



FINANCIAL POLICIES	
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I OBJECTIVES OF FINANCIAL POLICIES

- 1) The primary intent of Community Children's Center, Inc. (Agency) financial policies is to safeguard the mission of the Agency by creating a system of strong internal controls based on Generally Accepted Accounting Principles (GAAP) that adhere to practices promoted by the Financial Accounting Standards Board (FASB).
- 2) Agency financial policies will support the ability to maintain books of record in a manner that allows for accuracy and completeness of recordkeeping, timeliness of reporting, and promotes safeguarding of assets.
- 3) The Agency's financial system will be appropriately structured to meet budgeting and accounting requirements of external funders as applicable and will be validated through annual independent financial audits.
- 4) The Agency's financial policies shall support the ability to effectively monitor and report on the financial position and performance of Agency operations, enabling management and the Board of Directors to maintain fiduciary oversight and to make informed strategic decisions that promote Agency sustainability and support the mission.
- 5) Financial policies will be periodically reviewed and updated as needed to incorporate changes in accounting, reporting requirements, and emerging accounting standards.

II RESPONSIBILITIES

- 1) The Board of Directors is the policy-making body of the Agency. Authority resides with the board to control and manage the affairs and funds of the corporation. The board is responsible for its property; to make decisions regarding the acts of officers and committees; to establish rules and regulations; to accept grants, contributions, bequests, or devices; to hire and fire the Executive Director; and to perform all other acts necessary to achieve the purpose of the corporation.
- 2) The Finance Committee shall consist of the Treasurer who will serve as Chair, and at least two other members of the Board of Directors. They shall assist the Treasurer to ensure that

an accurate and timely accounting and reporting of financial transactions of the corporation is made, that such reports are presented to the Board of Directors within at least 30 days after each period end, and that a budget showing the expected receipts, income and expense for the ensuing year is prepared and presented before the beginning of the new fiscal year. The Finance Committee also examines financial reports and presents to the full board the financial status of the corporation.

- 3) The Executive Director acts as the primary fiscal agent, implementing all financial policies and procedures. The Agency Executive Director, with oversight of The Finance Committee is responsible for the coordination of the following: Annual budget presentation, and management of fund investments, selection of the outside auditors, and approving revenue and expenditure objectives in accordance with the Board approved long-term plans.
- 4) The Agency will contract with an outside accounting firm who will have responsibility for specific tasks in support of the Executive Director and to ensure proper internal and external control for the Agency. The outside accounting firm will be supervised by the President and the Board of Directors.
- 5) To maintain adequate controls the accounting firm and the Executive Director will work together to maintain separation of duties, and the Treasurer will sign off on monthly bank reconciliations after the same are reviewed by the Finance Committee.
- 6) The Executive Director with oversight by the Finance Committee has the day-to-day operations responsibility for managing Agency funds, ensuring the accuracy of the accounting records, internal controls, financial objectives and policies, financial statement preparation, and bank reconciliation review and approval. The Executive Director is directly supervised by the President of the Board of Directors.
- 7) The outside accounting firm will prepare the Chart of Accounts, Reporting Formats, Accounts Payable Processing, Payroll input and Payroll processing, Cash Receipts input, Journal Entries for General Ledger, Form 1099 reporting, Form 5500 reporting, and Form 990 reporting as well as complete Bank Reconciliations in a timely manner.

III. MONITORING/REPORTING FINANCIAL STATUS

It is the policy of the Board of Directors to perform an on-going monitoring of the financial activities of the corporation through the following activities:

- 1) The annual operating budget will be prepared by the Executive Director, in consultation with the Finance Committee. The Finance Committee will approve the proposed budget 60 days prior to the beginning of the next fiscal year. The Board of Directors will approve the annual operating budget 30 days prior to the beginning of the next fiscal year. The annual operating budget will include detailed revenue projections as well as detailed expenditure projections.

- 2) The Agency's fiscal year is April 1st – March 31st.
- 3) Grant periods will vary according to the specific grant award.
- 4) Monthly financial statements will be presented to the Board of Directors by the Treasurer.
- 5) Quarterly reports will be made to the Finance Committee by the Treasurer. Such reports will include relevant information regarding revenue and expenditure information, including monthly and yearly expenses by principal categories, comparisons with budgeted expenses, and analysis of variances. All financial and management reports are available to the Board of Directors.
- 6) The completion and filing of all reports required by funding sources (grant, contract, pre-payment, etc.) will be prepared by the Executive Director and/or outside accounting firm.

IV. GENERAL FINANCIAL POLICIES

- 1) The Agency will prepare financial statements following GAAP principles under the general direction of the outside accounting firm. The outside accounting firm is responsible for ensuring strong internal control, accuracy of accounts, and that proper accounting and approved funding procedures have been followed. It is the responsibility of all Agency staff to immediately inform the Executive Director of any irregular, improper charges or other procedural deficiencies encountered in the financial management of the Agency.
- 2) To the greatest extent possible, financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts, disbursements, payroll, reconciliation of bank accounts, receivables, equipment, or purchasing.
- 3) Separate bank accounts and records are maintained as may be required by funding source regulations. All documents are maintained in secured files either electronically and/or on paper
- 4) Donations of cash, contributions, and non-program related incomes are separately accounted for in the General Ledger.
- 5) The Executive Director will maintain copies of the minutes of the Board of Directors and Finance Committee Meetings.
- 6) An annual audit is conducted by an independent Certified Public Accounting firm on the total operations of the Agency. The audit report is submitted to the Board of Directors and the Executive Director. The Executive Director has the primary responsibility for coordinating the audit with the support of the outside accounting firm.

IV. GENERAL ACCOUNTING OBJECTIVES

- 1) To ensure that the budget is an effective guide for expected activity, that it includes the revenues and expenditures necessary to carry out the approved scope, and that it will serve as an appropriate document for funding purposes.

- 2) To ensure that a budget is developed that will facilitate adequate monitoring so that are timely and appropriate management decisions are made.
- 3) To ensure that the Board and all appropriate personnel are involved in budget development and monitoring processes to achieve consistency in goals/activities.
- 4) To ensure that, as a working document, the budget is revised as needed when assumptions change. The Board must approve any budget adjustments of more than 10% of any budgeted line item or \$5,000, whichever is less.
- 5) To ensure that an organized, accurate and up-to-date general ledger is maintained that is timely and useful, and that financial reports are prepared based on the general ledger in accordance with generally accepted accounting principles.
- 6) To ensure that all cash and non-cash transactions affecting the Agency are properly and promptly recorded in proper journals and summarized and posted to the general ledger.
- 7) To ensure the integrity of all summarization and transfer of data, particularly in and between automated and manual systems.

V. KEY ACTIVITIES AND RESPONSIBLE PARTIES

- 1) The Executive Director is responsible for the preparation of all monthly and year-end fiscal reports that are reviewed by the Board of Directors and Finance Committee.
- 2) The Agency's financial statements shall be prepared on an accrual basis in accordance with Generally Accepted Accounting Principles ("GAAP"). The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations" (SFAS No. 117).
- 3) Under GAAP, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the agency and changes shall be classified as unrestricted, temporarily restricted and permanently restricted.
- 4) Separate from Unrestricted Funds, resources for various purposes are classified for accounting and maintained for each fund. Several funds are in place for this purpose including but not limited to: Endowment Fund, Restricted Funds, Cash Management Fund, Property and Equipment Fund, etc.
- 5) The outside accounting firm shall prepare and present Monthly Financial Statements in a format approved by the Agency Executive Director and Finance Committee. The statements shall be presented to the Agency Executive Director and the Finance Committee for review.

- 6) The Executive Director or designate is also responsible for the preparation of all grant/contract fiscal reports. It is the responsibility of the Executive Director to ensure that all reports are submitted on a timely basis.
- 7) The financial statements will be prepared monthly. The fiscal year end will be closed as of March 31st of each year.
- 8) To ensure that the principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments are in accordance with 2 CFR part 230 "Cost Principles for Non-profit Organizations"
- 9) Any of the above responsibilities may be delegated to the outside accounting firm as is deemed appropriate.

VII. CASH

Cash position and cash flow must be constantly monitored. Reasons for cash flow problems must be quickly identified and corrected.

OBJECTIVES

- 1) To ensure that the Agency manages its cash to maximize a smooth positive cash flow and avoid extremes of idle balances and cash shortfalls.
- 2) To ensure that monies collected in person and through the mail are properly recorded, transmitted with appropriate sign-off for accountability and deposited.
- 3) To ensure that general ledger cash account balances are accurate and reconciled to bank balances such that cash representations on the balance sheet may be fairly stated.
- 4) To ensure strong internal controls are maintained over cash such that the risk of theft is minimized.

VIII. PURCHASING

The purchasing function includes all the decisions, policies, and activities involved in procuring goods and services. These include, but are not limited to, general/medical goods and supplies, management contracts for services and general contracting and repair. Purchasing policies related to Federal Grant Expenditures should meet all "Procurement Standards" as outlined by 2 CFR 215 (Uniform Guidance) (formerly referred to OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations"). Purchasing policies must also allow for appropriate management oversight and segregation of duties to safeguard assets

OBJECTIVES

- 1) To ensure that purchasing procedures related to Federal Grant Expenditures are in

accordance with “Procurement Standards” of 2 CFR 215 of the Uniform Guidance (formerly OMB Circular A-110, “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”) and that procurement policies adhere to 45CFR Part 75 Subpart E, Federal Cost Principles.

- 2) To ensure that selection of vendors and adjustments to vendor accounts are made in accordance with management guidelines and with proper segregation of duties while also adhering to vendor screening and selection criteria for all purchases involving the use of federal funds.
- 3) To ensure access to purchasing and receiving records and related critical documents is limited to those personnel authorized by management with such authorization providing adequate segregation of duties.
- 4) To ensure purchasing transactions are properly recorded in a timely, accurate manner.
- 5) To ensure that all, and only, requested goods and services are accepted.

A. General Requirements/Guidelines

- 1) No employee, officer, or agent of the Agency shall participate in the selection, award, or administration of a contract in which Federal funds are used, where, to his knowledge, he, or his immediate family (by blood, marriage, or adoption), or partner or prospective business partner has a financial interest, or with whom he is negotiating or has any arrangement concerning current or prospective employment. *See Conflict of Interest Policy.*
- 2) No employee, officer or agent shall solicit or accept gratuities, favors or anything of monetary value from contractors or potential contractors. *See Conflict of Interest Policy.*
- 3) All contracting will be conducted in a manner to provide, to the maximum extent practical, open and free competition.
- 4) Awards will be made to the bidder whose bids are responsive and most advantageous, considering price and other relevant factors.
- 5) The Agency will ensure that any solicitation for goods or services clearly and accurately describes all of the technical requirements for the material, product, or service to be procured and does not contain features that unduly restrict competition.
- 6) Any and all bids may be rejected when it is in the Agency’s best interest.
- 7) The Agency will make reasonable efforts to use small businesses and women and minority-owned business sources of supplies and services.
- 8) The Agency will ensure that the type of contract is appropriate for the particular procurement and for promoting the best interests of the Agency.
- 9) The Agency will ensure that contracts are made only with responsible contractors who have the potential to perform successfully. The Agency will consider contractor integrity, record of past performance, financial and technical resources, or accessibility to other necessary resources. The Agency will review all contractors prior to contracting who may be excluded

from receiving Federal contracts, certain subcontracts, and certain Federal financial and nonfinancial assistance and benefits, pursuant to the provisions of 31 U.S.C. 6101, note, E.O. 12549, E.O. 12689, 48 CFR 9.404, and each agency's codification of the Common Rule for Non-procurement suspension and debarment found at <https://www.epls.gov>

- 10) The Agency should practice good financial stewardship and be mindful of cost and benefits with each purchase it makes.
- 11) The Agency will monitor all procurement to ensure contractor conformance with the contract and adequate and timely follow up of all purchases.

B. Federal Grants

For Federal grants, Community Children's Center uses the Uniform Grant Guidance. The Uniform Grant Guidance outlines five methods of procurement: micro-purchases, small purchases, sealed bids (formal advertising), competitive proposals, and noncompetitive proposals.

- 1) Micro-purchases
 - Must be under the micro-purchase threshold of \$10,000
 - Must distribute micro-purchases equitably among qualified suppliers
 - May be awarded without soliciting competitive quotations
- 2) Small purchases
 - Must be under the simplified acquisition threshold of \$250,000
 - Must obtain price or rate quotations from an adequate number of qualified sources
- 3) Sealed bids (formal advertising) (Over \$250,000)
 - Is the preferred method for procuring construction
 - Must include a complete, adequate, and realistic specification or purchase description
 - Must be solicited from an adequate number of known suppliers and publicly advertised
 - Must result in a firm fixed price contract award in writing to the lowest responsive and responsible bidder
- 4) Competitive proposals (Over \$250,000)
 - Used when sealed bids are not appropriate (architecture and engineering) o Must be publicized and identify all evaluation factors and their relative importance
 - Must be solicited from an adequate number of qualified sources
 - Must be in line with a written method for conducting technical evaluations of the proposals received and for selecting recipients
 - Must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered
- 5) Noncompetitive proposals are only allowable when at least one of the following conditions applies:
 - The item is available only from a single source.

- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation.
- The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals. o After solicitation of a number of sources, competition is determined inadequate.

C. Contract Requirements/Guidelines

- 1) All contracts will state the activities to be performed, the time schedule, the grant policies and requirements that apply, the maximum amount of funds for which the Agency may be liable to the contractor, and the cost principles to be used in determining allowable costs in the case of cost-type contracts.
- 2) All contracts will contain provisions allowing for administrative, contractual, or legal remedies in instances in which contractors violate or breach contract terms.
- 3) All contracts will contain suitable provisions for termination by the Agency, including the method by which termination will be affected and the basis for settlement. Each contract will define the conditions under which the contract may be terminated for default as well as conditions under which the contract may be terminated because of circumstances beyond the contractor's control such as termination of Federal grant support to the Agency.
- 4) Contracts shall include provisions that include the specific activities to be performed or goods to be provided by the contractor and how the Agency will monitor contractor performance. Data reporting expectations and intervals for such reporting, and provisions for records retention and access, audit, and property management (e.g., availability for audit for a period of at least three years after conclusion) as required by federal and state regulations as applicable.
- 5) Other requirements as stated in grant terms and conditions.

D. Purchasing Authority:

All authority to purchase will be based on the following guidelines:

Position	Department	Purchase Authority	Max \$\$\$
Executive Director	Administration	Entity-wide authority. Cannot authorize the expenditure in any fiscal year of more funds than are conservatively projected to be received in that period or that reduce current assets at any time to an amount less than current liabilities. Cannot indebt	\$1,000

		the Agency using a loan or note payable. It is expected that all purchase will be made using good financial stewardship and cost comparison. Splitting authorization to avoid limitations is not authorized.	
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IX. DISBURSEMENTS

OVERVIEW

Cash disbursements and accounts payable functions will be performed by Executive Director. Checks should be prepared on a routine, periodic basis (e.g., every week) to allow for the efficiencies in batching payments. Exceptions may be needed to address a special need or to take advantage of a vendor discount.

OBJECTIVES

- 1) To ensure disbursements of cash are based on recognized liabilities, accurately prepared, and appropriately authorized.
- 2) To ensure cash disbursements are made in a timely manner and demonstrates appropriate cash management.
- 3) To ensure cash disbursements are distributed (expensed) to the appropriate general ledger accounts for the appropriate period.
- 4) To ensure checks are adequately safeguarded.

A. PAYROLL

OVERVIEW

Personnel costs represent a significant expense therefore, strong internal controls are necessary to avoid improper payroll disbursements and/or inaccurate personnel and cost accounting records. Employees are responsible for accurately reporting hours worked on their time sheet and supervisor/manager approvals are required. The outside accounting firm in consultation with Executive Director is responsible for ensuring the accurate processing of the payroll data, the payroll tax reports, individual payroll deductions for insurance and retirement etc. and paid time off.

A computerized payroll program providing for the computation of salaries based on employee work and attendance records, with appropriate adjustments for taxes, participation in fringe benefits programs, tracking of PTO, and the preparation of required state, federal and local tax reports.

Payroll Procedures

- 1) Payroll will be prepared, and paychecks issued every two weeks. The payroll will be prepared using the payroll module. This automated system provides for the calculation of wages based on the information in the employee's record. The system computes the gross salary, the federal and state withholding, the FICA, and other payroll deductions.
- 2) A record of time and attendance must be maintained for every employee whose salary is paid in whole or in part with Federal funds, and must be supported by supervisory review, as evidenced by signature of the employee's immediate supervisor.
- 3) Supervisors are required to appropriately review and approve the time worked. Each Supervisor is responsible for verifying the accuracy of employee time reports for all employees he/she supervises. The supervisor must approve time reports and report them to the outside accounting firm on the Monday following the end of the bi-weekly pay period or as a fiscal agent on behalf of the corporation directs.
- 4) Paychecks are issued to employees on the first and 16th of each month or the next business day following the close of each bi-weekly pay period.

X. DONATIONS / IN-KIND CONTRIBUTIONS

OBJECTIVES

- 1) To properly acknowledge the value of services and materials given to the Agency at a price less than fair market value (FMV).
- 2) To ensure that reasonable value is assigned to donations to accurately reflect them in revenues and costs.

A. Procedures

- 1) Categories of donations and in-kind contributions
 - (a) cash
 - (b) personal services
 - (c) facilities (rent, utilities)
 - (d) equipment
- 2) At the time a contribution is made, it must be reported by memo to the Executive Director.
- 3) Necessary information includes:
 - (a) copy of the acknowledgment letter prepared for the donor
 - (b) date of acquisition or service rendered
 - (c) description of material or service rendered
 - (d) fair market value of material or service (to be determined using IRS publication 561)
 - (e) name and address of donor.
- 4) By the end of the period all valuations of donations must be determined. Rates for volunteer services may be based upon the rate in the community for that service.

- 5) The Executive Director will verify the memoranda and prepare the journal entry to record the contribution.

XI. BUDGETARY PLANNING AND CONTROL

Overview

An operating budget is a formal quantitative expression of plans. Once the Agency determines the activities it wishes to undertake for the coming year(s), the budget can be prepared to translate those goals, objectives, and plans into revenue and expense figures. The Executive Director will take the lead role in developing the budget. Input will be obtained from others, including the Executive Committee and staff. The Finance Committee shall review and approve the operating and capital expense budgets 60 days prior to the new fiscal year. The Board of Directors will then review and approve at least 30 days prior to the new fiscal year. Once approved, the budgets shall then be submitted to the full Board for review and approval.

Grant budgets must be completed each year (or more often as funding opportunities are made available) according to the relevant budgetary periods. Grant budget approvals will be made in accordance with 45 CFR Part 75, Subpart E and the expenditure of funds will be matched with these approvals.

A. Operating Budget

- 1) The operating and grant budgets consist of the revenue budget and the expense budget. After the first year, a statistical budget can be reasonably estimated by using the previous year's utilization and adjusting for an expected rate of growth or change in program status.
- 2) The revenue budget includes expected revenue, adjustments to that revenue, and receipts the Agency expects to ultimately collect. Revenue includes:
 - a. grants from federal, state, and local governments
 - b. fee income from third-party payers, for services rendered
 - c. donations
 - d. income from space rental and sale of equipment
 - e. other miscellaneous income, if applicable
- 3) Each completed year of operation provides additional data for the Agency's historical database, from which more reliable revenue forecasts can be generated.
- 4) The expense budget contains all expenses other than capital expenditures. It includes salaries and fringe benefits, and other operating expenses such as rent, utilities, consultant fees, administrative, depreciation, and staff training expenses.

B. Capital Budget

- 1) The capital budget process involves budgeting for buildings and fixed equipment -- those items having a useful life of over one year and costing over \$5,000 per item. A capital budget

should show the sources of funds that are to be used for capital expenditures.

- 2) Vendors can be contacted to determine the price of a piece of equipment if there is a question of whether it should be considered a capital expenditure.
- 3) A capital expenditure schedule should be prepared which shows month by month, the planned expenditures for buildings and equipment. The schedule may be revised monthly, quarterly, or yearly as construction schedules or purchasing priorities change.

C. Grant Budgets

- 1) The Expenditure section of the budget will include a Personnel Schedule showing the position, title, and percent of time, number of months, annual salary, and yearly cost for each staff position. The specific components of the Fringe Benefits Rate will be identified and described.
- 2) Non-personnel expenditures will be displayed in categories as determined by appropriate funding sources.

NOTE: The budget will be accompanied by a narrative document providing justification for all budget items, including a narrative identifying all assumptions supporting the revenue projections - this portion of the budget to be performed by the Executive Director or their designee.

D. Budget Revisions

A change in the Grant budget may be required to be submitted to the funding source for approval depending on grantor requirements and, if applicable, after it has been approved by the Board of Directors. Some examples of a need to revise the budget are major changes in assumptions concerning the following:

- a. funding level or other sources of income.
- b. program or activities.
- c. ongoing expense items, such as increased cost of contractual services or insurance; and staffing.
- d. All revisions should be clearly documented as to the reason (i.e., change in assumption).

E. Budgetary Performance Measures

- 1) The budget should be created by the staff responsible for expenditures or revenues and should be reviewed and authorized by the Board of Directors.
- 2) A continuing actual-to-budget comparison should be prepared monthly (with year-to-date figures) in adequate detail to provide basic comparative data to staff responsible for expenditures or revenues.
- 3) An internal review of actual versus budget performance is presented to the Finance Committee at each of their regular meetings.

XII. CASH MANAGEMENT

A specific program of cash management specifying who among the staff has access to cash, how cash is received, recorded, deposited, reported, and disbursed. The goal is to have segregation of duties regarding cash procedures. The cash assets of the Agency include all cash, checks, wire transfers (drawdowns from federal and state grant funds), whether held in an operating checking account, certificates of deposit or other financial instruments, or on-hand in the Agency's facilities.

The bank statement for the operating account and all savings accounts or certificates of deposit will be reconciled with the general ledger monthly by the outside accounting firm. Cash disbursements from the operating account will be made by check and will require the signatures of two persons. Signature authorization is given to the following: Executive Director, President and Treasurer.

A. Invoice Management

1. All invoices shall be directed to the Executive Director for payment.
2. The Executive Director will pay from original invoices (if at all possible) and not statements.
3. The Executive Director will document which invoices are approved, the appropriate expense account and source of funds to be charged. All received documentation which may relate to bills must be forwarded to the Executive Director for matching with the applicable bills.
4. Authorized signature for payment will be required for purchases from vendors; no authorizing signature will be required for automatic payment account such as utilities which are regular in amount.
5. The Executive Director will assure that the authorized signature is valid for the purchase based on delegated authority document before the invoice is entered into the accounting system for payment.
6. Account coding will be the responsibility of the Executive Director under the advisement of the outside accounting firm when it is not clear what account should be charged.
7. The Executive Director will review all authorized invoices before they are paid from the accounting system for accuracy, completeness, and timeliness as well as authorization and account coding.

B. Use of Checks

- 1) The Executive Director or outside accounting firm will prepare checks on a weekly basis. The preparer of the check(s) will enter the same into the Agency's accounting system.
- 2) Authorized signers on the Agency's accounts include the Executive Director, Chair and Treasurer of the Board, and one at large Board Member.
- 3) The Executive Director and/or the outside accounting firm will be responsible for all blank checks.

- 4) The Executive Director will not sign checks, including payroll checks, for which they are the payee.
- 5) Any check for an amount greater than \$1,000 that is not preapproved by the board (or a payment as part of a contract approved by the board) will require two signatures.
- 6) Voided checks will have "VOID" written boldly in ink on the face and have the signature portion of the check torn out. Voided checks will be kept on file.
- 7) In no event will:
 - Invoices be paid unless approved by an authorized signer.
 - Blank checks (checks without a date or payee designated) be signed in advance.
 - Checks be made out to "cash", "bearer", "petty cash", etc.
 - Checks be prepared on verbal authorization, unless approved by the Executive Director.
- 8) In the event that it is necessary to issue a duplicate check for checks in an amount greater than \$50, a stop payment will be ordered at the bank on the original check.

C. Receipt of Cash/Checks Procedures

- 1) Cash received directly by Agency personnel is recorded. A receipt is generated, and one copy is given to the patient. All checks must be endorsed (stamped) at the time received. All cash, checks and receipts are given to the Executive Director for reconciliation and deposit. All mail payments are received by the Executive Director. Cash and checks will be logged, and a copy of the check will be taken for future filing. The log will be verified against the deposit slip. The cash or check is logged according to the source and the amount of the cash or check listed. A copy of the log, all checks and cash received through the mail are retained.
- 2) The Executive Director prepares deposit sheet and bank deposit slip. The deposit sheet should include all checks received listed separately, all cash received, credit card payments, and all Electronic Transfers. A copy of the deposit sheet is retained for bank reconciliation at the end of each month. Any discrepancies will be reported to the Treasurer.
- 3) A copy shall be made of the deposit slip, deposit spreadsheet, all checks received, Electronic Payment notifications and any other pertinent information regarding the deposit. These copies are maintained for at least three years or until resolution of an audit, if applicable, by the Executive Director in case of future questions regarding deposits.
- 4) Deposits shall be made at least weekly. If a deposit cannot be made, the deposit shall be kept in a secured receptacle until such time a deposit can be made.

D. Bank Reconciliations

- 1) Bank statements will be received directly and opened by the outside accounting firm.
- 2) The Agency's outside accounting firm will reconcile the bank statement monthly.
- 3) The Treasurer of the Board will receive monthly statements of checks paid on all accounts.

- 4) The Executive Director shall verify the reconciliation of the bank accounts on at least a quarterly basis.
- 5) On all checks outstanding over 180 days, the Executive Director should take appropriate action.

E. Expense Form

- 1) All credit card charges, including those related to Agency credit cards as well as personal cards used for Agency purposes, shall be documented, and supported utilizing the Expense Report form.
- 2) Expense Reports shall be completed for a period of no less than a calendar month and shall be submitted to the Executive Director for processing no later than ten (10) business days after the month being filed.
- 3) All credit card charges shall be attached to the report and each charge shall state the purpose for which the charge is made. Entertainment expense receipts shall state the business purpose served, list the persons entertained, include the location of the establishment.
- 4) Cash payments made on behalf of the Agency shall also be indicated on this monthly report supported by receipts. It is the responsibility of the preparer to complete the report and state the business purpose for each item and submit to the Executive Director for signature denoting approval.
- 5) If travel and entertainment is conducted on behalf of the Agency the preparer will also document these expenses – including mileage of auto driven – on the Expense Report form.
- 6) The Expense Report will also be used to document each e-purchase made using Agency credit cards with attached receipts and related documents as required.
- 7) The Expense Report with supporting receipts will be used to document corporate credit card bills as processed by Executive Director.
- 8) It will be the responsibility of Executive Director and the outside accounting firm to review each report for completeness, timeliness, accuracy, and authorization. Account coding will be the responsibility of the Executive Director.

Note: Policy prohibits reimbursement of alcohol. All employees are responsible for ensuring that reimbursement requests exclude alcohol and that the corporate credit card is not used for alcohol purchase.

F. Other Purchases

- 1) The purchase of major equipment identified in the approved budget will be negotiated or approved by the Executive Director or Executive Director's designee.
- 2) The purchase of services, including maintenance contracts, interim professional services, etc., will normally be negotiated by the Executive Director or Executive Director's designee.

- 3) Where appropriate, competitive bids will be required.
- 4) The purchase of any real property will require the approval of the Board of Directors with support from the Executive Director.
- 5) Special payments not covered by an invoice (e.g., seminar registration fees, subscriptions, dues, etc.) be requested via a written request for a check.
- 6) Check requests should be submitted along with an expense cash form and accompanying support documentation (receipts) to the Executive Director for coding, review, and payment authorization.

XIII. MAINTAINING PROPERTY-CAPITAL EQUIPMENT

A. Procedures for Maintaining Property Records

- 1) Capital assets are defined as all purchased, government loaned or donated items with a unit cost or fair market value of **\$5,000** or more and with a useful life of more than one year.
- 2) The capital asset record will be prepared and filed for each item of property received. The record should include:
 - (a) item description
 - (b) department
 - (c) date purchased
 - (d) cost
 - (e) estimated useful life
 - (f) location
 - (g) property tag number (when applicable)

B. Procedures for Retiring/Disposing of Property

- 1) The Executive Director or Executive Director's designee will be responsible for identifying property for disposal. They must provide approval prior to disposal.
- 2) The property should be appropriately removed from the accounting and property records upon disposal by the Executive Director or Executive Director's designee.
- 3) Funding source guidelines will be adhered to as to the disposal of property.
- 4) Procedure for Maintaining an Inventory of Property and Equipment
 - a) The outside accounting firm is responsible for preparation of a listing of all property from the capital asset records. An asset checklist will then be prepared and made available for use during a physical inventory.
 - b) A physical inventory of all capital assets, under the supervision of the Executive Director or Executive Director's designee, should take place annually, no less than 30 days prior to the end of the fiscal year.
 - c) The physical inventory count shall be reconciled to the capital asset

records and the prior year's inventory. All discrepancies must be explained in writing.

- d) The inventory value, as reconciled, should be submitted to the Executive Director for approval. If necessary, the accounting and property records should be adjusted to reflect the physical inventory count.

C. Procedure for Depreciating Property

- 1) All capital assets must be depreciated over the useful life of the asset using the straight-line method. Under the straight-line method, depreciation is considered a function of time, and a uniform portion of the cost is allocated to each accounting period.
- 2) Useful lives for capital assets will be determined according to GAAP.
- 3) Depreciation schedule will be maintained by the outside accounting firm or as designated to appropriate personnel.
- 4) The depreciation schedule will be updated as purchases are made to reflect the purchase or disposal of assets and the depreciation amount will be adjusted accordingly and recorded in the general ledger.
- 5) Should be reconciled to the capital asset records and the prior year's inventory. All discrepancies must be explained in writing.
- 6) The inventory value, as reconciled, should be submitted to the Executive for approval. If necessary, the accounting and property records should be adjusted to reflect the physical inventory count.

D. Procedure for Maintaining Fixed Asset Inventory

- 1) A fixed asset physical inventory will be performed at least once every two years. Records on all equipment and assets (excluding consumable supplies) costing over **\$5,000** will be maintained by the outside accounting firm.

XIV. INDEPENDENT AUDIT

It is the policy of the Agency to provide for the protection of its corporate assets through an annual audit of the overall financial program of the corporation, to be conducted by a Certified Public Accountant in conformance with all applicable laws and regulations applicable to the various sources of financial support (grants, reimbursement contracts, managed care arrangements, etc.). All audit findings are to be reported to the Board of Directors as well as to the appropriate grant and/or contract agencies.

The audit is performed primarily for the Governing Board of the corporation, regulators and outside parties. The audit should meet the standards of OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations." The audit opinion and report on internal controls (the management letter) provide the Board with an outside, independent evaluation of the adequacy of the Agency accounting policies, financial records, and system of internal control for safeguarding the Agency assets and producing proper financial reports. The Board

and staff should use these reports to review and correct weaknesses noted by auditors. It should be noted that the purpose of an independent audit is not to detect or uncover fraud, although the auditors have a responsibility to disclose any fraud that comes to their attention.

A. Audit Procedures

- 1) At the direction of the Board of Directors, the Executive Director will arrange for an annual independent financial audit of the Agency. The audit will be performed in accordance with federal audit requirements for any year in which federal grant or contract funds were used. All appropriate financial and management records will be made available to the auditor. For any year in which total Federal funds equate to \$750,000 or more, a Single Audit shall be performed in accordance with the provisions of 45 CFR Part 75, Subpart F.
- 2) The basic financial statements examined in an audit are the Balance Sheet, the Statement of Operations, and the Statement of Changes in Fund Balance.
- 3) It is the responsibility of Agency staff to determine the format of the financial statements. However, they may wish to consult with the auditor to develop a format that satisfies both internal and external reporting needs with a minimum of effort.
- 4) The Report of Audit and all accompanying documents, including the management letter will be presented to the Board of Directors. The Executive Director shall accompany the Report of Audit with a written plan of correction for any deficiencies identified in the audit report. The Board of Directors will review all audit findings, adopt appropriate plans for corrective action, and record its review and actions in its minutes. The Report of Audit, and all accompanying documents will be filed with the appropriate federal and state agencies in a timely fashion.

B. Scope of Audit

- 1) The scope of the audit should indicate the period covered and that the examination is made in accordance with generally accepted auditing standards, including those specified by the United States General Accounting Office and other program specific guidance.
- 2) In general, the audit should cover all financial activity associated with the program presented in the approved Federal grant applications. The audit shall include a report on internal control and/or management letter consistent with audit requirements for all Federal grants. Audits are required to have the auditors provide a report on internal control or management letter prepared by the auditors and submitted with the audit report to the appropriate granting offices.

C. Audit Engagement

Two key components of engaging an audit firm are the selection of an auditor and the engagement letter. The selection process should begin well in advance of the close of the audit

period. Whenever possible, the selection process should provide for the solicitation of proposals/bids from several audit firms. The following suggestions may be followed:

- 1) If at all possible, interview more than one firm practicing in the area, including small firms, large firms, local firms, national firms, etc. Explain the required scope of the audit and the audit period. Provide the auditor with sufficient information to understand what is required.
- 2) Request a written proposal or bid from each firm. This should include the following
 - a) statement of the qualification of the firm.
 - b) statement of the firm's experience, especially experience in auditing nonprofit institutions.
 - c) statement of the scope of the audit, which shows the firm understands what is required.
 - d) identification, and copies of the resumes, of the staff who will perform the audit; and
 - e) price for performing the audit and the basis for arriving at the price.
- 3) Evaluate each firm's proposal regarding each of the points listed above. Client references should be contacted for each firm. The Board of Directors should approve final selection of an auditor.
- 4) The engagement letter is the formal contract between the auditor and the Agency. It should be developed by the auditor and signed and retained by both parties prior to the commencement of any audit work. The engagement letter should be signed for each audit performed, regardless of whether the same firm performed the previous audit.

D. Staff Preparation for the Audit

The fee for an audit is based upon the amount of time required by the auditor to complete their examination of the financial statements. The auditor's time and effort can be reduced by appropriate preparation for the audit. Such preparation should include:

- 1) compiling all requested documentation as early as possible for review by the auditors;
- 2) arranging sufficient workspace, which is convenient to records and files and the personnel responsible for the files;
- 3) introducing audit staff to appropriate employees of the Agency;
- 4) ensuring that key staff will be present during the field work; and
- 5) assisting auditors in the preparation of work papers where appropriate.

E. The Auditor's Opinion

- 1) The auditor's report expresses an opinion or, if circumstances require, disclaims an opinion on the fairness presented in the financial statements relating to the Agency's present financial position, results of operation, and changes in financial position, in conformity with generally accepted accounting principles and the specific accounting principles applicable to the program.

- 2) Although certain circumstances may result in a departure from the standard report, the opinion format is normally classified according to one of the following four types.
 - a) An Unqualified opinion states that financial statements present fairly the financial position, results of operations and changes in financial position.
 - b) A Qualified Opinion states that "except for" or "subject to" certain items, which are referenced and explained in a separate paragraph, the financial statements present fairly the financial position, results of operations and changes in financial position.
 - c) A Disclaimer of Opinion states that the auditor does not express an opinion regarding the fair presentation of the financial statements and explains in a separate document all the substantive reasons for the disclaimer and any other reservations the auditor may have regarding the financial statements.
 - d) An Adverse Opinion states that the financial statements do not present fairly the financial position, results of operations and changes in financial position.

F. Management Letter

- 1) The management letter describes in reasonable detail the objectives and limitations of internal control and the auditor's evaluation, followed by appropriate descriptions of material weaknesses and significant deficiencies that were noted by the auditor but did not raise the level of a material weakness. The descriptions should indicate whether the weaknesses relate to procedures or to compliance with those procedures, and may also include recommendations for improvements, comment concerning corrective action taken or in progress, or other comments appropriate in the circumstances.

G. Distribution of the Audit Report and Management Letter

- 1) The audit is performed primarily for the Governing Board; therefore, the auditors must formally present the audit report and management letter to the Governing Board or a formally designated committee of the Board, such as an audit committee or finance committee. Ample time should be allowed for the auditor to clarify any items on the financial statements, explain all comments and recommended actions, and respond to any questions from Board and staff members. Distribution is as follows: Board of Directors, Finance Committee, Project Staff (as appropriate), and appropriate granting agencies.