weekend or holiday. Exceptions to the submittal date may occur and will be communicated accordingly.
2. Timesheets are to be kept on a daily basis and completed electronically in Swipeclock.
3. Any corrections to timesheets are to be made electronically with comment for reason of the correction.
4. Timesheets are to be approved by the employee's supervisor for submission to the Director of Human Resources and Payroll.
5. Any changes to the standing information of the payroll register from the prior period including addition of new employees, deletion of employees, or changes in base pay rate must be accompanied by an Employment Information Form and signed by the Director of Human Resources and Payroll before the change can be made.
6. The 3rd party accounting firm will process payroll in a timely manner and record vacation time, holiday hours, sick time, and any other information deemed necessary to properly reflect time worked.
7. Paychecks will be distributed by the Director of Human Resources and Payroll biweekly on Fridays. If the pay date falls on a holiday the paychecks will be distributed the day before.
8. If the employee requests that his/her check be turned over to a third party, the request must be made in writing prior to distribution.
9. Employees may choose direct deposit to a designated bank account. Their paycheck is deposited directly into the designated account on the payroll date. The employee will receive a verification stub.
10. The Director of Finance and Operations will review payroll expenditures and allocations monthly.
11. All quarterly federal and state payroll reports will be prepared and filed appropriately by the 3rd party accounting firm.
12. All W-2 statements are issued to employees prior to January 31st of the following year for the prior calendar year by the 3rd party accounting firm.

XIV. End of Month and Fiscal Year-End Close

1. The Director of Finance will review and sign off on all month- and year-end journal entries. They will be printed and filed for audit trail purposes.
2. At the end of each month and fiscal year end, the Director of Finance and Operations will review all balance sheet accounts including verification of the following balances: cash accounts match the bank reconciliations, fixed assets accounts reflect all purchases, write-downs and retirements, accounts receivable and payable accounts match outstanding amounts due and owed.
3. The income and expense accounts review will include reconciliation to amounts received and expended and verification that payroll expenses match the payroll reports including federal and state payroll tax filings.
4. Once the final monthly and fiscal year-end financial statements are run, reviewed, and approved by the Operations Manager and Executive Director, no more entries or adjustments will be made into that month or year's ledgers.
5. At the end of the fiscal year, an outside CPA will prepare the annual Return for Organization Exempt from Income Tax (IRS Form 990). The return will be presented to the CEO, the Board Finance Committee, and the Board Chair for their review and approval. The Director of Finance and Operations will then ensure the return is filed with the Internal Revenue Service by the annual deadline.
6. All other appropriate government filings including those required by the state tax board and attorney general's office will be completed and filed with the appropriate agency.

XV. Financial Reports

The 3rd party accounting firm will prepare the monthly and annual financial reports for distribution to the Director of Finance and Operations. The reports will include: balance sheet, statement of income and expenses, budget versus actual report for each program which has an established budget, a budget versus actual report for the organization, and any other requested reports.

Periodic and annual financial reports will be submitted to the Board Finance Committee and Board of Directors for review and approval.

XVI. Fiscal Policy Statements

1. All cash accounts (except petty cash) owned by Lawrence Community Shelter will be held in financial institutions which are insured by the FDIC. No bank account will carry a balance over the FDIC insured amount.
2. All capital expenditures which exceed \$1,000 will be capitalized.
3. Employee or public personal checks will not be cashed through the petty cash fund.
4. Salary advances will only be made with the approval of the Director of Finance and Operations in addition to approval from two Board members.
5. Reimbursements will be paid upon complete expense reporting and approval using the official Lawrence Community Shelter form. Reimbursements to the Executive Director will be authorized by the Board Chair.
6. Any donated item with a value exceeding \$50 will be recorded and a letter or receipt acknowledging the donation will be provided to the donor within two weeks of the receipt of the donation.
7. All volunteer time shall be recorded as in-kind donations.
8. The Executive Director and one designated Board and staff member are the signatories on Lawrence Community Shelter's bank accounts. All disbursements prepared by the 3rd party accounting firm require approval from two Board members. Single expenses over \$5,000 require prior approval from the Board of Directors.
9. Bank statements will be reconciled monthly. All bank statements will be given unopened to the Executive Director for review.
10. Correction fluid and/or tape will never be used in preparing timesheets or any accounting documents.
11. Accounting and personnel records will be kept in locked file cabinets in the finance office and only parties with financial and/or HR responsibility will have access to the keys.