

FINANCIAL CONTROLS POLICIES AND PROCEDURES FOR #BeMoreLikeClaire

Purpose. We are a nonprofit organization committed to protecting and using our assets for our nonprofit mission. Proper financial practices are very important in doing this, since proper practices help to prevent and detect errors and fraud. Good financial practices also assure our donors that we use their gifts for the purposes for which they were intended.

I. GENERAL PRACTICES

Review of Risks. These policies were drafted after consideration of the risks associated with the various aspects of our financial operations to enact policies and procedures designed to minimize those risks. The Board will review these policies each year to consider whether the risks have changed. Such changes may include receipt of grant monies for the first time or receipt of grants with restrictions, a change in the laws regulating our nonprofit, hiring of employees or a major change in our programs. If so, the Board needs to identify any new risks and adopt appropriate procedures to minimize those risks. The Board shall consult with a professional if necessary to ensure that it is properly addressing the risks.

Segregation of Roles. There are several fiscal “roles” in our organization—custody, authorization, execution, and monitoring. For example, the person who has authority to sign checks is acting in the custodial role. The person who approves payment of a bill is authorizing. The Board as a whole acts in an authorizing role when it approves the annual budget. The person who prepares the checks for signature by an authorized check signer is acting in the execution role, executing an action that has been authorized by the Board through the annual budget. The person who reconciles the bank statement acts in the monitoring role. The Board also acts in a monitoring role when it reviews the monthly financial reports to be sure that its plan—the budget—is being executed properly.

As much as possible, the Board seeks to separate the responsibilities for fiscal roles so that at least two and preferably more individuals fulfill these roles. It is particularly important that the same person does not authorize, execute and monitor any transaction. At each step of handling funds, the organization shall ensure that more than one person verifies that the step is done correctly.

II. RECEIPT OF FUNDS

RISKS

Our organization faces the risk that funds that we receive may be stolen or lost or that someone may be falsely accused of stealing funds. We also face the risk that we may fail to record a restriction that a donor has placed on our use of funds.

POLICY

All funds, whether cash or check, which the organization receives will be deposited intact into the bank account, with no monies removed to make payments or for other purposes. All cash receipts should be deposited into the bank as soon as possible. This allows for a complete accounting and independent verification of what happens to our funds. Communications from donors that establish restrictions on the use of their contributions will be saved. If we believe that a donor has restricted the use of funds in a conversation, we will follow up and get written confirmation of the donor's intent.

PROCEDURES

1. *Receipt of Checks.* #BMLC will receive mail, including checks and donations, at the rented office location. The Development Coordination and the Executive Director will open all mail addressed to the organization and write the date of receipt on each item and their initials. The Development Coordinator will also endorse all checks by an endorsement stamp that provides that the check is "For Deposit Only" and will be paid to the order of the corporate bank and lists the organization's name and account number. This lessens the risk that a check may be stolen and cashed. The Development Coordinator will enter the donation information for each check into the Little Green Light donor database.

The Executive Director will scan all checks received and provide the photocopies to the Treasurer (scans should leave off the bottom of the check that includes the routing number and account number) and deposit funds in the bank. Upon delivery, the Development Coordinator will send a message to the Treasurer and Bookkeeper with the total amount of donations. This allows the Treasurer to verify that all checks received are deposited.

2. *Receipt of Cash.* Cash is easily stolen and must be handled carefully. If cash is received, the person accepting the cash must provide a written receipt when taking the cash:

- The receipt should state the person's name, the date, the amount of the cash and the purpose of the payment.
- The donation will be registered in Little Green Light, the donor database, as soon as possible.
- Reasonable effort will be made to ensure cash is deposited to the bank account the same day it is received. Night drop is considered reasonable and appropriate, after two organization representatives have counted it. An email will be sent to the Treasurer and Bookkeeper with the deposit details, including amount of cash and date of deposit.

The Bookkeeper will compare the deposit information emailed and the bank's list of cash deposits when making the Bank Reconciliation described below.

3. *Deposits.* The Executive Director or Development Coordinator will deposit funds as follows:

- An image of the deposit slip or confirmation from the bank will be emailed to the Treasurer at treasurer@bemorelikeclaire.org and the Bookkeeper, along with images of the supporting checks.
- If cash will be included in the deposit, the Executive Director or the Development Coordinator will include in the email a list of the cash received and the Little Green Light entries .
- The Treasurer or Bookkeeper will consult the deposit packet emailed and save to the Google Drive when making the Bank Reconciliation described below.

5. *Credit Card Contributions.* All credit card contributions will run through 3rd party processors. The Treasurer or Bookkeeper will reconcile the processor's reports with the bank accounts at least monthly.

6. *Acknowledging Donations*, our policy is to provide written (electronic or hardcopy) acknowledgement for every gift we receive. The acknowledgement will include:

- If the gift was cash (which includes a check and credit card transactions), the letter will include the amount of the gift and state that the gift was cash.
- If the gift was donated property of some kind, the letter does not need to and should not value the property. If the donor did receive something of value in return, the letter must contain a description of the donation and a good faith estimate of the value of what we gave back to the donor.
- The letter should include the statement: "Thank you for your contribution of \$_____, received on _____, 20___. [PICK ONE: "No goods or services were provided in exchange for your donation" or "The tax deductible amount of your donation was \$_____."

III. DISBURSEMENT OF FUNDS/USE OF CORPORATE PROPERTY

A. PAYMENTS BY CHECK

We face the risks that our funds will be spent on unauthorized items, that someone will steal our funds by taking blank checks or by writing checks to payees who are not our vendors, that someone will use corporate property for personal purposes or that payments we make will be improperly recorded.

POLICY

All disbursements from the organization's funds will be made by debit card or check, with the exception of petty cash. This allows us to track how our funds are spent, who is spending them and who is authorizing expenditures.

PROCEDURES

1. *Opening Bank Accounts*. Bank accounts may be opened only upon authorization by the Board of Directors.

- All bank accounts must be opened with the organization's employer identification number (EIN).
- The Board shall approve the authorized signers on the organization's bank accounts.
- Because of the Treasurer's role in reconciling the bank statement, the Treasurer cannot be a check signer.

2. *Check Authorization.* All invoices will be forwarded immediately to the Treasurer for review.

- The Executive Director will receive bills and issue electronic payments and forward invoices/receipts to the Treasurer.
-
- The Treasurer or the Bookkeeper will upload all receipts and invoices to Quickbooks or Google Drive when entering transactions in the register.
- The Treasurer is responsible for timely follow-up on discrepancies and payment.

4. *Expenses Not Invoiced.* In some cases, expenses may not be invoiced, such as rent. When such expenses are due, the Executive Director may pay the expenses if they are included in the budget approved by the Board. The Executive Director will email the Treasurer with the amount and date of the payment. For recurring payments, the Executive Director sets up automatic payment through the bank and notifies the Treasurer via email.

5. *Prohibited Practices.* Each check signer will be made aware that signing blank checks exposes our organization to theft since the bank is entitled to charge our account for any check that has a valid signature. A signed blank check is an invitation to theft. In no event will:

- blank checks be signed in advance;
- checks be made out to "cash," "bearer," etc.

B. EXPENSE REIMBURSEMENT

RISK

The organization does not have the same level of control over expenses incurred on behalf of the organization by those who pay with personal funds and seek reimbursement as it does for expenses paid directly by the corporation. The corporation is not in as good a position to determine whether the goods or services purchased might have been obtained at a lower price elsewhere, whether there is a personal benefit to the person seeking reimbursement and how the expenditure fits in with the rest of the organization's budget.

POLICY

In proper circumstances, Board members, employees and volunteers are entitled to be reimbursed for expenses related to the organization that they incurred on behalf of the organization. To receive reimbursement, one must meet the following requirements:

- The expense must have been authorized in advance by the Board or later approved by the Board.
- The expense must have been incurred for goods or services purchased for the organization.
- If the expense is for travel, the travel must be for work related to the organization. We will reimburse no more than the standard mileage rate for business use of a car as established by the IRS. The organization will reimburse meal expenses incurred in direct connection with the organization's business, or at the per diem rate established by the IRS.
- Grant expenses are not approved for expense reimbursement, unless written approval is provided by the Executive Director prior to the purchase.

PROCEDURES

To be reimbursed for expenses:

1. *Documentation.* Reasonable documentation must be provided showing the date,

amount and what the expense was for. Credit card receipts and store receipts that do not describe the purchase are not reasonable documentation. Receipts must describe the purchase.

2. *Other Reimbursement.* A voucher must reflect reimbursement from sources other than ours.

3. *Timely Submission.* Documentation must be submitted with a request for payment within 60 days from the date the expense was incurred.

4. *Overpayment.* If the reimbursement payment is inadvertently too large, the reimbursee must return any excess reimbursement within a reasonable period of time.

C. PURCHASING

RISK

The corporation wants to ensure that all purchases on behalf of the corporation are authorized by the Board or by Board policies. Unauthorized purchases deplete the organization's resources and interfere with the Board's ability to govern properly.

POLICY

All purchases made on behalf of the organization must be made pursuant to the Board-approved budget or Board rules.

PROCEDURE

The Executive Director can authorize purchases which conform to the Board's budget. The Board must authorize any purchase which does not conform to the Board's budget.

IV. CREATION OF CORPORATE OBLIGATIONS

RISKS

The corporation needs to ensure that any obligation undertaken in the corporate name is authorized by the corporation and is for a corporate and not a personal purpose.

A. CREDIT AND DEBIT CARD

RISKS

Corporate credit can be misused when people charge personal expenses on them, fail to obtain documentation showing that a purchase was for the corporation or put expenses on the corporate card for purchases that are embarrassing to the corporation.

POLICY

The Board has determined that use of a debit card is appropriate for the organization. The Board will authorize specific individuals to utilize a debit card. A cardholder may use the debit card only for official purposes directly related to the needs of the organization. The cardholder may not use a corporate debit card for personal purposes, even if they plan to reimburse the organization.

The following purchases are **not** allowed on the corporate debit card:

- Personal purchases
- Cash advances or loans
- Payroll advances
- Purchased for other organizations
- Personal entertainment
- Fuel for personal vehicles
- Purchases from a business you own or operate unless pre-approved by the Board
- Any item inconsistent with the mission and values of the organization

PROCEDURES

In order to use the card, the cardholder must follow these procedures:

1. *Cardholder Agreement.* Upon issuing a corporate card to a cardholder, the cardholder must sign a statement that the cardholder has read and understands this Debit Card policy and will reimburse the corporation for any personal charges on the card. See Exhibit A.
2. *Advance Approval.* The Board or the Executive Director must give advance written approval to make a purchase whenever practical. The cardholder's purchase request will describe the purchase and cost.
3. *Original Receipts.* The cardholder must keep the original receipt that describes each purchase made on the card. The debit card receipt is not sufficient. A copy of the original receipt emailed to the Treasurer and Bookkeeper for records retention and to allow the Treasurer to review during bank reconciliations.
4. *Notification of use of the debit card:* The cardholder will email the Treasurer and Bookkeeper after each use of the corporate credit card noting the date, vendor, and amount of each charge made. This will allow the Treasurer to be aware of the cash flow and alert the Treasurer to potential unnecessary use of the debit card.
5. *Approval by the Treasurer.* The Treasurer shall review each purchase to ensure that it was reasonable, necessary and the best value for the organization. The Treasurer will reconcile the original receipts to the debit card billing statement, authorize payment and follow up on any inconsistencies.
6. *Notification of Loss/Theft.* The cardholder must notify the bank and the organization immediately in the event that the card is lost or stolen.

B. BORROWING AND LINES OF CREDIT

RISKS

The organization needs to ensure that borrowing in the corporate name is authorized.

POLICY

Given the size, operations, and function of the organization the Board has determined it is most appropriate to operate on a cash basis only and does not authorize the use of loans or credit lines.

V. BANK RECONCILIATION AND ONLINE MONITORING

RISKS

Even the most honest and attentive individual makes mistakes. Monitoring allows us to uncover errors. If our records and the bank records do not agree, it is likely that our records are wrong. Monitoring also assists us in identifying discrepancies between our accounting records and our banking records that suggest theft or fraud, checks signed by unauthorized signers, and identity theft.

POLICY

The Treasurer will monitor the corporation's accounts regularly and will prepare a written reconciliation of all bank or investment accounts which proves that the balances presented on our financial reports agree with the records of the financial institution.

PROCEDURES

1. *Records to the Treasurer.* The Executive Director shall provide the Treasurer and the Bookkeeper with a copy of all records of deposits, disbursements (checks written), and other bank transactions and of our accounting records for review, by emailing them.

2. *Bank Statement.* The corporation will give the Treasurer access to the online bank account. The Treasurer will download the bank statements and save them to Google Drive.

3. *Reconciliation.* The Bookkeeper will reconcile the bank statement monthly and the Treasurer will review and sign off on the reconciliation. The reconciliation should be done within 10 business days of receiving the statement, as follows:

- Check all checks for correct signatures and protest to the bank any incorrect signatures.
- Review the checks in the bank records to ensure that:
 - the name of the payee, the amount of the check and the date of the check agree with the corporation's accounting records
 - each check has a valid signature.
- Compare the bank deposit records with our accounting records, including Stripe and Little Green Light, to determine whether each deposit recorded in the accounting records agrees with the bank record.
- Check the cash entries emailed to the Treasurer and Bookkeeper against the bank record of deposits to ensure that all cash was deposited.
- Check whether the ending balance in the general ledger cash account agrees with the bank statement, after making the adjustments on the bank reconciliation form.
- List all outstanding checks. On all checks outstanding over 90 days, take appropriate action.
- List all deposits in accounting records not yet recorded by the bank.
- If the reconciliation is done electronically, the Treasurer must sign off on a form to be emailed to the Board that the Bookkeeper performed the review above and the Treasurer reviewed it.

4. *Online Banking.* The Executive Director, Board President and Treasurer will have online access to the corporate bank account(s). The Executive Director and President should use the online access to check the Treasurer's work. The Executive Director or President should review the account online on a weekly basis to check for identity theft

that is diverting corporate funds. The Treasurer can reconcile the bank statements and spot-check the online payments as described above.

EXHIBIT A: Cardholder Agreement

I, _____, (print name) have read and understand the Debit Card policy included in the Financial Policies. I agree to the policies and will reimburse the corporation for any personal charges on the card.

I understand and agree that:

- I bear ultimate responsibility for the card.
- I will not use the corporate debit card to withdraw cash.
- I will not use the corporate debit card for personal expenses and will use it only for official business on behalf of the company.
- If I misuse the card (i.e., use it otherwise than in accordance with the instructions given to me in this agreement or related policies) or otherwise fail to reconcile my expenditures within the prescribed procedures and timeframe, I authorize the company to recover the funds through payroll deductions for any amounts incorrectly claimed or for reconciliations that are one month in arrears of the statement date.
- If the corporate credit card is lost or stolen, I will report it immediately to the Treasurer.
- If I resign from the company, I will return the card with a final reconciliation of all expenditures prior to departure.

Signature of cardholder

Date

Signature of Treasurer

Date