

**APPENDIX J
SAMPLE ACCOUNTING AND
FINANCIAL POLICIES AND PROCEDURES MANUAL**

[AGENCY NAME]

**ACCOUNTING AND FINANCIAL
POLICIES AND PROCEDURES
MANUAL**

APPROVED BY THE BOARD OF DIRECTORS: [DATE]

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INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures for [Center Name], which shall be referred to as “[Agency name]” or “the organization” throughout this manual. The effective date of all accounting policies described in this manual is [date].

[Agency name] is incorporated in the state of [State]. [Agency name] is exempt from federal/state income taxes under IRC Section 501(c)(3) as a nonprofit corporation. [Agency name]’s mission is as follows:

[State mission here.]

This manual shall document the financial operations of [Agency name]. Its primary purpose is to formalize accounting policies and selected procedures for the accounting staff and to document internal controls.

GENERAL POLICIES

Organizational Structure

The Center Director shall be responsible for the oversight and management of [Agency name].

The Board of Directors is responsible for direction and oversight regarding the overall financial management of [Agency name].

Finance/Audit Responsibilities of the Board of Directors

- Long-term financial planning.
- Approval of financial policies and procedures.
- Review and approval of the [Agency name] annual budget (prepared by the staff).
- Approval of grant applications.
- Review of monthly financial statements and reports.
- Review of [Agency name]'s corporate credit card statements each month.
- Authorization of establishment of all bank accounts and check signers.
- Oversight of annual audit process and review of final audit financial statements (as needed).
- Investigation of suspicions of fraud.

[Agency Name] Organization Chart

[Insert Organizational Chart]

[Depending on the size of your program, you may employ an Executive Director in addition to a Center Director. If so, you may want to re-distribute responsibility for the financial tasks identified in this manual. For purpose of this guide, we will use "Center Director" as the designated Director position. Similarly, a program may employ an accountant to assist with program financial transactions. As a result, you would consider re-distribution of responsibilities for the financial tasks].

Standards for Financial Management Systems

[Agency name] maintains a financial management system that provides for the following. Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.

- Accurate, current, and complete disclosure of the financial results of each grant award.
- Records that identify adequately the source and application of funds for federal/state-sponsored activities.
- Effective control over and accountability for all funds, property, and other assets.
- Comparison of outlays with budget amounts for each award.
- Procedures to minimize the time elapsing between receipt and payment of bills.
- Reasonableness, allocability and allowability of costs.
- Accounting records supported by source documentation.

Business Conduct

Practice of Ethical Behavior

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of [Agency name] depend to a very large extent on the following considerations.

Each employee must apply her/his own sense of personal ethics, which should extend beyond compliance with applicable laws and regulations in business situations, to govern behavior where no existing regulation provides a guideline. Each employee is responsible for applying common sense in business decisions where specific rules do not provide all the answers.

In determining compliance with this standard in specific situations, employees should ask themselves the following questions:

- Is my action legal?
- Is my action ethical?
- Does my action comply with [Agency name] policy?
- Am I sure my action does not appear inappropriate?
- Am I sure that I would not be embarrassed or compromised if my action became known within [Agency name] or publicly?
- Am I sure that my action meets my personal code of ethics and behavior?
- Would I feel comfortable defending my actions?

Each employee should be able to answer "yes" to all of these questions before taking action.

The Center Director is responsible for the ethical business behavior of her/his subordinates.

Compliance with Laws, Regulations, and Organization Policies

[Agency name] does not tolerate:

- The willful violation or circumvention of any federal, state, local, or foreign law by an employee during the course of that person's employment;
- The disregard or circumvention of [Agency name] policy or engagement in unscrupulous dealings.

The performance of all levels of employees will be measured against implementation of the provisions of these standards.

Conflicts of Interest

What Is a Conflict of Interest?

In the course of business, situations may arise in which an [Agency name] employee has a conflict of interest, or in which the process of making a decision may create an appearance of a conflict of interest.

A conflict of interest arises when a director or employee involved in making a decision is in the position to benefit, directly or indirectly. Examples of conflicts of interest include situations in which a director, employee, or Board member:

- Negotiates or approves a contract on behalf of [Agency name] and has a direct or indirect interest in, or receives personal benefit from, the entity or individual providing the goods or services;
- Employs or approves the employment of, or supervises a person who is an immediate family member of the director or employee;
- Bypasses the selection process to instead enroll a relative or friend's child who is not next in line to be selected.
- Provides services in competition with [Agency name];
- Uses the [Agency name] facilities, other assets, employees, or other resources for personal gain;
- Receives a substantial gift from a vendor.

All directors and employees have an obligation to disclose real and apparent conflicts of interest to the Center Director.

Policy on Suspected Misconduct

Introduction

[Agency name] is committed to establishing and maintaining a work environment of the highest ethical standards. Achievement of this goal requires the cooperation and assistance of every employee and volunteer at all levels.

Definitions

For purposes of this policy, misconduct includes, but is not limited to:

- Actions that violate the accounting and financial policies included in this manual;
- Fraud (see below):
 - Theft, embezzlement, or other misappropriation of assets (including assets of or intended for [Agency name], as well as those of our clients, suppliers, and others with whom [Agency name] has a business relationship);
 - Intentional misstatements in [Agency name]'s records, including intentional misstatements of accounting records or financial statements;
 - Authorizing or receiving payment for goods not received or services not performed;
 - Authorizing or receiving payments for hours not worked; or
 - Forgery or alteration of documents, including but not limited to checks, timesheets, contracts, purchase orders, receiving reports.
- Forgery or alteration of checks, bank drafts, documents or other records (including electronic records);
- Obstruction or influence of an investigation, or potential investigation, carried out by a department or agency of the federal/state government or by [Agency name] in connection with this policy;
- Disclosure to any external party of proprietary information or confidential personal information obtained in connection with employment with or service to [Agency name];
- Unauthorized personal or other inappropriate (non-business) use of equipment, assets, services, personnel or other resources;
- Acts that violate federal, state, or local laws or regulations;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services (Exception: gifts less than \$25 in value);
- Impropriety of the handling or reporting of money in financial transactions; or
- Failure to report known instances of misconduct in accordance with the reporting responsibilities described herein (including tolerance by supervisory employees of misconduct of subordinates).

Reporting Responsibilities

Every employee is responsible for immediately reporting suspected misconduct to the Center Director or the President of the Board of Directors. [Agency name] will consider any reprisal against a reporting individual an act of misconduct subject to disciplinary procedures. The Center Director has the primary responsibility for investigating suspected misconduct involving [Agency name] employees. The Board of Directors has the primary responsibility for investigating suspected misconduct involving the Center Director.

Disciplinary Action

Based on the results of investigations into allegations of misconduct, disciplinary action may be taken against violators. The seriousness of misconduct will be considered in determining appropriate disciplinary action, which may include:

- A verbal warning.
- A written warning.
- A work improvement plan.
- Suspension with or without pay.

- Termination.
- Reimbursement of losses or damages.
- Referral for criminal prosecution or civil action.

Security

Accounting Department

[Agency name] accounting records will be maintained under lock and key at the [identified site if not the center] facility when not being accessed by the appropriate personnel. [Agency name] checks are stored in a locked secure cabinet when not in use.

Access to Electronically Stored Accounting Data

Staff entering accounting data will utilize passwords to restrict access to accounting software and data. All accounting data will be backed up on a weekly basis.

Storage of Sensitive Data

In addition to accounting and financial data, other sensitive data, such as payroll and staff member's personal information, is stored in locked filing cabinets and/or is accessible only with the appropriate password. [Agency name] will restrict access to sensitive data to only those with a need to know. Print jobs which contain sensitive information will be claimed immediately upon their printing.

General Office Security

During normal business hours, all visitors are required to check in at the front desk. After hours, a key is required for access to areas where confidential information is stored within the building.

General Ledger and Chart of Accounts

The general ledger is the collection of all revenue and expense accounts. It is used to accumulate all financial transactions. The general ledger is the foundation for the accumulation of data and production of reports.

Chart of Accounts Overview

The chart of accounts is the framework for the general ledger system and the basis for the accounting system. The [Agency name] Center Director will monitor and control the chart of accounts.

Fiscal Year of Organization

[Agency name] shall operate on a fiscal year that begins on [date] and ends on [date].

Accounting Estimates

[Agency name] utilizes numerous estimates in the preparation of its monthly and annual financial statements. Some of those estimates include:

- Fair market values of donated assets (if tracking in-kind contributions).
- Values of contributed services (if tracking in-kind contributions).
- Joint cost allocations (if tracking in-kind contributions).
- Allocations of time/salaries.

The Center Director will approve all estimates annually.

Journal Entries

All general journal entries shall be supported by documentation including an explanation of each entry, date and initials of the person originating the entry, along with authorization.

Budgeting

Overview

Budgeting is an integral part of managing any organization in that it is concerned with the translation of organizational goals and objectives into financial and human resource terms. It provides an opportunity to examine the composition and viability of [Agency name]'s programs and activities simultaneously in light of the available resources.

Budgets are prepared for funding sources. The Center Director must be aware of budget modification requirements as determined by the Board of Directors and/or funding sources. Awarding agencies may or may not require approval for changes in line items. [Agency name] will document and follow all such requirements.

Preparation and Adoption

The Center Director will gather proposed organization-wide budget information and prepare the first draft of the budget. The draft is then reviewed with the Board of Director Treasurer and revised as necessary. The revised draft is then submitted to the [Agency name] Board of Directors for approval.

It is the policy of [Agency name] to adopt a final budget at least 30 days before the beginning of [Agency name]'s fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the Center Director to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

Budgets for programs that are not on the [Agency name]'s fiscal year will be prepared in accordance with awarding agency requirements.

Monitoring Performance

[Agency name] monitors its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

Budget Modifications

After a budget has been approved by the Board of Directors, reclassifications of budgeted expenses less than 10 percent of the total grant may be made by the Center Director. Reclassifications of budgeted expenses that are more than 10 percent of the total grant must be approved by the Board of Directors.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

Revenues

Revenue Recognition Policies

[Agency name] receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements in the following manner:

- Grant Income: Funding received from grants.
- In-Kind Contributions: Goods and services that create or enhance a non-financial asset. These contributions should be measured at fair market value.
- Program Income: Includes billings for child care and Child and Adult Care Food Program, parent fees, refunds and other applicable credits, and are recognized when earned.
- Nongovernmental Cash Contributions: Cash donations.

Administration of Federal/State Awards

Preparation and Review of Proposals

The Center Director is responsible for preparing proposals for projects that the department intends to pursue. Proposals for funds of \$5,000 or more shall also be reviewed and approved by the Board of Directors.

Post-Award Procedures

After an award has been made, the following steps shall be taken:

- Verify the specifications of the grant or contract. The Center Director shall review the terms, time periods, award amounts, and expected expenditures associated with the award.
- New general ledger accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget, as needed.

A file is established for each grant or contract. The file contains the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funding sources.

Compliance with Laws, Regulations, and Provisions of Awards

[Agency name] recognizes that as a recipient of federal and state funds, the program is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. The Center Director will identify all applicable laws, regulations, and provisions of each grant and contract and communicate grant requirements to those who will be responsible for carrying them out or impacted by them.

Cost Sharing and Matching (In-Kind)

Overview

[Agency name] values contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution.

[Agency name] shall claim contributions as meeting a cost sharing or matching requirement of a federal/state award only if all the following criteria are met:

- They are verifiable from [Agency name] records.
- They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- They are provided for in the approved budget when required by the federal/state awarding agency.
- They conform to all provisions of the Uniform Guidance.

Final questions to be considered in determining fair market rates include:

- Would [Agency name] pay the same amount being claimed as the in-kind value; and
- Would [Agency name] want to defend paying federal/state money for the contributed item?

Valuation and Accounting Treatment

In-kind typically falls into one of the following categories:

- Cash.
- Space, buildings, land, and equipment.
- Space and utilities.
- Volunteer time and services.
- Supplies.

The following sections discuss the valuation and accounting treatment for each category.

- Cash:
 - [Agency name] shall recognize cash contributions as in-kind income in the period in which they are spent on allowable program costs.
 - Any discounts received on goods or services are recognized as in-kind only if such discounts are not available to the general public.
- Space, Buildings, Land and Equipment: Equipment, buildings or land are valued at their fair market value as determined by an independent appraiser. Information on the date of donation and records from the appraisal will be maintained in a property file.
- Space and Utilities: Will be valued at the fair market rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in a similar locality.
- Volunteer Time and Services:
 - Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor will be included in in-kind if the services are an integral and necessary part of the program.
 - Volunteer services will be valued at rates consistent with those paid for similar work at [Agency name]. For skills not found at [Agency name], rates will be consistent with those paid for similar work in the labor market. Rates should include gross hourly wages plus fringe benefits (fringe benefits to be calculated at the rate received by employees in similar positions, or on agency average).
 - Volunteers must possess qualifications and perform work requiring those skills in order to be valued at greater than an unskilled labor rate.
 - [Agency name] requires volunteers to document and account for their contributed time in a manner similar to the timekeeping system followed by employees. [Agency name] will provide the volunteers a sign-in sheet which collects the following information:
 - Date service was performed.
 - Volunteer name and address.
 - Hours donated.

- Service provided.
 - Signature of volunteer.
- Monthly, a designated staff person will tally, value and record volunteers' hours in the accounting software.
- Supplies: Donated supplies must be used in the program and shall be valued at fair market value at the time of donation. Supplies can be counted as match only if the [Agency name] program would have purchased such items itself.

Contributions Received

Overview

[Agency name] shall accept charitable contributions that support [Agency name] current mission statement and tax-exempt purpose.

[Agency name] will comply with all requirements of the Internal Revenue Code. A receipt will be provided for cash and/or goods received. All receipts shall include the amount of cash received and/or a description (but not an assessment of the value) of any noncash property received.

Billing/Invoicing Policies

Overview

[Agency name]'s primary sources of revenue are:

- Grants: Billed weekly, or as funders require, based on allowed, incurred expenses.
- Fee-for-Service Income: Billed according to contract requirements based on number of units of services provided.

Responsibilities for Billing and Collection

The Center Director is responsible for the invoicing the following:

- Grant funding sources.
- The state agency responsible for the child care subsidy program.
- The state agency responsible for CACFP.
- Parents paying private fees.

Billing and Financial Reporting

The Center Director will provide the Board of Directors with timely and accurate financial reports. These reports will include monthly and cumulative expenditures, project budgets, and balances remaining.

The Center Director will prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. The reports will be reviewed by the Treasurer of the Board of Directors.

The following policies shall apply to the preparation and submission of billings to federal/state agencies under awards made to [Agency name]:

- The Center Director will request reimbursement for expenditures that have been incurred within that month.
- Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.
- All financial reports required by each federal/state award will be prepared and filed on a timely basis.

Classification of Income and Net Assets

All income received by [Agency name] is classified as "unrestricted," with the exception of grants and other awards received from government agencies or other grantors, which are classified as temporarily restricted.

Cash Receipts

Overview

Cash (including checks payable to [Agency name]) is the most liquid asset an organization has. Therefore, it is the objective of [Agency name] to establish and follow the strongest possible internal controls in this area.

Processing of Checks and Cash Received in the Mail

Checks and cash are received either in person or in the mail.

- The Center Director and or program staff will prepare a receipt for the payee at the time of payment.
- The receptionist records the cash, check, or electronic payment amount in the data management system against the appropriate customer's account.
- All checks are endorsed with a stamp at the time of receiving each check.
- All checks and cash shall be placed in an envelope and kept in a secured file cabinet.
- Once a week, a deposit report is printed from the accounting software and with the cash and checks, a deposit is prepared. The Center Director will reconcile the deposit report with the cash and checks received.

Timeliness of Bank Deposits

The Center Director will make a deposit on a daily/weekly basis as needed.

Accounts Receivable Management

Monitoring and Reconciliations

[Agency name] parent fee accounts receivable is reviewed monthly and follow up contact is made to collect past due amounts.

Credits and Other Adjustments to Accounts Receivable

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include returned products and adjustments for billing errors.

Accounts Receivable Write-Off Authorization Procedures

- An aging report will be printed from the accounting system.
- A personal contact will be made to accounts with invoices over [dollar amount or number of days old] by speaking with the person responsible for the account.
- Each item not paid by the fiscal year end will be identified and it will be determined by the Center Director if those items are collectible or should be written off to the bad debt account.

The [Agency name] Center Director will prepare a journal entry to write off the bad debt.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

Purchasing Policies and Procedures

Overview

[Agency name] requires the practice of ethical, responsible, and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment.

The goal of these procurement policies is to ensure that materials and services are obtained in an effective manner and in compliance with the provisions of applicable federal/state statutes.

[Agency name] will assure that all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. [Agency name] will have some form of cost or price analysis and document them in the procurement files in connection with procurement actions.

Code of Conduct in Purchasing

Ethical conduct in managing [Agency name]'s purchasing activities is absolutely essential. Staff must always be mindful that they represent the Board of Directors and share a professional trust with other staff and the general membership.

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.
- No board member or employee shall participate in the selection of a vendor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, board member, employee, or any member of his/her immediate family, his/her spouse/partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor selected.

Non-Discrimination Policy

All vendors/contractors who are the recipients of [Agency name] funds, or who propose to perform any work or furnish any goods under agreements with [Agency name], shall agree that they will not discriminate against any employee or applicant for employment because of race, religion, color, sexual orientation, or national origin, except where religion, sex, or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the vendors/contractors.

Procurement Procedures

The following are [Agency name]'s procurement procedures:

- [Agency name] shall avoid purchasing items that are not necessary for the performance of the activities required by a federal/state award.
- Determine allowability, allocability, and reasonableness of the cost of the purchase.
 - Allowability: The Center Director will be familiar with the grant's allowable and non-allowable items.
 - Allocability: The Center Director will allocate costs to each grant.
 - Reasonableness: Each person purchasing will exercise care, diligence, and skill that a prudent person would exercise in making purchases for an early childhood learning center.
- A reasonable and efficient form of cost or price analysis shall be conducted annually for a select number of frequently-purchased items. Based on this analysis, a vendor will be selected for classroom toys, classroom furniture, equipment, food, custodial supplies, office supplies, day-to-day materials, and classroom consumables. Alternative vendors can be selected but such selection must be justified (i.e., quality, availability, etc.).

- Documentation of the cost and price analysis associated with each procurement decision shall be retained in a procurement file.
- For all procurements in excess of \$25,000, procurement records and files shall be maintained that include all of the following:
 - The basis for contractor selection.
 - Justification for lack of competition when competitive bids or offers are not obtained.
 - The basis for award cost or price.
- [Agency name] shall make all procurement files available for inspection upon request by a federal/state awarding agency.

Requisition Request System

Materials can only be purchase if approved by the Center Director based on an approved requisition request form. The requisition form needs to include:

- Name of vendor.
- Necessary catalog information (Item number).
- Description of material to be purchased.
- Indicate if the vendor to be used is a chosen vendor.
- If not, provide justification why you are requesting this vendor (i.e., lower price, better quality).
- The Center Director will determine the funding source and approve all requests up to \$1,000.
- For items costing more than \$1,000, bids will need to be documented prior to the Center Director’s approval.
- For purchases over \$10,000, additional approvals are required. (See chart below.)

Items will be ordered by the Center Director or designated staff.

Authorizations and Purchasing Limits

The following table displays required approvals and solicitations:

Amount of Item	Required Approvals	Required Solicitation
< \$1,000	Center Director	Approved Vendor, Price/Quality Comparison or Other Justification Note on Requisition Form
\$1,000 – \$10,000	Center Director	Two Bids (Oral or Written)
\$10,000 – \$25,000	Center Director and Board of Directors’ Treasurer	A Minimum of Two Written Bids
\$25,000 – \$100,000	Center Director, Board of Directors, and Legal Counsel	A Minimum of Two Written Bids

The Center Director is authorized to enter into contracts on behalf of [Agency name]. Contracts of \$25,000 or more must be reviewed by outside legal counsel prior to being approved by the required individuals. These policies shall also apply to renewals of existing contracts.

Required Solicitation of Quotations from Vendors for Purchases Over \$10,000

Solicitations for goods and services (requests for proposals or RFPs) should provide for all of the following:

- A clear and accurate description of the technical requirements for the material, product, or service to be procured.
- Requirements which the bidder must fulfill and all other factors to be used in evaluating bids or proposals.

- Technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
- The specific features of "brand name or equal" descriptions that bidders are required to meet when appropriate.
- A description of the format, if any, in which proposals must be submitted, including the name of the person to whom proposals should be sent.
- The date by which proposals are due.
- Required delivery or performance dates/schedules.
- Clear indications of the quantity requested and unit(s) of measure.

Evaluation of Alternative Vendors

Vendors submitting bids shall be evaluated on a weighted scale that considers the following criteria:

- Adequacy of the proposed methodology.
- Skill and experience of key personnel.
- Demonstrated experience.
- Other technical specifications designated in the RFP.
- Vendor's financial stability.
- Vendor's demonstrated commitment to the nonprofit sector.
- Results of communications with references supplied by vendor.
- Ability/commitment to meeting time deadlines.
- Cost.

Not all of the preceding criteria may apply in each purchasing scenario. However, the Center Director shall establish the relative importance of the appropriate criteria prior to requesting proposals and shall evaluate each proposal on the basis of the criteria and weighting that have been determined.

After a vendor has been selected and approved by the Center Director, the final selection shall be approved by those individuals indicated in the previous table prior to entering into a contract.

Availability of Procurement Records

[Agency name] shall, on request, make available for the federal/state awarding agency, pre-award review, and procurement documents.

Provisions Included in All Contracts

[Agency name] includes all of the following provisions, as applicable, in all contracts charged to federal/state awards (including small purchases) with vendors:

- Equal Employment Opportunity: All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR Part 60, "Office of Federal/State Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
- Copeland "Anti-Kickback" Act (18 U.S.C. 874 and 40 U.S.C. 276c): All contracts in excess of \$2,000 for construction or repair awarded by [Agency name] shall contain a provision for compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations 29 CFR Part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States." This Act provides that each contractor shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. [Agency name] will report all suspected or reported violations to the federal/state awarding agency.
- Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7): If included in the federal/state agency's grant program legislation, all construction contracts of more than \$2,000 awarded by [Agency name] shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as

supplemented by Department of Labor regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federal/Stately Financed and Assisted Construction"). Under this Act, contractors are required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. [Agency name] will place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. [Agency name] shall also obtain reports from contractors on a weekly basis in order to monitor compliance with the Davis-Bacon Act. [Agency name] shall report all suspected or reported violations to the federal/state awarding agency.

- Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333): All contracts awarded by [Agency name] in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Works Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR Part 5). Under Section 102 of the Act, each contractor is required to compute wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in the work week. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.
- Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal/State Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended: Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal/State Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the federal/state awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
- Byrd Anti-Lobbying Amendment (31 U.S.C. 1352): For all contracts or subgrants of \$100,000 or more, [Agency name] shall obtain from the contractor or subgrantee a certification that it will not and has not used federal/state appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any federal/state contract, grant or any other award covered by 31 U.S.C. 1352. Likewise, since each tier provides such certifications to the tier above it, [Agency name] shall provide such certifications in all situations in which it acts as a subrecipient of a subgrant of \$100,000 or more.
- Debarment and Suspension (E.O.s 12549 and 12689): For all contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11), [Agency name] shall obtain from the contractor a certification that neither the contractor nor any of its principal employees are listed on the General Services Administration's *List of Parties Excluded from Federal/State Procurement or Nonprocurement Programs*.
- Remedies: All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (\$100,000 in 2005) shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms.
- Termination: All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (\$100,000 in 2005) shall contain suitable provisions for termination by [Agency name], including the manner by which termination shall be effected, and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated due to circumstances beyond the control of the contractor.

Special Purchasing Conditions

Emergencies:

Where equipment, materials, parts, and/or services are needed, quotes will not be necessary if the health, welfare, safety, etc., of staff and protection of [Agency name] property is involved.

Single Distributor/Source:

Sole source purchases will be made only when solicitation of multiple vendors is not feasible and one of the following conditions apply:

- The item or service is only available from one source,
- The situation is a public emergency,
- The awarding agency approves the purchase, or
- Competition is deemed inadequate (insufficient bidders).

Vendor Files and Required Documentation

On behalf of [Agency name], the Center Director shall mail a blank Form W-9 to new vendors and request that the vendor complete and sign the W-9 (or provide equivalent, substitute information) and return it to [Agency name]. Completed, signed Forms W-9 or substitute documentation shall be filed in each vendor's folder. [Agency name] will issue a Form 1099 when required by the IRS at the end of the calendar year.

Receipt and Acceptance of Goods

The front desk staff shall inspect all goods received. This inspection must be performed in a timely manner to facilitate prompt return of goods and/or communication with vendors. Upon receipt of any item from a vendor, the following actions shall be taken:

- Verify the items listed on the packing slip.
- Check off only those items that are in the shipment.
- Sign the packing slip.
- Invoices can be paid on partial shipments.

Political Intervention

Prohibited Expenditures

Consistent with its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, [Agency name] shall not incur any expenditure for political intervention. For purposes of this policy, political intervention shall be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the federal, state, or local level. Examples of prohibited political expenditures include, but are not limited to, the following:

- Contributions to political action committees.
- Contributions to the campaigns of individual candidates for public office.
- Contributions to political parties.
- Expenditures to produce printed materials (including materials in periodicals) that support or oppose candidates for public office.
- Expenditures for the placement of political advertisements in periodicals.

Endorsements of Candidates

[Agency name] will not endorse any candidates for public office in any manner, either verbally or in writing. This policy extends to the actions of management and other representatives of [Agency name], when these individuals are acting on behalf of, or are otherwise representing [Agency name].

Prohibited Use of Organization Assets and Resources

No assets or human resources of [Agency name] shall be utilized for political activities, as defined above. This prohibition extends to the use of [Agency name] assets or human resources in support of political activities that are engaged in personally by board members, members of management, employees, or any other representatives of [Agency name]. While there is no prohibition against these individuals engaging in political activities personally (on their own time and without representing [Agency name]), these individuals must be aware that [Agency name] resources cannot at any time be utilized in support of political activities.

Lobbying

Introduction

Unlike political intervention, described in the preceding section, expenditures by a Section 501(c)(3) public charity for lobbying activities are allowable under the Internal Revenue Code. However, **no** lobbying expenditures may be charged directly or indirectly to any federal/state award.

Definition of Lobbying Activities

Lobbying activities conducted by [Agency name] may be either direct or indirect. Direct lobbying activities consist of attempts to influence legislation through communication with any member or employee of a legislative body (federal, state, or local levels) or, if the principal purpose of the communication is lobbying, with any government official or employee who may participate in the formulation of the legislation. Lobbying is distinguishable from advocacy activities, which involve efforts to advocate certain positions which may have legislative implications, as long as a nonpartisan analysis of the relevant facts is performed.

Lobbying occurs only when there is a specific piece of legislation or legislative proposal pending that [Agency name] is attempting to influence. Therefore, lobbying is considered to have taken place only if both of the following elements are present:

- The communication refers to specific legislation (legislation that has been introduced or a specific legislative proposal that [Agency name] supports or opposes), and
- The communication reflects a view on the legislation (supporting or opposing it).

Indirect lobbying involves communications with the general public (rather than directly with legislators, etc.) where the communication includes the same two preceding characteristics, plus it encourages the recipient of the communication to take action with respect to the specific legislation (by contacting legislators, etc.).

Segregation of Lobbying Expenditures

Lobbying expenditures are allowable for charities under the Internal Revenue Code. However, lobbying may not represent a substantial portion of [Agency name]'s overall activities.

Charging of Costs to Federal/State Awards

Overview

[Agency name] charges direct costs that are reasonable, allowable, and allocable to the appropriate federal/state awards.

[Agency name] will not use any funds from one grant to cover the costs of other programs. [Agency name]'s accounting system allows the Center Director to use a different "fund" number for each of its funding streams.

Segregating Unallowable from Allowable Costs

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each federal/state award:

- The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
- Accounting personnel shall be familiar with the costs that are and are not allowable.
- No costs shall be charged directly to any federal/state award until the cost has been determined to be allowable under the terms of the award.
- For each federal/state award, an appropriate set of general ledger accounts shall be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.

Criteria for Allowability

All costs must meet the following criteria:

- The cost must be “reasonable” for the performance of the grant award, considering the following factors:
 - Whether the cost is considered as being necessary for the operation of [Agency name] or the performance of the award;
 - Whether the cost is generally accepted as sound business practices;
 - Whether the individuals concerned acted with prudence in the circumstances; and
 - Whether the cost is consistent with established policies and procedures of [Agency name].
- The cost must be “allocable” to an award by meeting one of the following criteria:
 - The cost is incurred specifically for a federal/state award; and
 - The cost benefits both the federal/state award and other work and can be distributed in reasonable proportion to the benefits received.
- Costs must be consistently treated over time.
- The cost must be adequately documented.

Direct Costs

Direct costs include those costs that are incurred specifically for one grant award. [Agency name] identifies and charges these costs exclusively to each award or program.

Each invoice shall be coded with the appropriate account numbers reflecting which program received direct benefit from the expenditure. Invoices are approved by the Center Director.

Timesheets or personnel activity reports are also submitted on a regular basis, reflecting employees' work and which programs directly benefited from their effort. Personnel activity reports shall serve as the basis for charging salaries directly to federal/state awards and non-federal/state functions.

The Center Director is responsible for sending a blank activity sheet at the beginning of each month to each employee who works for more than one grant. The employees will fill out the activity report designating the amount of time they work in each program and sign and return the form to the Center Director for review. The Center Director is responsible for retaining these reports and for assuring that they are current.

Equipment purchased for exclusive use on a federal/state award shall be accounted for as a direct cost of that award.

Cost Pools

Direct and joint costs are allocated to the benefiting programs using cost pools under the following methodology:

- As much as possible, costs will be charged directly to benefiting programs.
- All remaining shared costs will be allocated on the most meaningful measures. The following basis will be used:
 - Facilities and related costs will be allocated based on square footage occupied.
 - Fringe benefits will be allocated based on salaries to grants spreadsheet each month.
- Program-related joint costs will be allocated based on relevant activity measures.

Accounting for Specific Elements of Costs

[Agency name] shall utilize the following methods of charging specific elements of cost to federal/state awards as direct costs:

- Salaries and Wages: To the extent the work of the employees of [Agency name] is specifically identifiable to specific grants or other (non-federal/state) programs, salaries and wages will be charged directly to the specific grants based on the functions performed by each employee, as documented on each employee's timesheet (and, as necessary, documented by their personnel activity sheet).
- Administrative Costs: Directly related to the administrative staff – Center Director and receptionists.
- Employee Benefits: The cost of employee benefits will be allocated in the same manner as salaries.
- Occupancy Expenses: Monthly rent expense and related pass-through expenses shall be allocated to the federal/state grant based on approximate square footage of space utilized for each grant.
- Utilities: Utilities costs include electricity and water and are allocated to the federal/state grant based on approximate square footage of space utilized for each grant.
- Supplies and Materials: To the maximum extent possible, office supplies and materials are charged directly to the grant or program/function that uses the supplies or materials.
- Postage: Unless specifically attributable to a grant, postage and shipping costs shall be charged directly to the general fund.
- Photocopying and Printing: Photocopying costs include all paper and copy supplies, copier maintenance charges, and depreciation expense of the copier. Unless specifically attributable to a grant, photocopying and printing costs shall be charged directly to the general fund.
- Communications: Communications costs include the costs of local telephone service and long-distance telephone charges, including charges associated with telephone calls and Internet connections. Unless specifically attributable to a grant, photocopying and printing costs shall be charged directly to the general fund.
- Contractual Services: Costs associated with contractual services shall be charged directly to the program that benefits from the services.
- Insurance: To the extent that insurance premiums are associated with insurance coverage for specific individuals or programs, those premium costs shall be charged directly.
- Credits: The applicable portion of any credits resulting from cash discounts, volume discounts, refunds, write-off of stale outstanding checks, trade-ins, scrap sales or similar credits shall be directly credited in the same manner as the purchase that resulted in the credit.

Accounts Payable Management

Overview

[Agency name] strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation. The following are general policies for accounts payable:

- The amounts recorded are based on the vendor invoice for the related goods or services.
- The vendor invoice should be supported by an approved purchase request form where necessary and should be reviewed and approved by the Center Director.

The primary objective for accounts payable and cash disbursements is to ensure that:

- Disbursements are properly authorized.
- Invoices are processed in a timely manner.

Recording of Accounts Payable

Accounts payable are processed on a weekly basis. Information is entered into the system from approved invoices with appropriate documentation attached.

Accounts Payable Cut-Off

For purposes of the preparation of [Agency name]'s monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation by the last day of the month shall be recorded as accounts payable as of the end of that month if the invoice pertains to goods or services delivered by month-end.

Processing of Accounts Payable

The Center Director establishes control of invoices as soon as they are received. Vendors will be instructed to mail all invoices directly to the Center Director.

Prior to any accounts payable being submitted for payment, the Center Director will review the following:

- Vendor invoice.
- Packing slip (where appropriate).
- Receiving report (or other indication of receipt of merchandise and authorization of acceptance).
- Purchase request as required by procurement policies.
- Any other supporting documentation deemed appropriate.

The following procedures shall be applied to process each account payable:

- Check the mathematical accuracy of the vendor invoice.
- Compare the nature, quantity, and prices of all items ordered per the vendor invoice to the purchase request, packing slip, and receiving report.
- Document the general ledger distribution, using [Agency name]'s current chart of accounts.
- Obtain the review and approval of the Board of Director's Treasurer associated with the goods or services purchased as deemed necessary.

Approval by the Center Director indicates acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with general ledger account coding, and agreement to pay vendor in full. Approvals shall be documented with the signature of the Center Director.

Payment Discounts

To the extent practical, [Agency name] takes advantage of all prompt payment discounts offered by vendors. When such discounts are available, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

Employee Expense Reports

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form (see further policies under "Travel and Business Entertainment"). All required receipts must be attached, and a brief description of the business purpose of trip or meeting must be noted on the form.

Reconciliation of A/P Subsidiary Ledger to General Ledger

At the end of each monthly accounting period, the total amount due to vendors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general ledger account (control account). All differences are investigated, and adjustments are made as necessary.

Also, on a monthly basis, the [Agency name] Center Director shall check all statements received for unprocessed invoices and shall check for orders more than 60 days old and follow up.

Travel and Business Entertainment

Travel Advances for Employees

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance form. Travel advances are generally limited to a maximum of \$200 for expenses unless there is an extraordinary need for additional funds. Travel advances are to be used only for the purpose intended. Travel expenses are to be made in accordance with [Agency name]'s travel policies as explained.

Employees receiving travel advances are required to sign for the advance signifying their acknowledgement of, and agreement to, these policies. Employees receiving travel advances must submit an expense report within 14 days of returning from travel. Any outstanding advances more than 14 days old will be deducted from an employee's next paycheck.

- Employees may request an advance for travel expenses in the following situations:
 - If they are traveling alone and do not have access to an [Agency name] corporate credit card.
 - If they are traveling with other employees that do not have access to [Agency name] credit cards.
- The travel advance must be submitted and approved a minimum of two weeks (14 days) prior to departing date of travel.
- [Agency name] will pay for any room charges separately.
- No personal expenses are to be charged directly to the room (i.e., alcohol, movies, phone calls, spa/health clubs, etc.)
- Travel arrangements will be made by the employee with the approval of the Center Director.
- An expense report with all receipts attached must be submitted to the Center Director within 14 days of returning from travel.

Employee Business Travel

At the conclusion of an [Agency name] business trip, an employee that has incurred business-related expenses should complete an expense report in accordance with the following policies:

- Identify each separately incurred business expense (i.e., do not group all expenses associated with one trip together but separate by category – hotel, meals, cab fares, etc.).
- With the exception of tips, tolls, and reimbursed mileage, all business expenses must be supported with invoices/receipts.
- Vendor receipts/invoices must be submitted for all lodging and meal expenses.
- All arrangements for airfare will be made by the Center Director using the most reasonable airfares available. The email confirmation with the prices of the trip will be used as the receipt for airfare.
- Mileage may be reimbursed at the standard federal/state rates currently in effect, as published each year by the IRS.
- The business purpose of each trip must be adequately explained on each report.
- General ledger account coding must be identified for all expenditures.
- For all meals and other business expenditures, the following must be clearly identified:
 - Names, titles, organizations, and business relationships of all persons entertained.
 - The business purpose of the meal or other business event (topics discussed, etc.).
- All expense reports must be signed and dated by the employee.
- All expense reports must be approved by the Center Director prior to a check being issued.
- Only one expense report form should be prepared for each trip.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the expense report results in a balance due to [Agency name] (as a result of receiving a travel advance greater than actual business expenditures), the employee must return cash, attach a check, or sign a statement indicating authorization to settle the balance due through a payroll deduction.

Reasonableness of Travel Costs

[Agency name] shall reimburse travelers only for those business-related costs that are reasonably incurred. Accordingly, the following guidelines shall apply:

- Suites and other upgraded rooms at hotels shall not be allowed. Travelers should stay in standard rooms.
- When utilizing rental cars, travelers should rent midsize or smaller vehicles.

Special Rules Pertaining to Air Travel

The following additional rules apply to air travel:

- Air travel should be at coach class or the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
 - Require circuitous routing.
 - Require travel during unreasonable hours.
 - Excessively prolong travel.
 - Offer accommodations not reasonably adequate for the traveler's medical needs.
- Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e., [Agency name] will not reimburse for the personal legs of a trip).

Spouse/Partner Travel

[Agency name] does not reimburse any employee or board member for separate travel costs (air fare, etc.) associated with his/her spouse or partner. The cost of a shared hotel room need not be allocated between employee/director and spouse/partner for purposes of this policy.

Cash Disbursement (Check-Writing) Policies

Check Preparation

Vendor checks and expense reimbursement checks will be prepared on a weekly basis. The Center Director receives all invoices, expense reimbursements, and purchase orders. A check request is prepared for each invoice and expense reimbursement authorized by the Center Director, coded, and reviewed by the Board of Director's Treasurer. The check is then signed by the Center Director and/or Board officer. The Center Director enters all check requests into the accounting system. The voucher coding and check register are reviewed monthly by the Center Director. Checks are prepared once a week; and then mailed out by the front desk.

Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "VOID." All voided checks shall be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. In order for a lost or missing check to be duplicated, request for lost check form will be filled out and signed. This form will be turned in to the Center Director. The Center Director will be responsible for stopping payments on checks at [name of bank you are using].

Recordkeeping Associated with Independent Contractors

[Agency name] shall obtain a completed Form W-9 or equivalent substitute documentation from all vendors to whom payments are made. A record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year end.

Credit Cards

Issuance of Corporate Credit Cards

Employees who travel frequently on [Agency name] business or who are required to frequently make purchases at local retail and/or grocery stores may be issued a corporate credit card. All credit card requests will be processed through the same company and amounts over \$100 must be approved by the Center Director. Upon approval from the credit card company, a card will be issued bearing the names of both the individual and [Agency name]. Upon the discretion of the Center Director, credit cards may be locked up and employees will be required to check them out as needed.

Cardholder Responsibilities

Every month, each cardholder will provide the Center Director with the receipts and a completed purchase requisition form for each of his/her purchases using the credit card which has previously been approved by the Center Director. The Center Director will reconcile all charges with the credit card bill and allocate individual charges to the appropriate grant accounts.

Personal use of corporate credit cards is strictly prohibited. Any personal use will subject the employee to disciplinary actions discussed earlier in this manual and in the Employee Handbook. Inadvertent personal charges must be paid back to [Agency name] within five working days or the credit card must be surrendered.

Cardholders shall report the loss or theft of a corporate credit card immediately by notifying the credit card company as well as the Center Director.

Failure to comply with any of these policies associated with the use of [Agency name]'s corporate credit cards shall be subject to possible revocation of credit card privileges.

A copy of the credit card statement will be reviewed by the Board of Director's Treasurer monthly.

Employee Credit Cards

It is anticipated that on occasion employees and Board of Director's officers may incur legitimate business expenses on their personal credit cards. [Agency name] shall reimburse employees and officers for properly supported and documented business expenditures charged to personal credit cards upon proper completion of an expense report. (See the earlier policy on Travel and Business Entertainment for expense report preparation procedures.) Travel advances may be requested in special circumstances (e.g., situations in which legitimate business expenses are expected to exceed an employee's credit card limit or other special cases).

Payroll and Related Policies

Classification of Workers as Independent Contractors or Employees

[Agency name] considers the relationship between [Agency name] and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship. Facts that provide evidence of the degree of control and independence fall into three categories:

- Behavioral Control: Instructions given by [Agency name] to the worker that indicate control over the worker (suggesting an employee relationship).
- Financial Control: How [Agency name] pays the worker (i.e., guaranteed regular wage for employees versus flat fee paid to contractors).
- The Type of Relationship of the Parties: The permanency of the relationship.

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is \$600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from "compensation" are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

If an individual qualifies as an employee, a personnel file will be created for that individual and all documentation required by the [Agency name] employee handbook shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

Payroll Administration

[Agency name] operates on a [insert schedule for payroll] payroll. A personnel file is established and maintained for all employees with the following current documentation:

- [Agency name] employment application (and resume, if applicable).
- Applicant references.
- Interview questions and notes.
- Form W-4 Employee Federal/State Withholding Certificate.
- Copy of driver's license.
- Copy of Social Security card issued by the Social Security Administration.
- Child abuse registry check.
- Local law enforcement felony check.
- Starting date.
- Job title and starting salary.
- Exempt or non-exempt status as identified in the Fair Labor Standards Act.
- Authorization for direct deposit of paycheck, along with a voided check or deposit slip.

- Health physical.
- Acknowledgement of confidentiality requirements.
- Acknowledgement of employee handbook receipt.
- Form I-9 Employment Eligibility Verification.

For employees without a current, valid driver's license an acceptable alternative document may be an identification card issued by a federal/state, state or local government, provided it contains a photo.

The following changes in payroll data are to be authorized in writing by the Center Director:

- New hires.
- Terminations.
- Changes in salaries and pay rates.

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee.

Documentation of all changes in payroll data shall be maintained in each employee's payroll file by the Center Director.

Payroll Taxes

[Company performing payroll function], on behalf of [Agency name], is responsible for ensuring all required payroll tax returns and forms are properly completed and submitted, and that all required taxes are withheld and paid. All employees will fill out a W-4 form upon their employment. Employees may change their withholding by filling out a new form with the Center Director.

Preparation of Timesheets

Each [Agency name] employee must submit a signed timesheet to the Center Director prepared in accordance with the following guidelines:

- Each timesheet shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties);
- Timesheets shall be prepared in ink (or electronically);
- Errors shall be corrected by crossing through the incorrect entry and filling in the correct entry. Employees shall not use "white out" or correction tape;
- Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such;
- Leave slips for all absences should be attached to the back of the timesheets;
- Timesheets and leave slips shall be signed by the employee prior to submission;
- Leave slips shall be approved and signed by the Center Director prior to submission.

After preparation, the Center Director will review and approve timesheets by placing his/her initials on the individual timesheet, prior to entering them in the payroll system. When errors are noted, the timesheet must be corrected and then approved and entered into the payroll system.

An employee who is on leave, traveling, or is ill on the day that timesheets are due may submit their timesheet ahead of time or have the Center Director submit their timesheet on their behalf. The employee must sign a timesheet submitted in this manner immediately upon his/her return to the office.

Tampering with, altering, or falsifying time records, recording time on another employee's time record or willfully violating any other timesheet policy or procedure may result in disciplinary action, up to and including, termination.

Review of Payroll

Upon production of the payroll report the Board of Director's Treasurer will review the payroll, if at all possible, prior to its being submitted and sign off on the payroll journal. If due to time constraints, the payroll journal must be submitted prior to review, it will be reviewed within 48 hours of submission.

Distribution of Payroll

Payroll checks (or check stubs for electronic deposits) shall be distributed by the Center Director or front desk personnel.

POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS

Cash and Cash Management

Cash Accounts

General Checking Account: [Name of bank].

The primary operating account provides for check disbursements, including payroll. All cash and deposits are made to this account. Cash transfers to the [name of bank] account are arranged by the [Agency name] Center Director for CACFP and child care reimbursements.

Authorized Signers

The following [Agency name] personnel are authorized to sign checks drawn on the general operating and payroll account:

- [Name], Board President.
- [Name], Center Director.

Bank Reconciliations

The Center Director will reconcile the bank balance and general ledger balance within two weeks of receipt of each bank statement. Bank reconciliations are reviewed each month by the [Agency name] Board of Director's Treasurer.

Cash Flow Management

The [Agency name] Center Director monitors cash flow needs on a weekly basis to ensure that payment obligations can be met.

Stale Checks

The Center Director will review all checks that are more than six months old and have not cleared [Agency name]'s bank. For the uncashed checks that are more than six months old, contact will be made with the payee to attempt to resolve the issue. All stale checks that are written off within the same fiscal year as they were written shall be credited to the same expense or asset account that was debited when the check was written, or the expenditure incurred.

Petty Cash

[Agency name] does not maintain a petty cash fund.

Property and Equipment

Description of Inventory

[Agency name] maintains an inventory of fixed assets valued at \$5,000 or more. [Agency name] accounts for purchased inventory items at cost. A physical count of inventory will be performed on an annual basis. Items will be identified with the following information:

- Date of acquisition.
- Cost.
- Description (including color, model, and serial number, or other identification number).

- Source of the equipment, including the federal/state award number, if applicable.
- Location of asset.

An annual classroom inventory of general furniture and equipment over [amount determined] will be conducted each year prior to the beginning of each fall term.

Depreciation and Useful Lives

All capitalized assets are maintained in the special property and equipment account group and are not included as an operating expense. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month. [Example: An asset purchased on the 15th day of the fifth month shall have eight full months of depreciation (eight-twelfths of one year) recorded for that year.]

Estimated useful lives of capitalized assets are as follows:

- Furniture and Fixtures: Up to 10 years.
- General Office Equipment: Five years.
- Computer Hardware and Peripherals: Three to five years.
- Computer Software: Two to three years.

For accounting and monthly financial reporting purposes, depreciation expenses will be recorded on an annual basis.

Write-Offs of Fixed Assets

The Center Director approves the disposal of all capitalized fixed assets that may be worn-out or obsolete. The property will be written off the books with the proper notation specifying the reason.

POLICIES PERTAINING TO SPECIFIC LIABILITY AND NET ASSET ACCOUNTS

Accrued Liabilities

Identification of Liabilities

The Center Director shall establish a list of commonly incurred expenses that may have to be accrued at the fiscal year-end. Some of the expenses that shall be accrued by [Agency name] at the end of a fiscal year-end are:

- Salaries and wages.
- Payroll taxes.
- Accrued leave.

Notes Payable

General Policy

[Agency name] requires that all notes payable be approved by the Board of Directors.

Recordkeeping

[Agency name] maintains a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. [Agency name] shall keep a copy of the original loan documents on file.

Accounting and Classification

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position.

Unpaid interest expense shall be accrued as a liability at the end of each accounting period.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

Financial Statements

Standard Financial Statements of the Organization

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to [Agency name]. Financial statements may reflect year-to-year historical comparisons and/or current year budget to actual comparisons.

The basic financial statements that are maintained on an organization-wide basis shall include:

- Statement of Fund Net Assets: Reflects assets, liabilities, and net assets of [Agency name].
- Statement of Revenues, Expenditures, and Changes in Fund Balances: Presents revenues, expenses, and other changes in net assets of [Agency name].
- Budget Variance Reports: Presents the actual expenditures by grant with year-to-date budgeted amounts.
- Fiscal Monitoring Report: Summarizes the revenues and expenditures for the month as well as the approximate encumbrance and year-to-date variance amount per grant.
- Revenue Report: Summarizes all revenue received during the month.

Frequency of Preparation

Financial statements will be prepared in accordance with generally accepted accounting principles and distributed in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

- A standard set of financial statements described in the preceding section shall be produced monthly, by the [date] of each month.
- The monthly set of financial statements shall be prepared on the accrual method of accounting, including all receivables and accounts payable received by the end of the previous month.

Review and Distribution

All financial statements and supporting schedules shall be prepared by the Center Director and reviewed and approved by the Board of Director's Treasurer prior to being distributed to the Board of Directors and/or granting agencies.

Budget Variance Analysis and Projections

Monthly, the Center Director will conduct a variance analysis and projection. In addition to explaining the reasons for such variances, the Center Director shall also provide a projection of the annual variance from budget or the steps that will be taken to avoid budget variances by year-end.

Government Returns

Overview

To legitimately conduct business, [Agency name] must be aware of its tax and information return filing obligations and comply with all such requirements of federal, state and local jurisdictions. Filing requirements of [Agency name] include, but are not limited to, filing annual information returns with IRS.

Filing of Returns

The Center Director along with [Agency name]'s Board of Director's Treasurer shall be responsible for identifying all filing requirements and assuring that [Agency name] is in compliance with all such requirements. [Agency name] will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

Possible filings to be made by [Agency name] include, but are not limited to, the following returns:

- Form 990: Annual information return of tax-exempt organizations, filed with IRS.
- Form 5500: Annual return for [Agency name]'s employee benefits plans.
- W-2's and 1099's: Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to federal/state government by February 28. The Center Director is responsible for filing [Agency name]'s 1099's and the payroll company is responsible for preparing the W-2's on behalf of [Agency name].
- Form 940: Annual federal/state unemployment tax return filed with IRS, for all employers due January 31.
- Form 941: Quarterly payroll tax return filed with IRS to report wages paid to employees and federal/state payroll taxes. Form 941 is typically filed by the payroll company.

Public Access to Information Returns

Under regulations that became effective in 1999, [Agency name] is subject to federal/state requirements to make the following forms "widely available" to all members of the general public:

- The three most recent annual information returns (Form 990), including the accompanying Schedule A, and
- [Agency name]'s original application for recognition of its tax-exempt status (Form 1023 or Form 1024), filed with IRS, and all accompanying schedules and attachments.

FINANCIAL MANAGEMENT POLICIES

Annual Audit

Role of the Independent Auditor

[Agency name] is required to conduct an annual audit of their financial statements if they have revenues from federal sources (grants, subsidy, CACFP and/or other federal grants) in excess of \$750,000. The audit needs to be conducted by an independent accounting firm selected by the Board of Directors.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors after the financial statements have been reviewed by the Center Director and Board Treasurer.

Selecting an Auditor

The following factors shall be considered by [Agency name] in selecting an accounting firm:

- The firm's reputation in the nonprofit community.
- The depth of the firm's understanding of and experience with not-for-profit organizations and federal/state reporting requirements under the Uniform Guidance.
- The firm's demonstrated ability to provide the services requested in a timely manner.
- The ability of firm personnel to communicate with [Agency name] in a professional manner.

Preparation for the Annual Audit

The Center Director will assist the independent accounting firm by gathering and providing materials in a timely fashion based on the list of requested schedules and information provided by the independent accounting firm.

Concluding the Audit

Upon receipt of a draft of the audited financial statements of [Agency name] from its independent auditor, [Agency name]'s Center Director, Accountant, and Board of Director's Treasurer shall perform a detailed review of the draft for accuracy and errors.

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of [Agency name].

It shall also be the responsibility of the Center Director, accountant and/or Board Treasurer to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor.

Insurance

Overview

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of [Agency name].

[Agency name] maintains adequate insurance against general liability, as well as coverage for buildings, contents, computers, fine arts, equipment, machinery, and other items of value.

Insurance will be purchased to provide the following coverage [indicate those applicable]:

- Workers compensation.
- Property.

- General liability.
- Crime.
- Professional liability.
- Sexual/physical abuse.
- Accident insurance (death, dismemberment, medical).
- Short-term disability.
- Long-term disability.
- Director's and officer's liability.
- Group life insurance.
- Health insurance.
- Dental insurance.

Record Retention

Policy

[Agency name] retains records as required by law and destroys them when appropriate. Records will be kept in locked file cabinets at the [Agency name] site or in a secured rental storage area. The destruction of records must be approved by the Center Director and logged into the destroyed records log. The formal records retention policy of [Agency name] is as follows:

	<u>Years</u>
Accident Reports/Claims	7
Accounts Payable Records	7
Accounts Receivable Records	7
Audit Reports.....	Permanently
Bank Statements.....	3
Chart of Accounts.....	Permanently
Check Registers and Schedules	7
Child Files.....	3
Expired Contracts, Mortgages, Notes, and Leases	7
Correspondence:	
General/Routine with Customers and/or Vendors	2
Legal and Important Matters Only.....	Permanently
Deeds, Mortgages and Bills of Sales	Permanently
Duplicate Deposit Slips	3
Employment Applications.....	3
Expense Analyses/Expense Distribution Schedule	7
Financial Statements.....	7
General Ledgers	Permanently
Insurance Policies (Expired)	3
Insurance Records (Policies, Claims, etc.)	Permanently
Internal Audit Reports	3+
Internal Reports.....	3
Inventories of Products, Materials and Supplies.....	7
Invoices (To Customers, From Vendors).....	7
Journals.....	Permanently
Minute Books of Directors, Bylaws, and Charters.....	Permanently
Notes Receivable Ledgers and Schedules	7
Payroll Records and Summaries.....	7
Personnel Records (Terminated).....	7
Physical Inventory Tags	3
Property Records	Permanently
Receiving Sheets	1
Retirement and Pension Records	Permanently
Requisitions.....	1
Revenue Records	7

	<u>Years</u>
Tax Returns and Worksheets, Examination Reports, and Other Documents Relating to Determination of Income Tax Liability	Permanently
Timesheets/Cards	7
Withholding Tax Statements	7