# Financial Management Manual

*A Resource for Sexual Assault Service Programs*

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## *Direct Service Sexual Assault Funds*

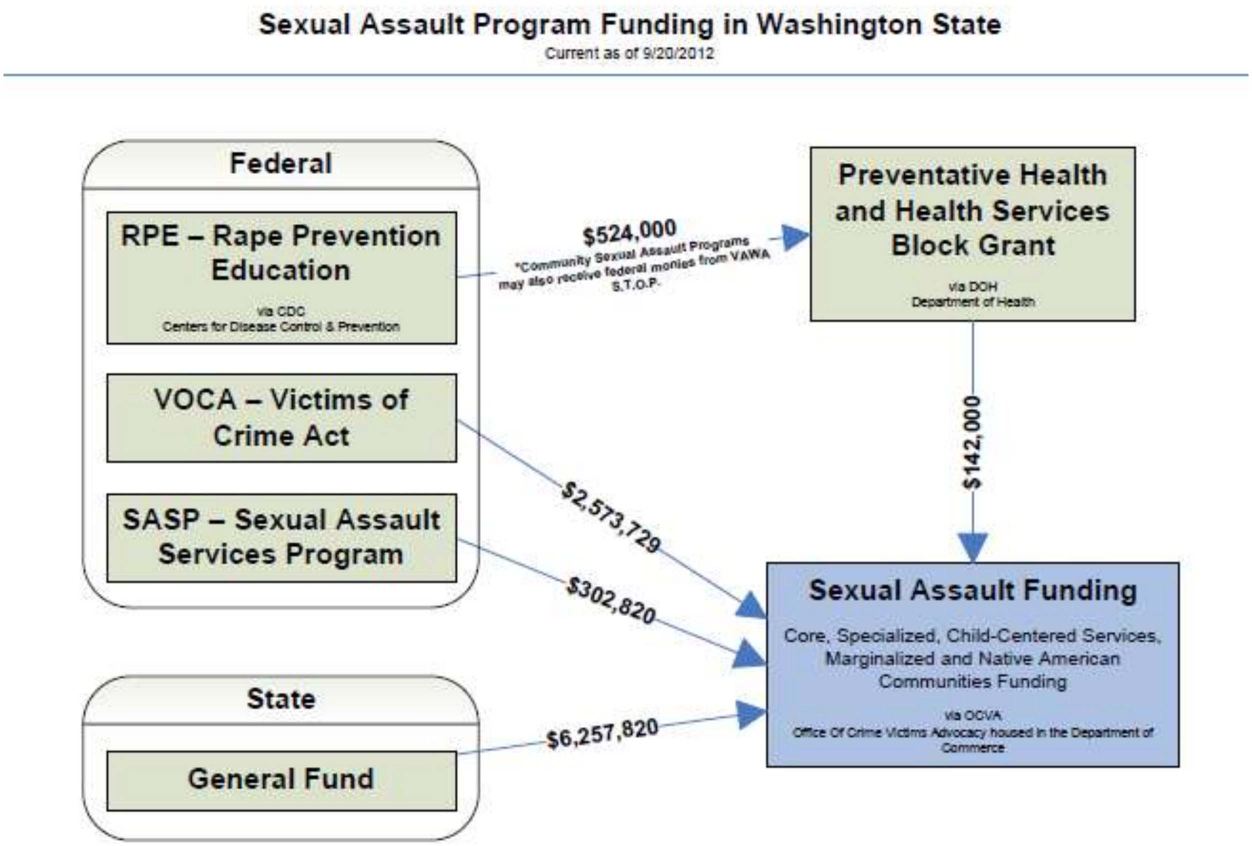
In 2011, the Resource Sharing Project surveyed state and territorial coalitions about the funding available in their state/territory for direct sexual assault services. The National Funding Survey provides us with the following percentage of states that have direct service sexual assault funds available from each of the sources listed.

### *Table 1 - Source of Direct Service Sexual Assault Funds*

| | **Number of Coalitions Reporting Funding in 2011 Survey** *(34 respondents)* |
|---|---|
| VAWA (Violence Against Women Act) | 100 percent (34) |
| VOCA (Victims of Crime Act) | 97.1 percent (33) |
| SASP (Sexual Assault Services Program) | 97.1 percent (33) |
| State line item (dedicated sexual assault funds) | 38.2 percent (13) |
| Fines/Fees | 41.4 percent (14) |
| Other | 38.2 percent (13) |

Other sources of funds included the Public Health and Human Services Block Grant (5), Centers for Disease Control Rape Prevention & Education (RPE) (5), Title XX Social Services Block Grant (1), other state funding (3), county (1), and a state tax check-off (1).

Washington State Funding Chart:




## Roles within Sexual Assault Programs

Fiscal responsibilities within programs fall under the direction of the Executive Director, Board of Directors and certain staff members. The Executive Director, in collaboration with the Board of Directors, manages finances, stewardship and oversight. The Board of Directors is a critical component to agency health and success. The Board of Directors should include diversity in both culture and skills.

Section I: Financial Reference discusses three levels of fiscal duties: transactional, operational, and strategic (see Roles in Financial Management). Section II: Policies and Procedures offers policy and procedure templates that also addresses these three levels of fiscal duties. Templates for procedures include position names that can be customized. The templates highlight position names in a different color for a “Fiscal Manager”, “Bookkeeper” and “Executive Director” so that they can be easily changed when duties are performed by other positions or external resources. In a small organization, a CPA may perform some duties of a fiscal manager, and the Board Treasurer may perform some duties typically done by the Executive Director. Many different arrangements work for different organizations, but the important issue is maintaining separation of duties for internal controls. Separation of duties is a sign of a healthy organization, because it demonstrates the ability to ensure prudent usage of funds and guards against misconduct such as embezzlement or fraud.

# Introduction & Purpose

This Manual is intended to serve as a guide in establishing effective and efficient accounting procedures and policies to ensure a high level of integrity in the accounting process. *Section I: Financial Reference* will provide the context for establishing financial management procedures. It also includes a series of templates (*Section II: Policies and Procedures*) that can be customized. These templates include internal control assessments, policies, procedures, and other documents.

## What has Changed in Financial Management?

We can credit current trends for transparency and accountability to the economic downturn and government and private funding cuts. “Transparency” and “accountability” became buzzwords in early 2000 in the wake of Enron and various other scandals within government agencies and nonprofits. Even though most of the provisions of the Sarbanes-Oxley Act of 2002 apply only to business, the overall trend in accountability likewise affects governance in nonprofits. The Federal Funding Accountability and Transparency Act (FFATA) was signed into law in September 2006 and requires that information on federal contracts and grants be made public via a searchable website. At the same time, economic conditions in 2007 threatened funding. Reduced funding hit hard in 2008 and hurt 2009 balance sheets at a time when reserves and assets were simultaneously reduced. Staff and equipment that provided organizational infrastructure often had to be cut, so maintaining capacity with effective management became increasingly difficult. The American Recovery and Reinvestment Act (ARRA) of 2009 responded to the weak economic conditions with an economic stimulus package and also jumped ahead of FFATA with a new level of grant reporting and transparency. The FFATA legislation also mandated the creation of a new federal grants website, to be completed by 2011. In this current atmosphere of funding reduction, transparency and accountability standards are more stringent.

The mandates for whistle-blower protection and records retention are the two Sarbanes-Oxley Act provisions that apply to nonprofit organizations. Another recommended provision of this Act is the appointment of an independent audit committee on the Board of Directors that only includes directors who are not employees of the organization. An important responsibility for this committee is the oversight of appropriate review of an organization’s finances and internal controls. Some rape crisis centers will hire an independent auditor to conduct a full audit annually (see *Section I: Financial Reference* for more information about audits). In this case, the audit committee is responsible for appointing the auditor and supervising the audit. For smaller organizations, a review by an auditor or board member may be initiated by the audit committee to carry out their duty to the organization.

Organizations must be able to carry out their missions in a financially viable manner that integrates financial information into sustainable planning strategies. With the uncertainty of current funding streams, increasing revenue diversification is a strategy to consider. As rape crisis centers turn to new revenue streams, they will need to understand their cost of delivering services in greater detail. An efficient and effective accounting system can assist in understanding costs and revenue. Even before a funding request is made, budgets need to include direct programmatic costs as well as administrative expenses. Once a grant is received, an obligation occurs to make sure that it is recorded and used consistent with the donor’s wishes. The discussion of restricted and unrestricted revenue in *Section I: Financial Reference* can provide some clarity about this stewardship obligation.

# Section I:  Financial Reference

## Purpose of Financial Management

Nonprofits commonly institute financial systems when the organization receives its first grant from a donor.  In the hectic daily routine of management, it is often easy to forget the primary reason for a reliable, complete, and thoughtful accounting system.  The purpose of your accounting system and fiscal department can be broken down into three levels:

- The **primary purpose** of having an accounting system complete with policies and procedures is to provide accurate and timely financial data from which the senior leadership and the Board of Directors can strategically manage the organization. A strong, financially viable structure is critical to an organization's success in implementing their mission. The accounting system's role is to help management understand the costs associated with delivering on the mission and be able to use that data to attract funding and manage the organization as a whole.

- The **secondary purpose** is to provide accurate financial reporting to funders. As both public and private funders receive more requests for their resources, they want to ensure that their funds are used appropriately. This is especially true of government funding, which requires additional transparency and accountability to ensure that taxpayer money is spent appropriately.

- The **third purpose** is to maintain transparency and accountability. Nonprofit organizations receive a tax-exempt status, because they are providing a vital service to communities. They also rely on the public's support to be able to carry out our missions. In exchange, they must provide transparency and accountability to the general public. This is done by making financial statement audits and tax filings (IRS Form 990) available to the public. At a time when public trust of nonprofits has decreased and scrutiny has increased, this transparency is exceedingly important.

### Authoritative Guidelines

The authors relied on several authoritative guidelines to write this manual. These include:

- **Generally Accepted Accounting Policies (GAAP):**  These policies are distributed by the Financial Accounting Standards Board (FASB) and guide financial statement preparation. Audited financial statements conform to these guidelines.
- **A-122 Cost Principles of Nonprofits**:  Published by the federal government's Office of Management and Budget (OMB), A-122 outlines the cost requirements for federal grants. The policies and procedures in this manual conform to those principles. In recent years the "OMB Circulars" (as they are commonly referred to) have been incorporated into the Code of Federal Regulations (CFR). While these two are referred to interchangeably, most of the elements of A-122 appear in CFR 230.
- **A-110 Uniform Administrative Requirements for Grants and Agreements:**  This circular is also published by the OMB. It has also been incorporated into 2 CFR, part 215. Procedures in this manual conform to the requirements specified in these publications.

# Roles in Financial Management

Everyone within a nonprofit has a role to play in financial management - whether they create and monitor policy, utilize financial management in making decisions, or follow internal controls that are in place. This section outlines the different roles of the Board of Directors and staff.

## Leadership in Financial Management

As a nonprofit organization, the organization is responsible to the general public and the Internal Revenue Service to utilize funds in a manner consistent with fulfilling their mission. The Executive Director and the Board of Directors are primarily responsible for the organization's financial management. Accountability and integration of financial information into organizational strategies make up the role of financial leadership. Just as it is not appropriate to delegate the leadership role of carrying out the mission, it is similarly inappropriate to delegate the financial leadership role.

This manual details the roles and responsibilities of each position to ensure management success. In addition, the manual provides an overview of financial accounting in accordance with Generally Accepted Accounting Principles (GAAP) to help clarify finances, policies, and procedures that assist in meeting the goals of accountability and transparency.

## The Role of the Board of Directors

The Board of Directors is the ultimate steward of financial resources or assets within an organization; therefore, it is charged with setting policies and monitoring organizational assets (including cash, property, etc.). This is sometimes referred to as a "fiduciary responsibility", or the responsibility to protect the public's interest.

The board carries out its fiscal fiduciary responsibility through a variety of processes, including:

- **Approval of strategic plan:** The Board of Directors adopts the strategic plan of the organization that articulates the mission, vision, desired impact, and strategies of the organization. It is the board's duty to make sure that this plan is in line with the organization's mission. Included in the strategic plan should be some financial benchmarks, including items such as the amount the organization wants to have in reserve and the revenue streams that it will use to fund its operations.

  **Approval of budget:** The strategic plan is operationalized every year through the approval of the organization's budget. The Board of Directors must review and approve the budget of the organization prior to the start of the organization's fiscal year. This budget should reflect the organization's strategies and goals and help build the organization's fiscal strength.

**Approval of internal controls:** Internal controls are designed to safeguard the assets and improve efficiency of an organization. While the controls may be developed by staff, it is the responsibility of the Board of Directors to review and approve the controls. Initial controls should be approved by the entire board, and the finance committee should conduct an annual review.

- **Review of interim financial statements:** The Board of Directors should review the financial statements of the organization throughout the year to monitor progress toward budget and suggest any adjustments that may be necessary. This may take place monthly or quarterly depending on the size of the organization. A summary of financial information may be used with the full board, but the finance committee should always receive a complete financial package including the Balance Sheet (Statement of Financial Position) and Income Statement (Statement of Activities). When reviewing the financial statements, some of the key questions and ratios that boards should consider are:

    - **Do we have enough money to pay our bills?** This can be easily calculated by looking at the Balance Sheet and using the Quick Ratio:

      $$\frac{\text{Cash + Accounts Receivable}}{\text{Accounts Payable}}$$

      The board would want this ratio to be *greater than one* recognizing that it may fluctuate over time depending on the revenue strategy of the organization.

    - **What is the health of the reserve?** The reserve functions as a savings account and measures long-term financial health. The formula for the liquid reserve is:

      $$\frac{\text{Unrestricted Net Assets – Fixed Assets}}{\text{Typical Months Expenses}}$$

      Reserves are important, because they provide flexibility when funding sources suddenly change. A comfortable reserve is typically one that covers three months of expenses, but it may take years to build up to that amount via non-governmental funds. In the meantime, the board should strategically hold discussions about how large of a reserve they want and how they will reach that goal.

    - **How are we performing on budget?** Boards tend to be more familiar with this question. Board members monitor the budget-vs.-actual report to find the answer. When assessing this report, double check that revenue is allocated appropriately and monitor it as it flows into the organization throughout the course of the year. Also, if comparing to the prior year, make sure that your operating plan for the current year is similar to that of the past year.

- **Set up a finance committee and/or audit committee:** Boards of Directors should establish a finance committee charged with thoroughly understanding the financial structure and health of the organization. It is often a misperception that everyone on the finance committee be a financial expert. While some expertise is desired, finance committees often benefit from having people who do not bring financial expertise and are learning the process. In addition to the finance committee, some Boards of Directors establish audit committees to select, oversee, and review the auditor engaged to review the organization's finances. The finance committee may also play this role, but in some states, such as California, it is required to have an audit committee.

- **Hiring an Auditor and Reviewing the Audit:** Auditors provide an independent opinion as to the accuracy of the financial statements of an organization. Unlike IRS audits, financial statement audits are hired and paid for by the organization. They typically will work on site and review a sample of transactions that occurred throughout the year to test for accuracy. They will also ask questions and document your internal controls. In addition to the opinion on your financial statements, auditors will also issue a "management letter" to identify shortcomings in internal controls and recommend areas for improvement. Rape crisis centers that receive over $500,000 in federal funding are also required to have an audit that tests in greater detail the internal controls of the organization. This type of audit is called an A-133 audit, named after the Office of Management and Budget Circular that describes the procedure. In many organizations, the finance committee or audit committee is tasked with identifying and hiring an auditor. After the audit, the auditor will typically meet with the entire Board of Directors to walk them through the financial statements and inform the board of any irregularities or concerns.

- **Review of Form 990:** Form 990 is the Internal Revenue Service filing required of exempt organizations. The Form 990 was recently revised to now include more questions about the organization's governance. One such question asks whether the board has reviewed the Form 990 prior to it being submitted. Board members should receive a copy of the Form 990, and it should be discussed at a meeting prior to the submission.

## The Role of Staff

Just like the Board of Directors, staff members (sometimes with an external service provider) have their own responsibilities for the fiscal management of an organization. These responsibilities include:

- **Producing accurate and timely financial information:** This represents the primary goal of staff. Financial information that is neither accurate nor timely cannot be used to make strategic decisions. To carry out this responsibility, the Executive Director needs to make sure there is adequate financial staffing (either in-house or contracted), that internal controls are in place and followed, and that timely reports are produced. Each of these is discussed in more detail throughout the manual.

- **Recommending and enacting internal controls to safeguard assets:** Just as it is the Board's role to approve the internal controls, the Executive Director is accountable for the design of the controls. This is often done by a middle manager responsible for fiscal management, possibly in conjunction with board members and outside accountants. Furthermore, good policies only remain effective if they are enacted. It is the job of the Executive Director as the financial leader in the organization to oversee the implementation of internal controls and to establish a culture in which shortcuts are not allowed. Other staff will have some responsibility for following policies and procedures that maintain internal control, such as requesting vacation time or travel reimbursement.

- **Maintaining and reviewing financial reports:** Staff is responsible for producing financial reports for use by the Board of Directors and reviewing and analyzing the financial statements for the board.

- **Using finances in strategic decision making:** Every decision that an Executive Director makes has a financial component. Staff, like board, should read and understand the financial statements. The Executive Director together with senior management should also use the financial statements and budgets to understand the financial implications of decisions.

To fulfill these responsibilities, organizations should staff their accounting functions for three levels. The levels vary in responsibilities, and skills needed.

### *Table 2 - Levels of Accounting*

| Area | Description | Skills Needed |
|---|---|---|
| **Transactional** | Day-to-day operation of the accounting department including inputting data into the accounting system such as invoices or receipts and keeping organized files of documents. | Attention to detail and accuracy. |
| **Operational** | Accumulation of the data and reporting out of financial information in a timely manner that makes sense and is consistent with accounting standards. | An understanding of Generally Accepted Accounting Principles (GAAP). |
| **Strategic** | Analysis of the financial health of the organization and budget preparation. | The ability to understand the big picture and communicate that in a clear manner. |

While all three levels must be covered within an organization, the staffing for these functions will change depending on the size of the organization. For example, in a smaller rape crisis center the administrative assistant or even the Executive Director may fulfill the transactional responsibilities with an outside CPA firm fulfilling the operational role and a volunteer board member serving as the strategic partner. Most organizations use some combination of paid staff, contract accountants, and volunteer board leadership to satisfy all three levels.

# Accounting System Set-up

The overall architecture of the accounting system is similar among nonprofit organizations. Outlined below are some of the principles of the accounting system.

## Cash vs. Accrual Accounting

Financial statements are presented using accrual accounting. Cash basis and accrual basis are two different ways of doing accounting. They differ in when to recognize and record financial transactions.

### 1. Cash Basis Accounting

When using cash basis accounting, transactions are recorded when the cash actually exchanges hands. For income, this means that we would record the transaction when an organization actually receives a check or cash. For expenses, it would record the expense when it actually pays a bill.

Many of people are familiar with the cash basis, because this is how most people manage their personal finances. For example, a person adds a deposit to her/his checkbook when he/she actually has the check and put it in the bank. Likewise, she/he deducts an expense as a check is written.

### 2. Accrual Basis Accounting

In accrual basis accounting, income transactions are recorded when they are earned or pledged, regardless of whether cash has exchanged hands. In the accrual method, expenses are handled in a similar manner, when incurred, not when the bill is paid.

For example, if an organization has a reimbursable government contract, the usual process looks something like this:

- Work performed: July
- Bill sent to government: August
- Check received from government: October.

Under the two accounting methods, this transaction would be recorded as:

### *Table 3 - Cash Basis vs. Accrual Basis Recording*

| Activity | Cash Basis Month Recorded | Accrual Basis Month Recorded |
|---|---|---|
| **Work Performed (Payroll)** | July Expense | July Expense |
| **Invoice Sent / Revenue** | - | August Revenue<br>(in Accounts Receivable) |
| **Check Received / Revenue** | October Revenue | No Revenue<br>Asset moves from Accounts Receivable to Cash |

Because of the discrepancies in these two methods, it is very important for organizations using the accrual basis to monitor their cash flow. While the income statement may look as if the organization is on target, it may be experiencing a cash flow challenge. This would appear on the Balance Sheet by looking at the Cash, Accounts Receivable (money owed to the organization) and the Accounts Payable (money the organization owes). The example above illustrates a situation where an organization may have a cash flow shortage in August and September when the income from the government grant has not been received. The income statement would report the revenue in August, which would increase Accounts Receivable, but if the Cash balance were not large enough for payroll and other expenses payable in August there would be a cash flow shortage.

## *Modified Cash Basis Accounting*

Because of the complexities of accrual accounting, it is the standard practice of many programs to keep their books on a cash basis throughout the year and then record additional transactions to bring their books into an accrual basis for the year-end financial statements.

***Table 4 - Comparison of Cash, Accrual and Modified Basis of Accounting***

| | ADVANTAGES | DISADVANTAGES |
|---|---|---|
| Cash | • Easy to Understand<br>• Fewer number of transactions to process<br>• May work well for small organizations | • Not compliant with GAAP (Generally Accepted Accounting Principles)<br>• Gives an incomplete picture of the organization's financial position and activities<br>• Usually does not work well for mid-sized and large organizations |
| Accrual | • Compliant with GAAP (Generally Accepted Accounting Principles)<br>• More meaningful record of transactions and more accurate view of organization's financial status<br>• Works better for mid-sized and large organizations<br>• Easier for budgeting and monitoring actual expenses vs. budget | • Harder for non-accountants to understand<br>• May require more transactions to be entered (for example, an expense would be recorded once when a bill is received and again when the check is written to pay the bill)<br>• May be harder for small organizations to implement |
| Modified | • Allows organizations to use the easier cash basis for interim financial reporting | • The audit may look very different from the interim statements, so the organization may be surprised by the financial statements<br>• This approach also tends to de-value the audit, because the Executive Director and Board will be used to seeing statements presented on a cash basis |

## Cost Centers

A financial reporting fundamental is *how* the information is reported. There are two common methods for structuring cost centers in your accounting system:  by funding source and by activity.

Because of the importance of foundation grants and government contracts and the rigorous reporting requirements that typically come with these funding sources, nonprofits tend to report their financial activities by sources of funding rather than by programmatic activity. Most rape crisis centers are funded by more than one source; structuring accounting cost centers by activity or program may work better for them. Some advantages and disadvantages of a source-based structure are listed in the table that follows:

### *Table 5 - Source Based Accounting Structure*

| Advantages | Challenges |
|---|---|
| • Easy for board to understand funding sources<br>• Can easily track progress on each grant<br>• Employees can more easily allocate time<br>• More efficient in reporting to funders | • Organization will not know the true cost of its programs and which ones are financially viable<br>• Chart of Accounts could become unwieldy if you are adding new funders<br>• Have to back into data for audited financial statements and Form 990 since these are based on programmatic and supporting activities and not funding sources.<br>• Consumers of financial data may have a difficult time understanding reports with use of acronyms |

An activity-based system will record income and expenses by both program and supporting activities as an expense functions rather than who is funding it. Established correctly, accounting systems can still track financial data for funders, typically set up as a “customer” in for profit accounting software such as QuickBooks.

If you utilize the activity-based system, you will need to keep a separate spreadsheet that tracks who is paying for each activity. However, by determining the true cost, it may be easier to conduct additional fundraising for your mission objectives.

## Chart of Accounts

The standard chart of accounts lists that types of assets, liabilities, income and expenses an organization has along with its net assets. Chart of accounts can be automatically set up in most accounting systems, or you can utilize a Unified Chart of Accounts online at www.nccs.urban.org/projects/ucoa.cfm. Charts of accounts should have numbers for every account and provide the information needed to better understand your finances at a later time.

## Accounting for Income

Nonprofit organizations have two types of income: earned revenue and contributed support.

### 1. Earned Revenue

Earned revenue represents income that the organization receives through exchange transactions. This means that the organization provides a service or product “in exchange for” cash. Earned revenue is similar to revenue earned in the for profit sector. Examples of earned revenue include conference or training fees, fees for services, product sales, and government contracts.

In accrual accounting, earned revenue is recorded when the transaction takes place or the income is earned, regardless of whether cash exchange hands.

Many government grants or contracts that organizations have represent earned revenue because the government is essentially buying a service of the program.

### 2. Contributed Support

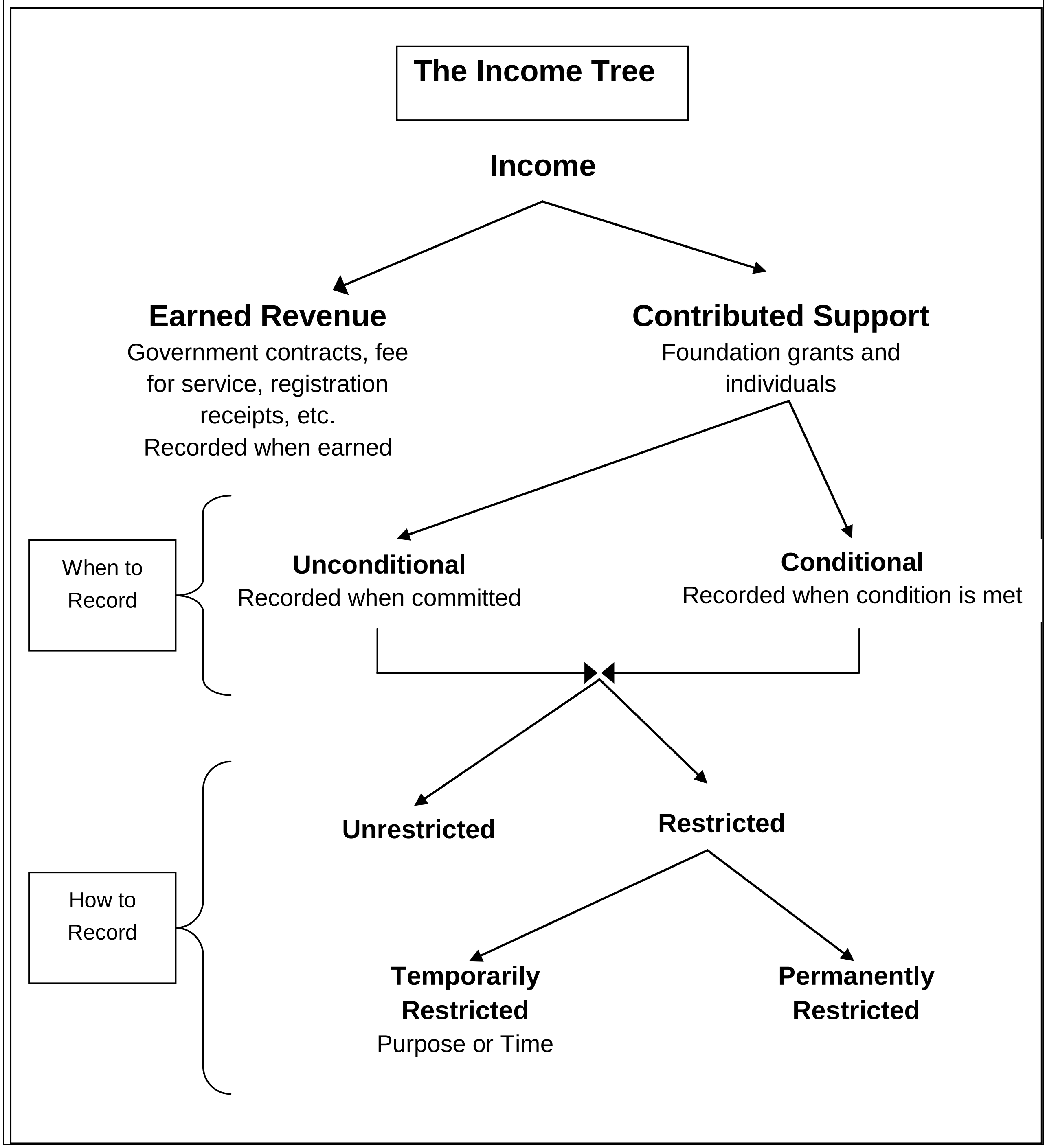
Contributed support is typically made up of support from foundations and individuals that support the organization, in part, because of its philanthropic purpose.

When and how contributed support is recorded in the accounting system depends on two factors determined by how the donor gives the money:

- Conditionality: What conditions must be in place for the organization to receive the gift.
- Restriction: When or how the organization can use the money.

### *Table 6 - The Income Tree*

The following chart illustrates the decision tree for when and how to record income assets on an accrual basis for nonprofit organizations:



## *Conditional vs. Unconditional: When to Record Support*

Conditionality affects when an organization records income. There are two different types of support: unconditional and conditional.

### Unconditional Support

Most donations are unconditional. This means that when the donor makes a contribution to the organization, they intend to pay it without any reference to a qualifying event. Nothing “needs to happen” in order for the organization to receive the money.

According to Generally Accepted Accounting Principles (GAAP), unconditional grants and contributions are recorded at the time the donor makes the commitment to give the money. This means, that even if a donor makes a commitment or pledge to give the organization money over a period of time, it would all be recorded when the pledge is made.

### Conditional Support

Conditional support means that the support is contingent on another event or activity happening. Conditional support most often appears when a foundation provides a “matching gift.” For example, a foundation may award an organization a $20,000 grant on the condition that it raises or matches it with an additional $20,000. This is called a conditional gift.

Because meeting the condition is uncertain, conditional gifts are not recorded when they are made. Rather, they are recorded when the uncertainty around the condition has been lifted. Returning to our example, the $20,000 grant from the foundation would be recorded as soon as it raised the $20,000 match. Until then, the grant is uncertain and not recorded.

## Restrictions:  How to Record Support

Restrictions are much more common on foundation contributions. Remember that while government contracts are restricted in how you spend the money, they are treated as earned income and therefore not subject to the same accounting restrictions as contributed support, such as foundation income. How income is recorded is dependent on the level of restriction that is put on it by the donor. There are three levels of restrictions:

### 1. Unrestricted Supported

Unrestricted contributions and grants are given to the organization without any reference as to how the money must be spent or when it must be spent. These decisions are left to the sole discretion of the board and staff of the organization.

This form of support requires the least amount of record keeping, in part because the donor does not expect a detailed report beyond the organization's financial statements as to how the money is spent. They should be recorded as unrestricted contributed support.

Board designations are not treated as restrictions because only donors can restrict contributions. Board designated funds would be indicated as a sub-category under unrestricted net assets on the Statement of Financial Position.

### 2. Temporarily Restricted Support

Temporarily restricted grants and contributions are those gifts that the donor requires be used for a specific purpose or during a restricted period of time. Once the purpose is met and/or the time restriction has passed, the restriction is "released" and no further record keeping is required. The most common form of temporarily restricted net assets comes from foundation grants for specific programs or projects.

Temporarily restricted grants and contributions should be recorded as such on the Statement of Activities and listed under Temporarily Restricted Net Assets on the Statement of Financial Position. As the restrictions are released they will be shown as "Net Assets Released from Restriction" on the Statement of Activities with the corresponding increase in Unrestricted Net Assets and decrease in Temporarily Restricted Net Assets on the Statement of Financial Position.

Temporarily restricted net assets are different from conditional grants, because you have more control over the event necessary to receive the money. However, if the organization does not perform the necessary action for lifting a purpose restriction, the money would revert back to the donor. For example, you may have two programs in technical assistance and outreach and then receive a grant restricted for social media outreach. If the day after they received the grant, the board decided to suspend all outreach except the printed newsletter, the program would be required to return the money from the grant. Of course, the donor could change the restriction and allow the organization to keep the money, but that power rests solely with the donor, not the organization.

## 3. Permanently Restricted Support

Permanently restricted support most often takes the form of endowment gifts. These grants and contributions may never be utilized for the operations of the organization. Rather, they are invested and the income earned from the investment can be used by the organization. Depending on the donor's wishes, the income may be temporarily restricted for a specific purpose or unrestricted.

## Accounting for Expenses

Expenses are classified in many different ways within organizations. The first classification is between natural and functional:

***Table 7 - Expense Classification***

| Natural Classification | Functional Classification |
|---|---|
| Classified by what the expense naturally or actually is. Some examples of natural classification include payroll, travel, meals, supplies, etc. These classifications would correspond to your chart of accounts. | Classified by how the expense functions. For many organizations, this means breaking expenses into program versus administration and fundraising. |

Expenses often will have the same natural classifications but different functional classifications. For example, meals for the programs would be classified as a programmatic functional expense. Meals for the board meeting would be classified as an administrative functional expense.

### Functional Classifications

Within functional classifications, there are several categories of expenses. Nonprofits are required to break their expenses into two types of activities: program services and supporting services on their Internal Revenue Service Form 990.

**Program services**

Program services are whatever activities you engage in that distribute or provide goods and services. This can be to your clients, members, or others in fulfillment of your organization's mission. Program services are the major output of the organization output and may relate to several different major programs.

An example of program activities for a rape crisis center might be outreach or prevention education.

**Supporting services**
Supporting services are all other activities that do not fall under the program services category. Supporting services are often classified as indirect costs, but the definition of indirect costs may vary by funder (see Direct vs. Indirect Costs below). Supporting services are typically broken down into administration, fundraising, and membership development activities as described below:

### *Table 8 - Supporting Services*

| | |
|---|---|
| **Program** | Costs resulting in distributing goods and services to clients and fulfilling the mission of the organization. |
| **Administration** | Those costs not identifiable with programs, fundraising, or membership development AND indispensable to the organization's existence such as governance (i.e. board-related expenses), finance and accounting, legal, and executive management. [Note:  Also includes cost of negotiating exchange transactions and/or government contracts.] |
| **Fundraising** | Cost associated with soliciting contributions from individuals, foundations, and corporations; maintaining donor mailing lists; and conducting fundraising events. |
| **Membership Development** | Those costs related to soliciting for prospective members and membership dues, membership relations, and similar activities. [Note:  If there are no significant benefits or duties connected with membership, however, the substance of these activities may, in fact, be fundraising and the related costs should be reported as such.] |

In the above table, there are very specific requirements for administration. Costs, such as the Executive Director's or receptionist's salary as well as office supplies DO NOT automatically go into administration. While these costs may have a natural classification that is administrative, they are often split into the appropriate program classification based on the task they are performing. This is typically done through time sheets for personnel or through a cost allocation plan for other costs.

By inappropriately classifying expenses as administration, an organization falsely raises their overhead (the percentage of supporting costs to total costs) which is an indicator often observed by funders and individuals. For example, if you classify 100% of the office manager or ED salary as an administrative cost instead of allocating specific activities to a program cost it will raise your total overhead by that amount. Overhead costs are often carefully scrutinized and can be interpreted as inefficient use of taxpayer dollars. Additionally, Charity Navigator and other nonprofit evaluators use that cost in calculating percentages, which ultimately affect their recommendations on giving.

## Allowable Costs

Government contracts have very specific guidelines as to which types of costs are allowable for reimbursement. A complete list can be found in A-122 or CFR 230. Staff responsible for government contracts and accounting personnel should familiarize themselves with this list.

Two examples of costs that are never allowed under government contracts include fundraising expenses and lobbying expenses. If organizations incur these types of expenses, they should make sure to segregate them for government reporting purposes.

## Cost Allocation

### Specific vs. Common Costs

Program and supporting is one way of categorizing activities and associated costs based on the purpose of the activity or expense. Costs within the organization may also be grouped, based on the **behavior** of the expense, into two categories: **specific costs** and **common costs.**

### Specific Costs

Specific costs, often called direct costs, are those that are easily identifiable with and benefit a single activity or cost objective. If you can take the receipt or invoice for an expense and easily identify the activity to which it belongs, it is an activity-specific cost.

Typical examples of specific costs include:

- Salaries for staff that spend time on the activity
- Stipends and fees for consultants that work on the activity
- Materials and supplies for activity projects
- Rent for activity-specific space
- Travel for activity staff
- Equipment used for a single activity

## Shared Costs

Shared costs, also called common costs, are those that benefit more than one activity and are NOT easily identifiable with a single activity. For example, if you have an invoice or receipt for an expense and cannot easily determine the specific activity to which it belongs. Instead, they conclude that its benefits will be shared by more than one activity. Therefore, it is a shared cost.

Some examples of shared costs include:

- Office supplies
- Telephone
- Postage
- Rent
- Utilities
- Liability insurance
- Depreciation
- Salaries of staff who work on more than one activity (often the office manager)

In order to accurately describe the true expense of an activity, the organization must not only record the specific costs of that activity, but also these common expenses.

## Allocating Shared Costs

Allocation is the process of splitting up costs and distributing or sharing them among two or more programs, activities, or cost objectives. In this way, shared costs are distributed to each activity for financial reporting.

Many rape crisis centers allocate costs by having one or two allocation bases that they utilize to split costs between all objectives.

There are many acceptable bases including:

- Percent of staff working in an area (Full Time Equivalents)
- Direct payroll expense percentage
- Square footage utilized

Each organization will choose the one, two, or three bases that make the most sense for their shared costs and then split all shared costs into each cost objective by the appropriate percentage. When allocating shared costs, it is important to remember:

- **Consistency is Key:** Changing an allocation bases or methodology yearly is a red flag. The organization's finance director should choose an allocation method and keep it consistent from year-to-year unless there has been a significant change in the organization. This does not mean the percentages won't change, but the methodology must be consistent.

- **Document Methodology:** You should track your allocation basis and percentages and keep ongoing records. Many accounting systems do not allocate shared costs automatically based on pre-entered percentages. Rape crisis centers should still maintain a spreadsheet that documents how the percentages were attained.

For some government contracts, depending on the requirement of the funding agency, organizations must split shared costs depending on the best basis for each individual expense. For example, postage may be split based on codes in the postage meter, copies by the codes in the copy meter, etc. It is important to explain the logic behind your allocation methodology as part of your documentation.

## Direct vs. Indirect Costs

In addition to shared versus specific and functional costs, many funders, including government contracts, refer to costs as “direct” and “indirect.”

Circular A-122 defines direct costs as those that can be identified specifically with a particular final cost objective.

While this definition may seem straight forward, the definition of direct and indirect costs can vary by funder. It is correct accounting practice to allocate shared costs to a cost objective for financial statement presentation, but it may or may not be correct to include these costs as direct costs in grant budgets. Organizations should understand the funder’s definition of direct and indirect costs and allocate appropriately based upon their guidelines.

## Negotiated Indirect Rate

Those rape crisis centers working with federal contracts may negotiate an indirect rate. This rate is negotiated with the agency that holds the largest government contract and then is used for all government contracts. The agreed upon percentage rate is based on direct salaries and benefits, or modified total direct costs. This percentage is used to calculate the budget for the grant application. The shared and indirect expenses included in the rate are not included individually in the government grant budget.

Absent a negotiated indirect rate, all expenses, including administrative and shared costs, are treated as direct expenses.

## Internal Controls

According to the Committee of Sponsoring Organizations, internal controls are a process, affected by an entity's Board of Directors, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Efficiency and effectiveness of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

The Board of Directors or finance committee is responsible for reviewing and approving internal controls for an organization, but every person within an organization is responsible for building a culture of adherence to the controls. Controls are typically designed by management and implemented by staff.

A complete checklist of internal controls follows in the Appendix B. One of the primary internal controls is centered on the principle of segregation of duties. Under this principle, multiple people are involved in each process so that no one person can do every aspect of accounting. For example, more than one person would have a part in the disbursement process broken down into steps: approve an invoice, write a check, and sign the check.

Checks and balances are essential to securing the organization's assets. Smaller rape crisis centers may rely on volunteers on the board to assist in fulfilling these internal controls. Other types of simple but effective controls include:

- Having more than one check signer for checks over a certain amount.
- Utilizing an outside payroll company and having a copy of the payroll register mailed directly to the board treasurer's house.
- Having the board review the list of invoices paid and financial statements.
- Having an up-to-date personnel policy that is approved by the board and followed.
- Providing training and professional development to employees on an annual basis so they understand the purpose and mechanism of internal controls.
- Encouraging accounting staff to take vacations so that there is cross training and understanding about each person's functions. A two-week vacation is best to allow other staff to learn the accounting system and finance procedures more thoroughly. Then there is an emergency succession plan should the fiscal manager leave the organization.

## What to Do About Fraud?

If fraud or a breach in internal controls is suspected, it will be reported to the Executive Director, Board Chair, or Board Treasurer. The organization should follow four steps:

- **Isolate:** The individual suspected of fraud or of having breached the internal controls will be isolated from the processes they were involved in and other organizational assets until such time as an investigation can be conducted. By doing so, the organization aims to eliminate the possibility of any further asset misuse.
- **Investigate:** A thorough investigation will be conducted to better understand the nature of the fraud or breach and examine evidence as to whether it actually occurred and to what extent.
- **Act:** After the investigation, appropriate actions must be taken to remedy the situation and deal with the employee responsible. Such actions may involve law enforcement depending on the nature of the fraud.
- **Communicate:** Beyond the employee, communication must be made to various stakeholders to assure them and demonstrate that the Board of Directors takes seriously its role in protecting the organization's assets. Plans should be made to communicate to:
    - The entire Board of Directors
    - All staff
    - Funders who were involved
    - General community if warranted

## Whistleblower Policy

As part of the Sarbanes-Oxley Corporate Reform passed in 2002, nonprofit corporations are required to have a whistleblower policy. The federal law makes it a felony for anyone to interfere with the employment of another by retaliating against that person for providing truthful information about the possible commission of a federal offense.

A whistleblower policy needs to be approved by the Board of Directors. A sample is provided *in Section II: Policies and Procedures*. This template may be modified to suit your organization.

## Accounting Filing and Record Retention

Filing of accounting documents in a neat and orderly manner is extremely important for ease in future audits. In addition, all documents should be stamped with the date and invoices should be marked as "paid" once a check has been cut. In accordance with federal law, organizations need to adopt a record retention policy. The organization will protect itself in case an investigation is ever launched by a federal agency by having the board approve the record retention policy. A recommended record retention policy is provided in *Section II: Policies and Procedures*.

# Section II: Policies and Procedures

## Introduction

Every organization should have a complete set of accounting policies and procedures that are followed by staff and reviewed regularly by the audit or finance committee. The purpose of the documented accounting policies and procedures is to communicate the rules applicable to receiving funds, preserving assets and spending according to the organization's mission and strategy, as well as maintaining internal controls to ensure accurate reporting and protect against fraud and theft. The volunteer Board of Directors is responsible for oversight and governance. The Executive Director and other staff are responsible for implementation.

### What is the Difference Between a Policy and a Procedure?

A policy guides decision making in an organization. Policies are lasting documents that establish rules, and the broad parameters to let everyone in the organization know what is required, why it is required, and who is responsible. Revise written policy documents as needed, and set a schedule for regular periodic review to make sure that policies stay up-to-date and are approved by the appropriate level of leadership. Bylaws may specify that the Board of Directors approves policies. At a minimum, policies that require board member responsibility are approved by the Board of Directors. Top management staff and members of the board may work together or separately to develop policy.

Procedures define how policy is carried out in the organization. Some major policies, such as the whistleblower policy, incorporate procedural elements that are critical to implementation. But most procedures are developed by staff internally, sometimes with consulting from an accountant or the audit or finance committee. Procedures, in general, should be more fluid and changeable than policies because management and staff can find methods that are more efficient by using technology or streamlining processes.

The following sections provide sample policies and procedures. These are intended as a reference for consideration when developing or reviewing your policies and procedures, and they are provided separately as templates for modification and implementation. The templates can be downloaded by the coalition from the Resource Sharing Project website (http://www.resourcesharingproject.org).

## How to Use Templates

*Section II: Policies and Procedures* includes easily adaptable templates. The entire set of procedures is available as one document. Individual sections are also provided so that you may adapt only what is needed. These templates are not intended to replace management deliberation or legal advice that a rape crisis center may need. Please be sure to consider the applicability to your specific operations, your state or territorial laws, and your Board of Directors expectations. This portion of the manual identifies variables in red that often differ by organization, but any part of the document may need modification for your organization. Policy templates include an approval line so that you can track approvals, which should be documented in board meeting minutes and/or by signature of the approver(s). Documentation of approvals should be filed together in case of an audit.

The templates identify variables in red that often differ by organization, and the explanatory text is also red (*and in italics*) in the templates so that it can easily be found to be deleted. The text or sections identified as variable by organization can be found using the MS Word Find function (Ctrl+F) by selecting Font on the Formatting menu (in the lower left corner of the Find box) and selecting red as the font color to find.

# Purchase and Disbursement Policy

The following methods are approved for making purchases on behalf of the organization:

- Purchase Orders (*if applicable)*
- Expense reimbursement requests
- Corporate credit cards (if applicable)
- Check requests

## *Purchase Approval*

All purchases require the pre-approval of the staff lead for a grant or the appropriate person according to the Table of Authorities and Limits below. The staff lead for a grant shall verify that the expense is allowable under the applicable grant. If staff make purchases and pay out of their own pocket, they will be required to get approval before being reimbursed.

## Conflict of Interest

It is the policy of Organization Name to require disclosure by employees and volunteer board members of potential conflicts of interest. We verify that there is not a potential conflict of interest for any of the employees or volunteer board members involved in purchasing or contract decisions. A conflict of interest occurs when a person or an immediate relative has a financial interest in, partnership, or employment relationship with a competing vendor.

## Small Minority-Owned and Women-Owned Businesses

It is the policy of Organization Name to place a fair share of purchases with small, minority-owned, and/or women-owned business firms. In particular, we will: (1) solicit these firms whenever they are potential sources of products or services and (2) where feasible when it does not incur additional costs, divide total requirements into smaller needs that encourage participation by these firms. However, division of requirements will not be allowed to circumvent large purchase requirements.

### *Large Purchase Requirements*

Purchases of more than $500 require the solicitation of three estimates. The purchase documentation requires the following information for each price estimate:

- Vendor contacted
- Date
- Quoted amounts and quantities

Organization Name purchases airline tickets from Travel Agency to insure that open completion practices are followed, purchases are documented, and the best price available is obtained.

Government funders have particular requirements for large purchases and contracts. Check your specific contracts to ensure compliance. Funding agency (especially federal and state) financial guidelines must also be followed and the threshold level for procurement requirements will vary by state. For example, federal funding requires that organizations on the list of excluded parties (https://www.epls.gov/) cannot be considered. Purchases with federal funds that exceed $100,000 require compliance with procurement standards and/or sole source justification (see 28 CFR 70.42 or OMB Circular A-110).

## Check Signature

Organization Name endeavors to have all checks signed by at least one person other than the person who prepared the check. In no case is a check to be prepared and signed by the same person without a second person's approval nor may a person be the sole signatory on a check to him or herself. When a check is presented for signature, supporting documents should be attached for the signer's review. The signer shall verify that the appropriate documentation is present before signing the check.

Only certain senior staff and Board Members are authorized to sign checks. Check signature authorization and limits are specified below as part of this policy.

Bank statements and canceled checks are reviewed by the Executive Director and the Board of Director's Treasurer or a Member of the Board of Director's finance committee reviews bank statements and canceled checks at least quarterly. The reviews are documented by the initials and date reviewed on the bank statement.

## Changes to Purchase Policy

The Executive Director may make changes to the limits and authorities of other employees without board approval. Other policy changes require board approval.

# Purchase and Disbursement - Authorities and Limits

## Purchase and Invoice Approval

| | Amount |
|---|---|
| **Name, Grant or Program** | $X |
| **Name, Grant or Program** | X |
| **Name, Grant / Program or Functional area** | X |
| **Name, Grant or Program** | X |
| **Name, Associate Director / Fiscal Manager** | X |
| **Name, Executive Director** | X |

Expenses that exceed the Executive Director's approval limit require approval by the Board of Directors or (Board Chair, Board Treasurer, Finance Committee).

## Check Signing

| | Sole Signature | Co-Signature |
|---|---|---|
| **Name, Title** | $X | $X |
| **Name, Associate Director** | X | X |
| **Name, Fiscal Manager** | X | X |
| **Name, Executive Director** | X | X |
| **Name, Board Treasurer (or designee)** | X | Unlimited |
| **Name, Board Chair** | X | Unlimited |

In no case is a check to be prepared and signed by the same person without a second person's approval nor may a person be the sole signatory on a check to him or herself. Checks for sums over $X,XXX require two signatures.

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## Purchase Procedure

### Purchase Documentation

In general, checks are not issued without an authorized Purchase Order, Expense Reimbursement Form or Check Request Form and supporting documentation. The following guidelines apply for documentation when a check is required or when paid by credit card:

- For vendors, an invoice must be matched with an approved Purchase Order (and a packing slip, when available, on which the vendor's name clearly appears, along with a description of the item(s) purchased and an explanation for why these items were purchased, if the relationship between the items and the associated program(s) is not readily apparent;
- For subscriptions, a copy of the subscription card or renewal notice;
- For out-of-town travel expenses, receipts for lodging, airfare, and ground transportation—itineraries for the same are not adequate documentation;
- For local travel expenses, a mileage log, parking receipts, and bridge toll receipts.
- For travel advance checks, an Expense Pre-Approval form with the reason for the advance, and;
- For conferences, a copy of the registration form or program announcement.

Except as stated above, original documents are required. Photocopied materials are not acceptable documentation except on a case-by-case basis.

### Purchase Orders

(If applicable) Accounting distributes purchase order books to select authorized staff, keeping track of the slip number series. The PO slips should be filled in with date ordered, vendor name, specific purchase items, prices, the grant applicable, and authorized before they are given to the Bookkeeper. On receipt of the invoice, the Bookkeeper compares the invoice to the PO form and then enters the expense into the accounts payable system. See Appendix C for Purchase Order details.

### Expense Reimbursements

Staff must submit timely expense reimbursement request forms with receipts. For grant related work, staff should provide the grant name or code and have pre-approval. For non-grant related work, staff should provide the functional area, activity, or program and have pre-approval. Employees are not reimbursed for expenses unless they submit an Expense Reimbursement Form. Reimbursement for employee expenses should be requested within 10 working days or 3 working days of the following month if purchase is shortly before month end. Receipts are required.

## Travel Expenses

Reimbursement for travel expenses should be requested within 10 working days or 3 working days of the following month if travel is shortly before month end. Receipts are required for all air travel, lodging, rental car expenses (if applicable), ground transportation, and all reimbursable items over $5.
Travel expenses are reimbursed to employees under the following guidelines:

- Air travel should be at the lowest available rate considering total cost of airfare, per diem and lodging.
- The Federal per diem for the destination applies to each trip. Meal per diem amounts and lodging rates for destinations can be found on the GSA web site (http://www.gsa.gov/portal/content/104877).
- Lodging expenses should not exceed Federal rates for the destination city, unless the employee can demonstrate a compelling reason for incurring more expensive lodging.
- Meal and incidental allowance per diem amounts for the location are allowed in total, unless a meal is provided as part of the program or conference. On the days traveling to and from the destination, 75% of the per diem is allowed. One-day travel must exceed 12 hours and be outside of the local travel area for the 75% per diem to be allowed. The local travel area for Organization Name is within 50 miles of the office, or within XXXX county.
- When a meal is provided, the Federal amount for that meal is subtracted from the total for reimbursement.
- Ground transportation to/from airports is reimbursed if the employee uses shuttle services or a similar method of transport. Taxicab fares in the destination city are reimbursed only if public transportation is inadequate or unavailable in the destination city. Auto rental expenses are allowable only after approval of the Executive Director or Associate Director.
- Local Travel: Business use of an employee’s automobile is reimbursed at the prevailing IRS rate per mile, if travel is outside of XXXX county or within 50 miles of the office. Bridge tolls and parking expenses are reimbursed, at prevailing rates, for employees attending meetings that require them to use their car.

## Corporate Credit Cards

Select authorized staff members are issued corporate credit cards in their name for travel or because of the frequency and volume of their purchases. See Organization Name Credit Card Policy for staff credit card responsibilities. Approved Purchase Orders are required for the purchases (if applicable). Receipts are always required and may be submitted with an Employee Expense form. Expenses for which receipts are not submitted may be charged back to the employee.

## Check Requests

When completing the Check Request form, the requesting staff member enters the reason for the check and account code on the form. The Director overseeing the grant or program should approve with his or her signature.

## Petty Cash

Petty cash funds are maintained in the office by the Position Title. These funds are to be used for miscellaneous or unexpected purchases and the same approval procedures apply as mentioned above. Position Title is responsible for managing the petty cash funds and reconciling the remaining balances with the Fiscal Manager on a monthly basis.

# ACCOUNTS PAYABLE PROCEDURE

Staff and independent consultants must submit expense reimbursements, approved purchase orders with packing slips (if applicable), and invoices within 10 days, and by the end of the 3rd working day of the month following the expense for purchases made close to the end of the month.

# CASH DISBURSEMENTS PROCEDURE

## Frequency of Processing

Checks are processed weekly unless there are intervening holidays. Invoices submitted to Accounting by Tuesday will be processed & paid by Friday the same week. Supervisors must return approved and signed invoices to Accounts Payable in Accounting no later than 5 p.m. on Wednesday in order to include them within the same week's check-run.

Checks can be prepared manually within one day, but this should be limited to emergencies.

## Check Preparation

The Executive Director or Fiscal Manager determines which invoices are to be paid. To determine which approved invoices or expense reimbursements should be paid, the Executive Director or Fiscal Manager Director reviews the accounts payable aging report, monthly cash flow projections, and an updated list of current receivables. In the event checks are needed for cash advances, the Executive Director must approve the check. To prepare checks, the Bookkeeper posts the expenses debiting the appropriate department and then prints the checks. No checks may be made payable to "Cash" and in no case will a check be signed in advance (no signatures on blank checks). Once prepared, checks are not to be held. Only checks to be disbursed are selected and prepared.

## Check Mailing

After the signatures have been obtained, the Position Title prepares the checks and distributes them in person or mails them.

## Check Custody

Unused checks are kept in a locked cabinet with access limited to the Accounting Department.

## Invoice Cancellation

After payment, all invoices, vouchers and other supporting documents are cancelled with a PAID stamp. The check number and the payment date are recorded on the Check Request form.

## Record Keeping

The Fiscal Manager retains all original records (check requests, invoices, and other documentation) for vendor files and grant files. Voided checks will be mutilated, but not destroyed, and filed with cancelled checks. If a mistake is made in writing a check, file the voided check in the voided check folder and record the voided check in the accounting system.

## WEEKLY ACCOUNTS PAYABLE AND DISBURSEMENT PROCEDURE

1. Daily
    a. Open mail
    b. Date stamp all vendor and consultant invoices, P.O., packing slips, check requests, employee reimbursements, etc.
    c. File "b" into appropriate "open AP folders (A through Z)"
2. Tuesdays
    a. Select invoices for payment from open AP folders.
    b. Employee Reimbursements – verify approval or obtain signatures as needed.
    c. Match invoices with P.O. (if applicable) [SEE BELOW FOR EXCEPTIONS TO P.O.]
        1. Match approved P.O. with invoice
        2. In case of a missing P.O., match to purchase order copy and/or track down missing P.O. by requesting from staff.
3. Thursdays
    a. Process, cut, obtain signatures and distribute or mail checks as appropriate.
4. Insure all purchases have prior approval. Require Purchase Order (if applicable), except routine and contracted purchases as stated below.
    a. Rent
    b. Utilities - Telephone
    c. Equipment lease payments
    d. Employee Reimbursements
5. Retain proper supporting documents for each invoice processed

## Records Retention Policy

THE ORGANIZATION stores paper or electronic documents, which are retained according to the following schedule

| *Document Retention Schedule* | |
|---|---|
| Accounts payable ledgers and schedules | 10 years |
| Accounts receivable ledgers and schedules | 10 years |
| Audit reports of accountants | Permanently |
| Bank statements | 3 years |
| Capital stock and bond records: ledgers, transfer payments, stubs showing issues, record of interest coupon, options, etc. | Permanently |
| Cash books | Permanently |
| Checks (canceled, with exception below) | 10 years |
| Checks (canceled, for important payments, i.e., taxes, purchase of property, special contracts, etc. [checks should be filed with the papers pertaining to the underlying transaction]) | Permanently |
| Contracts and leases (expired) | 10 years |
| Contracts and leases still in effect | Permanently |
| Correspondence, general | 2 years |
| Correspondence (legal and important matters) | Permanently |
| Depreciation schedules | Permanently |
| Duplicate deposit slips | 3 years |
| Employee personnel records (after termination) | 7 years |
| Employment applications | 3 years |
| Expense analyses and expense distribution schedules (includes allowance and reimbursement of employees, officers, etc., for travel and other expenses | 10 years |
| Financial statements (end-of-year) | Permanently |
| General ledgers and end-of-year statements | Permanently |
| Insurance policies (expired) | 3 years |
| Insurance records, current accident reports, claims, policies, etc. | Permanently |
| Internal reports, miscellaneous | 3 years |
| Inventories of products, materials, supplies | 10 years |
| Invoices to customers | 10 years |
| Invoices from vendors | 10 years |
| Journals | Permanently |

| | |
|---|---|
| Minute books of Board of Directors, including bylaws and Articles of Incorporation | Permanently |
| Payroll records and summaries, including payments to pensioners | 10 years |
| Purchase orders | 3 years |
| Sales records | 10 years |
| Scrap and salvage records | 10 years |
| Subsidiary ledgers | 10 years |
| Tax returns and worksheets, revenue agents’ reports, and other documents relating to determination of tax liability | Permanently |
| Time sheets and cards | 10 years |
| Voucher register and schedules | 10 years |

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## INVOICING PROCEDURE

When all monthly expenses have been entered on the general ledger, the Fiscal Manager prepares invoices to record the accounts receivable for funding sources that provide funds on a reimbursement basis. Reimbursement processing is completed according to the schedule set by the funding source. The Fiscal Manager maintains records of requirements for documentation and reimbursement processing of each grant. Documentation is accumulated monthly.

A checklist (*if appropriate, insert text about your own grant control if the checklist is not used)* is used each month to facilitate creation of documentation required for each funder, approval by the Executive Director, submitting invoices or funding draw downs, and tracking of fund receipts. See Appendix D for the Invoicing/Grant Control Checklist.

### Monthly Invoice Processing

- The Fiscal Manager runs an accounting system report (Income Statement, Profit & Loss or P&L) by grant and other programs (such as fundraising and lobbying) and reviews for errors in allocations including unallowable expenses that should not be charged to a grant.
- Corrections are made to the general ledger, if needed.
- An Income Statement (P&L report) and invoices are created by the accounting system for each grant.
- Required forms and documentation for each grant invoice is added to the P&L and invoice and (if appropriate) the checklist is updated.
- The Fiscal Manager submits the forms, invoices, reports, and documentation to the Executive Director for approval.
- The Executive Director reviews the invoices and reports, signs the claims to be submitted when required by funder, and approves the invoices and reimbursement requests for the month by signing the Invoicing/Grant Control Checklist ( if appropriate).
- After Executive Director approval, reimbursements are processed.

### Reimbursement Processing

- The Fiscal Manager requests funds on the schedule required by the funder. OVW funds are requested online monthly with the Grant Payment Request System (GPRS).
- The Fiscal Manager mails documentation as needed.
- Copies of all documents that have been reviewed internally and submitted to funders are retained for audit reference.
- As funds are received, the Cash Receipts Journal and checklist (*if appropriate*) is updated. If funds are not received in the expected time, the Fiscal Manager follows up until the funds are received.
- The checklist, invoices, and grant expense/fund request documents are filed for auditing purposes.

# Cash Receipts Policy

Organization Name accepts cash receipts in the form of automatic bank deposit from pre-approved funders, checks, payers may make deposits and donations online via our website, and, occasionally, currency is remitted. Organization Name takes care to protect cash receipts from loss, theft, and destruction. Organization Name issues receipts for donations and any currency received. Checks and cash are physically secured before deposit into the bank account. Duties for processing are segregated for internal control.

Tasks for processing cash receipts and accounting are separated between the Position Title, Fiscal Manager, Bookkeeper, and the Executive Director. Policies and procedures are documented and filed to maintain control and accurate accounting.

## Cash Receipts Journal

Organization Name will maintain a Cash Receipts Journal for recording all cash receipts in the accounting system. The cash receipts journal contains at least the following information:

- Date received
- Date entered
- Source
- General ledger account designation (for memberships, restricted contributions, unrestricted contributions, grant income, etc.)
- Grant or program designation (VAWA, SASP, membership, certification, etc.)

## Cash Receipt Logging

Organization Name logs currency and checks received separately from the accounting system to provide an audit trail beginning with the initial receipt. The source, date received, amount and check number are recorded before cash receipts are given to accounting or bookkeeping staff.

## Online Payments (if applicable, the following are examples of policy)

Organization Name accepts payments and/or donations with Visa, MasterCard, and American Express. Online credit card payments can be made through our secure online payment gateway. They are processed by Financial Institution Name. Every precaution is taken to protect credit card numbers within our custody. The organization maintains a separate policy manual on credit card security. *(If an organization has an agreement with a financial institution, a manual on credit card security may be provided.)*

OR

Organization Name has a contract with service name (website address*) (such as PayPal (www.paypal.com))*) to offer online payments and/or donations with a link from our website to their secure payment service. Payer financial information is not received or retained by our organization. Industry-leading security and fraud prevention is provided by service provider.

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## CASH RECEIPTS PROCEDURE

### Automatic Deposit Receipts

- The Fiscal Manager receives email notices and monitors the bank accounts for funds received by automatic deposit.
- The amount received is recorded in the Cash Receipts Journal and general ledger.

### Online Payments (if applicable, the following are examples of policy)

Payments are deposited within one business day directly into Organization Name's checking account by Financial Institution Name. An email deposit notification is sent to email address which delivers email to Position Title, Executive Director, and Fiscal Manager. A transaction data file is downloaded daily and imported into the accounting system by the Fiscal Manager who also verifies the total of accounting transactions with the deposit. The Fiscal Manager is the internal point of contact for technical assistance from Financial Institution Name (technical assistance phone number)

The Executive Director is the only staff member with authority to change options with the bank for adding or removing users, notifications, access to download file or bank accounts.

OR

When an online payment is made, Service Provider sends an email notification to email address which delivers email to Position Title, Executive Director, and Fiscal Manager. Payments are available for transfer within one business day and a transaction data file is available for download at the same time. The Fiscal Manager transfers the amount remitted to Service Provider to Organization Name's checking account and verifies the total of accounting transactions and email notifications with the deposit. The Fiscal Manager is the internal point of contact for technical assistance from Service Provider (technical assistance phone number).

The Executive Director is the only staff member with authority to change options with the Service Provider for adding or removing users, notifications, access to download file or bank accounts.

### Currency

- If currency is received, a receipt from a duplicate book is written by Position Title and the original is given to the donor (if applicable). A copy of receipt that identifies the source is attached to the cash.
- Position Title enters it into their cash receipts log and takes the receipt and cash to the Fiscal Manager.
- The Fiscal Manager counts the cash, initials the copy of the receipt, returns the receipt to Position Title for the next bank deposit, and locks up the cash to include with the deposit ticket.

## Checks

- Incoming mail is retrieved by Position Title who then enters any checks received into their cash receipts log and stamps each check "For Deposit Only."
- When all mail has been received, Position Title sends an email to the Executive Director and Fiscal Manager notifying them of the total amount of checks and cash received and being held for deposit.
- Position Title copies each check, and puts the checks, check copies, and copies of cash receipts filed in a locked drawer.

## Bank Deposits

- The Fiscal Manager retrieves the checks and copies from Position Title or their locked drawer, completes a bank deposit slip, attaches any cash they are holding for the deposit, and makes a copy of the deposit slip.
- Position Title takes the deposit to the bank and returns the receipt to the Fiscal Manager.
- The Fiscal Manager verifies the amount and gives the documents to the Bookkeeper.
- The Bookkeeper enters the check(s) and/or cash into the cash receipts journal. Copies of checks, cash receipt copies, the deposit slip copy, and the deposit receipt are filed for RECONCILIATION OF THE ACCOUNT.

## BANK STATEMENT PROCEDURE

- Bank statements for each checking account are processed monthly. Any employee with responsibility for mail processing delivers unopened mail from the bank to the Executive Director or an employee who is not the Fiscal Manager.
- Any bank notifications for debits, credits, and uncollectible checks that are returned by the bank are forwarded to the Fiscal Manager for follow up. Originals or copies are given to the Bookkeeper for entry into the accounting system.
- The Bookkeeper enters the accounting transaction and files the documents for account reconciliation.
- The Fiscal Manager reviews the bank statement and cancelled checks. The Fiscal Manager initials and dates the statement to document the review and delivers the bank statement with cancelled checks to the Bookkeeper for reconciliation.
- The Bookkeeper reconciles the statement with the accounting system within a week after receiving the statement. A reconciliation report, the statement with cancelled checks, and bank advices are returned to the Fiscal Manager for review.
- The Fiscal Manager reviews the documents, initials and dates the Reconciliation Report to indicate her final approval, and the documents with canceled checks are taken to the Executive Director for review.
- The Executive Director reviews the statement and canceled checks, and then initials and dates the bank statement. Review of the canceled checks is important due to the automated check processing at banks. In addition, appropriate counter signatures are likely to be the customer's responsibility for their own internal control.
- The Board of Director's Treasurer reviews bank statements and canceled checks at least quarterly, and then initials and dates each bank statement reviewed.

# Payroll Policy

The personnel policies prohibit employment of individuals that results in nepotism, conflict of interest and discrimination, prohibit employees from accepting gifts, money or gratuities from beneficiaries of the program, provide for travel reimbursement, and define eligibility for participation in staff benefit programs. Employee loans are prohibited.

## Hiring

The Executive Director approves all new hire offer letters. The Board of Directors approves Executive Director hiring and the new hire offer letter. The Fiscal Manager or Human Resources Manager helps the new employee complete all necessary paperwork for payroll, regulatory compliance, and benefits. The Bookkeeper is informed of any new hire by receipt of the Employment Information Form, W-4, and I-9. The Bookkeeper then adds the employee to the payroll, arranges for payroll taxes, etc.

## W-4 and I-9

A new employee must submit forms W-4 and I-9 before starting work. If the employee claims to be exempt or to have fourteen or more exemptions, a copy of the W-4 is sent to the Internal Revenue Service in accordance with tax laws. Form W-4 is required whenever a change in exemption status is made.

## Payroll Additions, Deletions, and Changes

An Employment Information Form or memo signed by the Executive Director is required for any names added or deleted from the payroll, and wage or salary changes. The Board of Directors approves payroll changes for the Executive Director position. The Board President or Treasurer will sign a form or memo to authorize the payroll change.

## Pay Dates

*This section is to be updated for your organization based on your pay periods*.
Organization Name has semi-monthly pay periods that end on the 15th and the last day of the month. Checks are distributed four days after the end of the pay period, unless it falls on a weekend, when checks are distributed the Friday before.

## Payroll Service (if applicable)

Organization Name has/has not decided to use a payroll service (service provider) for processing paychecks. The value of using this service justifies the cost and reduces internal expenses. The following advantages were considered in this decision.

- Compliance with current tax withholding rates, regulations, and laws is ensured
- Stronger internal controls are maintained by the service
- Service options, such as sending the payroll register to more than one address, are available to their customers
- Service provider withholds and pays payroll taxes

## Timesheets / Time Tracking

Tracking of employee time by activity is used to allocate hours for payment by customer (for exchange transactions) and the allocation of expenses for reimbursement from government agencies. Organization Name takes seriously the process of tracking time of our employees. This information is also used by management and the Board of Directors to better understand the cost of delivering services. Sample timesheets are illustrated in Appendix E and a worksheet template is available.

All time tracking procedures comply with OMB A-122 and reflect after-the-fact determination of the time spent on each activity by the employee. All timesheets are to be signed by the employee and their supervisor and will not be processed for payroll unless completed accurately and signed. If the employee is absent, the Bookkeeper may process the timesheet for payroll, but the employee must sign the timesheet as soon as he/she returns to the office. This is the only allowed exception.

Timesheets should be submitted online or in person by both salaried and hourly employees according to the schedule of due dates published and given to all staff. Employees should enter actual time worked by activity in each period, electronically initial the file, and then submit it to their supervisor for approval. Other compensated time (vacation, illness, etc.) is also included in each time sheet. The supervisor will electronically initial the file and submit to accounting.

## Timesheet Approval

It is each supervisor's responsibility to review the employee timesheets to ensure that they are correct. Supervisors should confirm the amount of time charged to grants, overtime, sick, vacation, holiday, or leave without pay during the period being reviewed. The hours charged against a grant should be approved by the Program Manager or Executive Director. Vacation time should agree with the amount of time off requested in the Vacation Request Form.

**APPROVED BY:** **DATE OF APPROVAL:**

## PAYROLL PROCEDURE

Organization Name will record the payroll in the Cash Disbursements Journal. They will also maintain a cumulative payroll earnings record on each of the employees. The payroll record will contain the following information about each employee:

- Name
- Position
- Social Security number
- Salary
- Payment record including:  gross pay, itemized payroll deductions,
- Net pay (by pay period, quarter, and year-to-date)
- Eligibility or benefits balances
- Changes in status or position

Because of the sensitive nature of the information, the payroll record will be kept locked in a filing cabinet within the accounting office.

Approved, completed time sheets are reviewed by the Bookkeeper for adequacy of approvals, clerical accuracy, and alterations before being transmitted to the payroll service or entered into the accounting system. The Bookkeeper reconciles batch total against number reported in the cash disbursements journal or by the payroll service.

The Fiscal Manager or Executive Director reviews the reports for accuracy, especially if adjustments have been made recently, by comparing it to the previous Calculated Check Register.

The Executive Director reviews and signs pay checks, and returns the checks to the Fiscal Manager or Bookkeeper for further processing. Note:  If the organization uses electronic deposit, after approval by the Executive Director, the Fiscal Manager will go ahead and approve the transfer.

The Bookkeeper delivers the paychecks or pay stubs to each employee on payday or mails to employees upon request.

Organization Name will not reissue the payroll/stipend check for at least ten days following the date the check was distributed. The Bookkeeper will first call the bank to see if the check in question has been cashed. If so, the check will not be reissued. If the check has not been cashed, the Bookkeeper will void the initial payroll/stipend check in its books and reissue a new check for the amount previously due to the employee. The Fiscal Manager will determine whether to charge the employee for the stop payment fee.

## Withholding

Organization Name shall make appropriate withholding and payment of federal income taxes, FICA **(**Federal Insurance Contributions Act)**,** and worker's compensation insurance.

Other withholdings must be authorized in writing by the employee. The only exceptions are garnishments as ordered by appropriate government agencies and any employee share of mandatory benefits as described in the Employee Manual.

Tax returns and quarterly reports are filed in a timely manner. Tax forms are prepared by the Bookkeeper or payroll service and reviewed by the Fiscal Manager or Executive Director.

## Allocation of Payroll

Payroll expenses for each employee are allocated to activities for grant projects, lobbying and contracts based on the percentage of employee time recorded on their timesheets during the period. Allocations are entered into the accounting system at least monthly.

# END OF THE MONTH PROCEDURE

At the conclusion of each month, we will undertake certain procedures to close our books and produce financial statements for senior management and the board to review. The Bookkeeper performs the following tasks at month end:

- Enter all invoices that have been received to date, if not previously done.
- Reconcile all bank accounts and agree to ending balance in general ledger.
- Post any monthly journal entries including depreciation, grant awards, investment income or losses (this step only done on accrual basis).
- Print two copies of the following financial reports: (1 for Executive Director & 1 for File)
    - Statement of Activities / Income Statement for Year to Date
    - Statement of Financial Position / Balance Sheet
    - Fundraising Report
    - Accounts Payable Aging
    - Accounts Receivable Aging
- Update cash flow projection.
- All financial statements and the cash flow projection are to be reviewed by the Executive Director before being distributed to the Finance Committee.
- After approval from the Finance Committee and any changes made, the financial statements should be presented to the Board of Directors.

# Fixed Asset Policy

## Purchase

Purchase of furniture and equipment is recorded on the fixed asset inventory. In general, any single item with a cost of $2,500 or more will be added to the Fixed Asset Inventory, but exceptions may be approved by the Executive Director or Fiscal Manager. This complies with OMB Circular A-110, which requires that fixed assets be inventoried if they have a purchase price of $5,000 or more and a useful life of more than one year. An amount less than $5,000 may be used according to the policy of the grantee.

## Capitalization

Any item with purchase price of $2,500 or more is capitalized for financial reporting as long as it has a useful life of more than one year. All items that cost $2,500 with a life span of less than one year are expensed as supplies in the current year.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. The straight-line method expenses an equal portion of the asset price each year of the useful life. Leasehold improvements are amortized over the shorter of their estimated useful lives or the applicable lease term.

## Fixed Asset Inventory

The Fixed Asset Inventory record is maintained by the Fiscal Manager. When items are purchased or donated, they are added to the physical asset inventory by the Fiscal Manager, Bookkeeper or other designee.

The record includes:

- Item description (including serial number, if applicable)
- Fixed Asset Tag number (may be maintained for each item, required when there is no serial number)
- Date of Purchase
- Cost (fair market value for donations)
- Applicable grant number(s) and percentage ownership
- Building or office location
- Date of last physical inventory
- Condition of the item
- Ultimate date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the federal awarding agency for its share of an asset with a fair market value of $5,000 or more at the end of a grant.

## Physical Asset Inventory

A physical inventory shall be done on an annual basis by the designee of the Executive Director or Fiscal Manager. The Executive Director shall oversee the physical inventory process to verify the existence, current utilization, and continued need for the equipment and furniture in inventory.

The inventory taker records for each item:

- Item description (including the serial number and/or Fixed Asset Tag number)
- Building or office location
- Date recorded
- Condition of Item
- Current utilization

The results of the physical inventory shall be reconciled with the fixed asset inventory annually. Note that for compliance purposes the physical inventory and reconciliation must be done at least once every two years.

Any differences between items identified by the physical inspection and those shown in the fixed asset inventory records shall be investigated to determine the causes of the difference.

**APPROVED BY:** **DATE OF APPROVAL:**

## Whistleblower Policy

The policy below is distributed to all employees and signed to confirm notice and understanding.

**Employee Protection (Whistleblower) Policy**

If any employee reasonably believes that some policy, practice, or activity of Organization Name is in violation of law, a written complaint may be filed by that employee with the Executive Director or the Board President.

It is the intent of Organization Name to adhere to all laws and regulations that apply to the organization, and the purpose of this policy is to support the organization's goal of legal compliance. The support of all employees is necessary to achieving compliance with various laws and regulations. An employee is protected from retaliation only if the employee brings the alleged unlawful activity, policy, or practice to the attention of Organization Name and provides the Organization Name with a reasonable opportunity to investigate and correct the alleged unlawful activity. The protection described below is only available to employees that comply with this requirement.

Organization Name will not retaliate against an employee who, in good faith, has made a protest or raised a complaint against some practice of Organization Name, or of another individual or entity with whom Organization Name has a business relationship, on the basis of a reasonable belief that the practice is in violation of law or a clear mandate of public policy.

Organization Name will not retaliate against an employee who discloses or threatens to disclose to a supervisor or a public body any activity, policy, or practice of Organization Name that the employee reasonably believes is in violation of a law, or a rule, or regulation mandated pursuant to law or is in violation of a clear mandate or public policy concerning the health, safety, welfare, or protection of the environment.

My signature below indicates my receipt and understanding of this policy. I also verify that I have been provided with an opportunity to ask questions about the policy.

______________________________________ ____________

Employee Signature Date

**APPROVED BY:** **DATE OF APPROVAL:**

# Conflict of Interest Policy

## Conflict of Interest Policy and Annual Statement for Members of the Board of Directors and Employees of Organization Name

### Article I - Purpose

The purpose of this conflict of interest policy is to protect Organization Name's interests when it is contemplating entering into a transaction or arrangement that might benefit the private interests of a board member or employee of Organization Name or might result in a possible excess benefit transaction. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable organizations.

### Article II - Policy

A. Board of Directors

1. Employees and consultants are not members of the Board of Directors, *(if applicable, laws vary by state).* Members of the Board of Directors receive no honorarium, and no member shall benefit through earnings or receipts of the agency.

2. No members of the Board of Directors may be involved in any leasing agreements and remain a member of the Board of Directors. Any member who may become involved in any other business transactions must disclose the nature and specifics of this relationship in writing, no less than annually, to the Executive Committee of the Board. There will be documentation showing that the particular member of the Board had no voting in these transactions.

3. Members of the board are not to accept gifts, gratuities, free trips, personal property, or items of value from an outside person or organization as an inducement to provide services to Organization Name.

B. Staff

1. Outside business interests – Employees may have outside business interests and outside employment so long as these do not interfere with job performance. Employees may not earn profit from outside employment or business interests that directly result from affiliation with Organization Name.

2. Gifts and Gratuities – Employees are not to accept gifts, gratuities, free trips, personal property, or items of value from an outside person or organization as an inducement to provide services to Organization Name.

3. By reviewing this policy, each employee consents to the search of any and all property, work areas, and communication systems belonging to Organization Name or found on Organization Name property.

## Article III - Procedural Implementation

When hired and annually each board member and employee shall read this policy complete the disclosure form identifying any actual or perceived Conflicts of Interest. Such relationships, positions, or circumstances might include service as a director of or consultant to another nonprofit organization, or ownership of a business that might provide goods or services to Organization Name. Any such information regarding the business interests of a board member, employee or a family member thereof, shall be treated as confidential and shall generally be made available only to the Chair, the Executive Director, and any committee appointed to address Conflicts of Interest, except to the extent additional disclosure is necessary in connection with the implementation of this policy. Any changes to the policy shall be communicated to staff and directors.

### Basic Conflict of Interest Disclosure Form

Date: ____________

Name: _______________________________________________________

Position (employee/board member):_____________________________

Please describe below any relationships, transactions, positions you hold (volunteer or otherwise), or circumstances that you believe could contribute to a conflict of interest between Organization Name and your personal interests, financial or otherwise:

_____ I have no conflict of interest to report

_____ I have the following conflict of interest to report (please specify other nonprofit and for-profit boards you (and your spouse/domestic partner) sit on, any for-profit businesses for which you or an immediate family member are an officer or director, partner, or a majority shareholder, and the name of your employer and any businesses you or a family member own):

1.____________________________________________________________________

2.____________________________________________________________________

3.____________________________________________________________________

I hereby certify that the information set forth above is true and complete to the best of my knowledge. I have reviewed, and agree to abide by, the Conflict of Interest Policy of Organization Name.

Signature: ______________________________________________________________

Date: ________________________

**APPROVED BY:** **DATE OF APPROVAL:**

# Audit and Tax Filings Policy

Organization Name shall have an annual audit of its financial statements. The finance committee is charged with conducting a Request for Proposals (RFP) from respected audit firms and recommending the approval of an independent auditor to perform the audit to the full Board of Directors. The Board of Directors will vote on the engagement of the auditor.

The audit will be conducted with the goal of being complete within four months of the end of our fiscal year. Upon completion, the auditor will meet with the Finance Committee or Board of Directors to provide an overview of the financial statements of the organization, any weaknesses in internal controls, and any areas of concern. When applicable, the auditor shall issue a management letter directly to the Finance Committee or Board of Directors. Management will be asked for their response to the letter, and the Finance Committee will work with management to address any deficiencies.

## A-133 Audit

If Organization Name expends more than $500,000 in federal funds in a single fiscal year, we will contract with our auditor to conduct a special A-133 program specific or single audit in accordance with the Office of Management Budget (OMB) Circular A-133. A single audit is generally required, but program specific audits may be required by the state, an agency regulation, or contract (award) stipulation. The Finance Committee is responsible for coordinating with the auditor and following the above process to obtain this audit. Both the A-133 audit and the financial statement audit should be conducted at the same time to save resources. The A-133 audit filing is due within 9 months of the end of the fiscal year**. Failure to submit the A-133 audit by the date due may result in noncompliance with funder requirements and inability to qualify for or continue to receive funding.**

## Form 990

The Form 990 is due the 15$^{th}$ day of the 5$^{th}$ month following the close of our fiscal year. Our fiscal year ends December 31$^{st}$. Therefore, the Form 990 is due May 15$^{th}$**. Failure to submit the 990 by the date due may result in noncompliance with funder requirements and inability to qualify for or continue to receive funding.** If the deadline will not be met, we will file an extension. Such extension must be approved by the Finance Committee. The IRS automatically revokes the tax exemption of any organization that fails to satisfy its filing requirement for three consecutive years.

Prior to submission of the Form 990, each member of the Finance Committee will be presented a copy and it will be discussed with the auditor or senior management. The Finance Committee will then present the Form 990 at the next regularly scheduled board meeting so that all board members understand its contents.

**APPROVED BY:** **DATE OF APPROVAL:**

# Subcontracting Policy

## Sub Award Policy

Organization Name will send a grant application and request for proposal to organizations who are invited to submit a proposal. The request for proposal will include the application deadline, evaluation factors for discretionary grants (if applicable), the funding formula (if applicable), grant compliance requirements pre-award, and post-award, and the terms of the sub award contract. All application requirements must be submitted by the deadline in order to be considered for funding.

Organization Name will send an award letter via email and USPS with two copies of the Sub Award contract to agencies receiving the grant requesting that the contract be signed and returned within 30 days. The Organization Name Executive Director will sign the contracts and one will be returned to the sub-contractor. All sub-contractors of Organization Name must submit a signed funding contract within 45 days after receipt of the award documents.

If a sub-contractor informs Organization Name that the sub-contractor will be unable to expend all allocated funds from a grant program before the end of the grant contract period, Organization Name will inform all other sub-contractors of that grant program of the amount of funding that is available. All other sub-contractors of that grant program will be invited to submit requests for the specified remaining funds. The Organization Name Executive Director will review all such requests to insure the proposed use of the funds is allowable within the grant program requirements. Available funds will be divided evenly among the sub-contractors that request the funds for allowable expenses. If a sub-contractor requests less than an equal share of the funds available, that amount will be granted and the balance divided evenly among the other requests.

Noncompliance with contract requirements will result in non-payment on that contract until all contract requirements are met. Contract requirements include but are not limited to correctly and accurately filing data, reports, and payment requests by the stated deadlines. Repeated noncompliance may result in termination of a contract.

At the first incidence of repeated noncompliance, the Organization Name Executive Director will contact the Executive Director of the agency in noncompliance and offer assistance with meeting contract requirements. If there is an additional instance of noncompliance within a year of the repeated instance of noncompliance, the Organization Name. The Organization Name Executive Director will inform the Organization Name Board of Directors.

The Organization Name Board of Directors will discuss the noncompliance issues including potential consequences with the noncompliant agency Board of Directors or the agency director's supervisor. The board may offer assistance the agency in noncompliance.

When noncompliance issues have not been resolved by the agency within four months of the contact by the Board of Directors, the contract(s) between the agency and the Organization Name will be terminated, if approved by the Organization Name Board of Directors.

**APPROVED BY:** **DATE OF APPROVAL:**

# APPENDIX A: GLOSSARY OF TERMS

**-A-**

**Accounting, Accrual:** In this system, revenue is recorded when it is *earned* and expenses when they are *incurred*. Example: revenue from a grant is recorded when the grant is awarded, even if the check has not been received or deposited. A phone bill is recorded as an Account Payable even when it has not yet been paid. This provides a more comprehensive and accurate picture of an organization's financial condition, because it better matches revenues and expenses.

**Accounting, Cash:** In this system, revenue and expenditures are recorded as they are *received or paid*. Example: an Account Payable, such as a phone bill, is recorded when it is paid, and revenue from a grant is only recorded once the check is received and deposited.

**Accounting, Modified Cash Basis:** In this system, cash accounting is used throughout the year. Then, additional transactions are recorded and the end of year financial statements are produced using accrual accounting.

**Accounts Payable:** Money owed *by* an organization (for goods and services, to pay bills, etc).

**Accounts Receivable:** Money owed *to* an organization (by grants, members, speaker fees, etc).

**Accrual Basis of Accounting:** See Accounting, Accrual

**Administrative Cost:** A cost necessary for operations, but not associated with providing a program.

**Allocation:** The method by which costs are divided among two or more programs or activities

**Allowable Costs:** See Costs, Allowable

**Amortization:** The deduction of expense over the useful life of an asset. *See also* Depreciation

**ARRA:** American Recovery and Reinvestment Act

**Asset:** Something of monetary value that is *held by or owned by* an organization. Examples: cash, investments, accounts receivable, inventories, equipment.

**Assets, Fixed:** Physical assets whose monetary value typically does not change drastically. Example: building, equipment. Also called Property & Equipment ("P&E").

**Assets, Net:** The monetary difference between total assets and total liabilities. Net assets can be unrestricted, temporarily restricted, or permanently restricted.

**Assets, Short-Term:** Assets that typically will be sold, converted into cash, or consumed within a year. Also called Current Assets or Near-Term Assets.

**-B-**

**Balance Sheet:** Calculated by looking at the Cash, Accounts Payable, and Accounts Receivable, a Balance Sheet is a statement showing an organization's financial position (assets, liabilities, and net assets) on a particular day. Also known as a Statement of Financial Position.

**BOD:** BOD is a common acronym for Board of Directors.

**Budget:** A detailed breakdown of estimated income and expenses that can be used as a tool for projecting revenue and expenditures for the ensuing fiscal year or for a grant. This allows the organization to track actual performance against an approved plan.

**-C-**

**Capital:** Money available for an organization's use.

**Capitalization:** Recording a purchase as an asset instead of an expense. The asset may then be depreciated as it loses its value over time or kept at its original asset value.

**Cash:** Currency and coins on hand, automated bank deposits, bank balances, and negotiable money orders and checks.

**Cash Basis of Accounting:** See Accounting, Cash

**Cash Flow:** Receipt and disbursement of monies.

**CFR:** The Code of Federal Regulations (CFR) is the codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government. It is divided into 50 titles that represent broad areas subject to Federal regulation.

**Chart of Accounts:** The numerical system for tracking assets, liabilities, net assets or retained earnings, income, and expenses in an accounting system.

**Circulars**: Publications with instructions or information issued by the Office of Management and Budget (OMB) to federal agencies.

**Circular A-122:** Also called "Cost Principles for Non-Profit Organizations," Circular A-122 is published by the federal government's Office of Management and Budget (OMB). This circular establishes principles for determining the costs of grants, contracts, and other agreements with non-profit organizations. Please see the Circular A-122 website for more information: http://www.whitehouse.gov/omb/circulars_a122_2004/

**Classification, Functional:** Expenses are classified according to their function. Example: program expenses versus supporting (administration and fundraising) expenses.

**Classification, Natural:** Expenses are classified by what the expense “naturally”, or actually, is. Example: Payroll, travel, meals, supplies. A single natural classification (example: meals) can have several functional classifications (meals at trainings, meals at board meetings, etc).

**Code of Federal Regulations (CFR) 230**: In recent years the Office of Management and Budget Circulars (OMB Circulars), have been incorporated into the Code of Federal Regulations (CFR). While these two are referred to interchangeably, most of the elements of A-122 appear in CFR 230. Please see the CFR 230 website for more information: http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title02/2cfr230_main_02.tpl

**Contributed Support:** Revenue from foundations and individuals (example: grants and membership donations). Contributed support can be conditional, unconditional, temporarily restricted, permanently restricted, or unrestricted. Please see the flowchart on Page 9.

**Cost Allocation Plan (CAP):** A written document that states how an organization identifies, accumulates, and distributes allowable direct and indirect costs in grant(s) and identifies the allocation methods or procedures used for distributing the costs to the grant program(s).

**Costs, Allowable:** Costs charged for grant reimbursement must be “reasonable” and “allowable” for the specific grant purpose. There are very specific guidelines to determine what is allowable, such as daily limits for hotels, contractors, food, etc. A complete list can be found in Circular A-122 or CFR 230.

**Costs, Direct:** Costs that can be identified specifically with a particular project or activity. Example: staff salary or a fraction of a staff’s salary based on time and effort spent on a grant project; materials for a specific grant program; travel for the program; rent for the office space of staff working on the specific program or grant. Also known as Specific Costs.

**Costs, Indirect:** Costs that are incurred for a common or joint purpose benefitting more than one activity. As such, they are not readily assignable to a sole, specific project or activity, because they are shared across several activities, grants, or programs. Example: insurance, rent, utilities, administrative support, IT support, printing/photocopies (unless machine has a function to track usage). Also known as Shared or Common Costs.

**Costs, Unallowable:** Costs that do not pertain to the grant or costs that are in excess of specified guidelines are two examples of unallowable costs. Please see Circular A-122 or CFR 230 for a list of allowable and unallowable costs.

**-D-**

**Decrease in Net Assets:** For a specified period, expenses exceed revenue. This is also referred to as a loss.

**Deficit:** Occurs when expenses are greater than revenue.

**Depreciation:** The allocation of an asset’s cost over time throughout its useful life.

**Depreciation, Straight Line Method:** The simplest and most popular formula to measure depreciation. The annual depreciation expense is calculated as the original cost of the asset minus its remaining residual value. This is then divided by its useful life.

**Direct Costs:** See Costs, Direct

**-F-**

**Federal Reporting.gov:** FederalReporting.gov is the central government-wide data collection system for Federal Agencies and Recipients of Federal awards under Section 1512 of the Recovery Act. Recipients will access FederalReporting.gov in order to fulfill their reporting obligations. Federal Agencies, Prime Recipients, and Sub Recipients are required to submit data on a quarterly basis for grants, loans, and federally awarded contracts under the Recovery Act.

**FFATA:** The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. The intent is to empower every American with the ability to hold the government accountable for each spending decision. The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website, which is www.USASpending.gov.

**Financial Statement**: A comprehensive written report that typically includes a Balance Sheet, Income Statement, Statement of Cash Flows, and a Statement of Functional Expenses; a written report that quantitatively describes the financial health of an organization. Financial Statements are often quarterly or annual.

**Fiscal Year:** An accounting period of 365 days, but not necessarily starting on January 1st.

**Fixed Cost:** A cost that does not vary depending on the number of programs run, for example, rent and insurance.

**FPOC:** Financial Point of Contact

**FSRS:** The Federal Funding and Transparency Act Sub award Reporting System (FSRS) is the reporting tool Federal prime awardees (i.e. prime contractors and prime grants recipients) use to capture and report sub-award and executive compensation data regarding their first-tier sub-awards to meet the FFATA reporting requirements. *See also* FFATA.

**FVPSA:** Family Violence Prevention and Services Act

**-G-**

**GAAP:** Generally Accepted Accounting Principles, established by the Financial Accounting Standards Board. The GAAP serves as the gold standard for financial management. GAAP uses the Accrual Accounting method.

**GAN:** GAN is the commonly used acronym for a Grant Adjustment Notice submitted in the Grant Management System for changes in grant project scope, time, and budget.

**GFMD:** The Grants Financial Management Division is part of the Office on Violence Against Women.

**GMS:** Grants Management System

**-I-**

**Income Statement:** A summary of an organization's revenue and expenses during a particular accounting period. Also known as a Statement of Activities or a Profit and Loss ("P&L") Statement.

**Increase in Net Assets:** For a specified period, income in excess of related expenses. This is also referred to as a profit.

**Indirect Costs:** See Costs, Indirect

**Indirect Cost Agreement:** In order to charge shared, indirect costs to a particular grant, an organization may choose to negotiate a rate based off the largest government contract. This rate is then used for all government contracts. These costs are usually charged to the grant as a percentage of some or all of the direct cost items in the budget, and this percentage is called the indirect cost rate.

**Internal controls:** Processes designed to ensure efficiency and effectiveness of operations, reliability of financial reporting, and compliance with applicable laws and regulations. See Appendix B for an Internal Control Checklist.

**-L-**

**Liability:** What an organization owes. Examples: Accounts Payable, Salaries and Fringe, Loans, Lines of Credit.

**Line of Credit:** A means of short-term borrowing from a bank to meet cash flow challenges. This should be used for income timing problems, not profitability problems.

**-O-**

**OIG:** Office of the Inspector General

**OJP:** Office of Justice Programs

**OMB:** Office of Management and Budget

**OVW:** Office on Violence Against Women

**-P-**

**Pass-through Revenue:** Funding provided to an organization that must be re-granted to or spent on behalf of another organization.

**Period:** A fixed period for reporting.

**Policy:** Policies are written rules and regulations guiding the functioning of an organization.

**Prepaid Expenses:** An expense that has been paid, but not yet incurred, during a given accounting period. For Example, insurance expenses paid in advance for a timeframe that has not yet begun.

**Procedure:** Procedures define how policies are implemented and followed. These are more fluid than policies.

**Profit and Loss Statement ("P&L"):** See Income Statement

**-R-**

**RCC:** RCC is a common acronym for Rape Crisis Center, a community-based sexual assault service for survivors.

**Recovery.gov:** Recovery.gov is the U.S. government's official website that provides easy access to data related to Recovery Act spending and allows for the reporting of potential fraud, waste, and abuse.

**Revenue**: Nonprofits have two types of revenue: earned revenue and contributed support. Includes grants from governmental agencies and foundations, donations and membership fees from individuals, income from fundraising and development activities, payments or fees for services, and investments streams.

**Revenue, Earned**: Income received through exchange transactions. Example: service provided or a product sold. Common forms of earned revenue include conference or training fees, service fees, product sales, or government contracts. In the accrual accounting method, earned revenue is recorded when the income is earned, not when cash is actually received.

**Rider:** A provision in an insurance policy allowing for amendments to its terms and/or coverage.

**-S-**

**Section 1512:** Recipient Reporting under the American Recovery and Reinvestment Act of 2009

**Statement of Activities:** See Income Statement

**Statement of Financial Position:** See Balance Sheet

**Statement of Functional Income and Expenses:** This report matches income and expense by function, for example, key programs, administration, and fundraising. This statement is used to evaluate surplus/deficit status of each activity.

**Straight Line Method:** See Depreciation, Straight Line Method

**Surplus:** Occurs when income is greater than expenses.

**-T-**

**Temporarily Restricted Net Assets:** Net assets that are to be spent for a specific purpose or during a restricted period of time.

**-U-**

**Unallowable Costs:** See Costs, Unallowable

**Useful Life:** Time period during which an asset is expected to be usable. A computer and software generally has a useful life of 3 years (36 months). See http://www.irs.gov/publications/p946/ch01.html.

**-V-**

**VAWA:** Violence Against Women Act

**VOCA:** Victims of Crime Act

**Variable Cost:** A cost that depends on volume. Example, the cost of counseling depends on the number of counseling hours the agency provides.

**-W-**

**www.USASpending.gov:** The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website, which is www.USASpending.gov. *See also* FFATA.

# Appendix B: Internal Controls Checklist

| | Yes | No | Not Sure | Not Applicable | If No / NS date to correct |
|---|---|---|---|---|---|
| **Cash Receipts** | | | | | |
| 1. Are checks endorsed “for deposit only” immediately upon receipt? | ______ | ______ | ______ | ______ | ______ |
| 2. Does someone prepare a daily list of all cash and checks immediately upon receipt? | ______ | ______ | ______ | ______ | ______ |
| 3. Are duplicate deposit slips and copies of checks retained in the files? | ______ | ______ | ______ | ______ | ______ |
| 4. Is the person who has custody of actual cash and checks different from the person recording them and acknowledging them in case of contributions? | ______ | ______ | ______ | ______ | ______ |
| 5. Are all cash and checks deposited intact and on a timely basis? | ______ | ______ | ______ | ______ | ______ |
| 6. Are restricted contributions clearly identified and recorded as restricted on the general ledger? | ______ | ______ | ______ | ______ | ______ |
| 7. Is all cash received, counted and verified by two employees? | ______ | ______ | ______ | ______ | ______ |
| 8. When events involve admission fees, does the agency issue pre-numbered tickets, with a record of tickets printed, issued, used and unused, which is then compared to funds deposited? | ______ | ______ | ______ | ______ | ______ |
| 9. Does the organization send acknowledgements to contributors and are copies of or record of such acknowledgements kept on file? | ______ | ______ | ______ | ______ | ______ |

| | Yes | No | Not Sure | Not Applicable | If No / NS date to correct |
|---|---|---|---|---|---|
| **Cash Disbursements** | | | | | |
| 10. Are all disbursements, except those from petty cash, made by pre-numbered checks? | ______ | ______ | ______ | ______ | ______ |
| 11. Are void checks preserved and filed after appropriate mutilation? | ______ | ______ | ______ | ______ | ______ |
| 12. Is there a written prohibition against issuing checks payable to “cash”? | ______ | ______ | ______ | ______ | ______ |
| 13. Is there a written prohibition against signing checks in advance? | ______ | ______ | ______ | ______ | ______ |
| 14. Is a cash disbursement voucher prepared for each invoice or request for reimbursement that details the description of expense account to be charged and contains authorization signature and accompanying receipts and/or vendor invoices? | ______ | ______ | ______ | ______ | ______ |
| 15. Are all expenses approved in advance by authorized persons? | ______ | ______ | ______ | ______ | ______ |
| 16. Do the check signors review supporting documentation of expenses and approvals at the time of signing checks? | ______ | ______ | ______ | ______ | ______ |
| 17. Are signed checks mailed promptly? | ______ | ______ | ______ | ______ | ______ |
| 18. Are paid invoices marked paid or attached to a copy of the check prior to filing? | ______ | ______ | ______ | ______ | ______ |
| 19. Are requests for reimbursement checked for mathematical accuracy and reasonableness before approval? | ______ | ______ | ______ | ______ | ______ |
| 20. Is check-signing authority vested in persons at appropriately high levels in the organization who do not have any accounting responsibility? | ______ | ______ | ______ | ______ | ______ |
| 21. Do checks require two signatures? | ______ | ______ | ______ | ______ | ______ |

| | Yes | No | Not Sure | Not Applicable | If No / NS date to correct |
|---|---|---|---|---|---|
| 22. Are bank statements and cancelled checks received and reviewed by a person independent of the accounting functions? | ________ | ________ | ________ | ________ | ________ |
| 23. Are unpaid invoices maintained in an unpaid invoice file? | ________ | ________ | ________ | ________ | ________ |
| 24. Is a list of unpaid invoices regularly prepared, reviewed and compared to those invoices in the unpaid invoice file? | ________ | ________ | ________ | ________ | ________ |
| 25. If purchase orders are used, are all purchases supported by a pre-numbered purchase order? | ________ | ________ | ________ | ________ | ________ |
| 26. Are advance payments to vendors and/or employees recorded as receivables and controlled in a manner that assures that they will be offset against invoices or expense vouchers? | ________ | ________ | ________ | ________ | ________ |
| 27. Are employees required to submit expense reports for all travel related expenses on a timely basis? | ________ | ________ | ________ | ________ | ________ |
| **Petty Cash** | | | | | |
| 28. Is a petty cash fund maintained for payment of small, incidental expenses? | ________ | ________ | ________ | ________ | ________ |
| 29. Does the organization follow a policy limiting the amount that can be reimbursed by the petty cash fund? | ________ | ________ | ________ | ________ | ________ |
| 30. Is supporting documentation required for all petty cash disbursements? | ________ | ________ | ________ | ________ | ________ |
| 31. Is a petty cash voucher filled out with supporting documentation, name of person being reimbursed, and proper authorization? | ________ | ________ | ________ | ________ | ________ |
| 32. Is access to petty cash limited to one person who is the fund custodian? | ________ | ________ | ________ | ________ | ________ |

| | Yes | No | Not Sure | Not Applicable | If No / NS date to correct |
|---|---|---|---|---|---|
| 33. Are unannounced counts of petty cash made by someone within the organization other than the fund custodian? | ________ | ________ | ________ | ________ | ________ |
| **Payroll** | | | | | |
| 34. Are time sheets required documenting employee hours, overtime and what activity the employee worked on? | ________ | ________ | ________ | ________ | ________ |
| 35. Are time sheets signed by employees and reviewed and signed by their immediate supervisors? | ________ | ________ | ________ | ________ | ________ |
| 36. Are employment records maintained for each employee that detail wage rates, benefits, tax rates, and other pertinent information? | ________ | ________ | ________ | ________ | ________ |
| 37. Are withheld employment taxes and employer taxes paid on a timely basis to the taxing authorities? | ________ | ________ | ________ | ________ | ________ |
| 38. Do written policies and procedures exist for accounting for vacations, holidays, sick leave, and other benefits? | ________ | ________ | ________ | ________ | ________ |
| **Fixed Assets** | | | | | |
| 39. Does the organization have a capitalization and depreciation policy? | ________ | ________ | ________ | ________ | ________ |
| 40. Are additions to fixed assets recorded in a fixed asset ledger? | ________ | ________ | ________ | ________ | ________ |
| 41. Does the fixed asset ledger list description of each item, serial number, location, date of acquisition, cost, or fair value if donated, useful life, depreciation method, accumulated depreciation, and funding source if funds were provided by a funding source with restrictions on disposition of assets? | ________ | ________ | ________ | ________ | ________ |
| 42. Is the fixed asset ledger reconciled with the general ledger periodically? | ________ | ________ | ________ | ________ | ________ |

| | Yes | No | Not Sure | Not Applicable | If No / NS date to correct |
|---|---|---|---|---|---|
| 43. Are purchase, transfer and disposal of fixed assets promptly recorded in the ledger? | ________ | ________ | ________ | ________ | ________ |
| 44. Does the organization conduct a physical inventory annually and update the fixed asset and the general ledgers? | ________ | ________ | ________ | ________ | ________ |
| **Financial Statements** | | | | | |
| 45. Is a statement of financial position prepared monthly and reviewed by the management and the finance committee? | ________ | ________ | ________ | ________ | ________ |
| 46. Are monthly reports comparing income and expenses with approved budget by activity and for the organization as a whole prepared and reviewed by the management and the finance committee? | ________ | ________ | ________ | ________ | ________ |
| 47. Is an updated cash flow projection prepared and reviewed by the management and the finance committee? | ________ | ________ | ________ | ________ | ________ |
| **General Area** | | | | | |
| 48. Is a chart of accounts used? | ________ | ________ | ________ | ________ | ________ |
| 49. Does the chart of accounts provide for tracking expenses by activity? | ________ | ________ | ________ | ________ | ________ |
| 50. Does the chart of accounts provide for tracking direct and indirect expenses if the organization receives federal funds? | ________ | ________ | ________ | ________ | ________ |
| 51. Does the chart of accounts provide for tracking unallowable costs if the organization expends federal funds? | ________ | ________ | ________ | ________ | ________ |
| 52. Are accounting and program staff knowledgeable about all fund source rules, regulations and requirements? | ________ | ________ | ________ | ________ | ________ |
| 53. Is fund accounting used to track restricted grants and the spending related to them? | ________ | ________ | ________ | ________ | ________ |

| | Yes | No | Not Sure | Not Applicable | If No / NS date to correct |
|---|---|---|---|---|---|
| 54. Are accounting records up to date, and monthly financial statements prepared on a timely basis (timely being defined as 10 days to 3 weeks maximum)? | ________ | ________ | ________ | ________ | ________ |
| 55. Does the Board of Directors approve the annual budget? | ________ | ________ | ________ | ________ | ________ |
| 56. Does an accounting procedure and policies manual exist that is reviewed and revised annually? | ________ | ________ | ________ | ________ | ________ |
| 57. Do accounting staff take annual vacation and are their basic duties performed by someone else in their absence? | ________ | ________ | ________ | ________ | ________ |
| 58. Are all appropriate federal, state, and local information returns filed on a timely basis? | ________ | ________ | ________ | ________ | ________ |

# Appendix C: Purchase Orders (If Applicable)

1) Information NEEDED for Purchase Order

    a. Name of the vendor (same as name stated on invoice)

    b. Description of the purchase (office supplies, services, food for xyz event, etc)

    c. Best total estimated amount or negotiated unit cost

    d. Grant (functional area when a grant does not apply directly, or activity for unallowable costs)

    e. Signature of approval

    f. Person who requests the purchase

    g. If it's a credit card charge, please indicate as such.

2) Purchase Order Books will be maintained by no more than two staff

    a. Bookkeeper

    b. Fiscal Manager

3) When you are ready to place an order, go to one of the staff above to fill out the P.O.

4) Purchase Order Copies-

    a. White - stays intact with the book.

    b. Yellow – submit Yellow copy to Accounts Payable to inform them of the purchase and await vendor invoice. This will be used along with the Pink copy to process invoices for payments. The yellow copy should be updated with the final cost.

    c. Pink copy-

        1 The purchaser keeps the Pink copy after filling out the P. O.

        2 You will indicate on the Pink form the date goods received and/or services delivered.

        3 You will return the completed Pink copy along with the packing slip to Accounting.

    d. Accounting will proceed with the payment processing after receiving all the above documents and the invoice.

    e. If a Purchase is canceled, the purchase order copies should be marked Canceled and returned to accounting.

**Note:** Accounting will NOT process invoices for payment WITHOUT your completed PINK copy and packing slips (if applicable).

# Appendix D:  Invoicing/Grant Control Checklist

**Organization Name**
**Invoicing/Grant Control Checklist**

*This is a template or example of a (delete) checklist to facilitate control of grant reimbursement, grant documentation, grant reports, invoices for exchange payments, and accounts receivable. It is updated manually each month, submitted for Executive Director approval and signature on vouchers where required, receipt of funds, disbursement of sub awards, and filed for auditing preparation. (Delete the following after customization - Funders, types of reimbursement, grants, and check off items will vary. Revise as needed.*

## State Revenue (without sub awards)

1. Grant (Agency)
   - Number of Copies: X    Organization Name Amt: ________________

   ____ Progress / Activity Report (responsibility - Frequency)
   ____ Financial Report (responsibility - Frequency)
   ____ Invoice # _________ (System, ex. QuickBooks)
   ____ Voucher
   ____ Additional Documentation (list what is required, ex. Receipts or Invoices paid)
   ____ Submitted by Funder's Request System or mail    Date: ____________________
   ____ Received payment or deposit    Date: ____________________

2. Grant (Agency)
   - Number of Copies: X    Organization Name Amt: ________________

   ____ Progress / Activity Report (responsibility - Frequency)
   ____ Financial Report (responsibility - Frequency)
   ____ Invoice # _________ (System, ex. QuickBooks)
   ____ Voucher
   ____ Additional Documentation (list what is required, ex. Receipts or Invoices paid)
   ____ Submitted by Funder's Request System or mail    Date: ____________________
   ____ Received payment or deposit    Date: ____________________

3. Grant (Agency)
   - Number of Copies: X    Organization Name Amt: ________________

   ____ Progress / Activity Report (responsibility - Frequency)
   ____ Financial Report (responsibility - Frequency)
   ____ Invoice # _________ (System, ex. QuickBooks)
   ____ Voucher
   ____ Additional Documentation (list what is required, ex. Receipts or Invoices paid)
   ____ Submitted by Funder's Request System or mail    Date: ____________________
   ____ Received payment or deposit    Date: ____________________

## *State Revenue with Sub Awards*

4. Grant (Agency)
    - Number of Copies: X

Sub Award Amt: ______________
Organization Name Amt: ______________
Total: ______________

____ Progress / Activity Report (responsibility - Frequency)
____ Financial Report (responsibility - Frequency)
____ Invoice # _________ (System, ex. QuickBooks)
____ Voucher
____ Additional Documentation (if required, ex. Receipts or Invoices paid)
____ Submitted by Funder's Request System or mail Date: __________________
____ Received payment or deposit Date: __________________
____ Sub Award Checks Mailed Date: __________________

5. Grant (Agency)
    - Number of Copies: X

Sub Award Amt: ______________
Organization Name Amt: ______________
Total: ______________

____ Progress / Activity Report (responsibility - Frequency)
____ Financial Report (responsibility - Frequency)
____ Invoice # _________ (System, ex. QuickBooks)
____ Voucher
____ Additional Documentation (if required, ex. Receipts or Invoices paid)
____ Submitted by Funder's Request System or mail Date: __________________
____ Received payment or deposit Date: __________________
____ Sub Award Checks Mailed Date: __________________

6. Grant (Agency)
    - Number of Copies: X

Sub Award Amt: ______________
Organization Name Amt: ______________
Total: ______________

____ Progress / Activity Report (responsibility - Frequency)
____ Financial Report (responsibility - Frequency)
____ Invoice # _________ (System, ex. QuickBooks)
____ Voucher
____ Additional Documentation (if required, ex. Receipts or Invoices paid)
____ Submitted by Funder's Request System or mail Date: __________________
____ Received payment or deposit Date: __________________
____ Sub Award Checks Mailed Date: __________________

### *Federal Revenue*

7. Grant (Agency)
   - Number of Copies: X            Organization Name Amt: _______________

____ Progress / Activity Report (responsibility - Frequency)
____ Financial Report (responsibility - Frequency)
____ Invoice # _________ (System, ex. QuickBooks)
____ Submitted by Funder's Request System or mail      Date: ___________________
____ Received payment or deposit      Date: ___________________

8. Grant (Agency)
   - Number of Copies: X            Organization Name Amt: _______________

____ Progress / Activity Report (responsibility - Frequency)
____ Financial Report (responsibility - Frequency)
____ Invoice # _________ (System, ex. QuickBooks)
____ Submitted by Funder's Request System or mail      Date: ___________________
____ Received payment or deposit      Date: ___________________

### Other Revenue - Vouchers/Draw downs

*Reimbursement schedule varies*

9. Grant (Agency)
   - Number of Copies: X            Organization Name Amt: _______________

____ Progress / Activity Report (responsibility - Frequency)
____ Financial Report (responsibility - Frequency)
____ Invoice # _________ (System, ex. QuickBooks)      Date (or NA): _____________
____ Drawdown Request (Quarterly, Semiannual)
____ Additional Documentation (list what is required, ex. Receipts or Invoices paid)
____ Submitted by Funder's Request System or mail      Date (or NA): _____________
____ Received payment or deposit      Date (or NA): _____________

### Exchange Transactions

10. Agency
   - Number of Copies: X            Organization Name Amt: _______________

____ Invoice # _________ (System, ex. QuickBooks)      Date (or NA): ______________
____ Progress / Activity Report (responsibility - Frequency)
____ Financial Report (responsibility - Frequency)
____ Additional Documentation (list what is required, ex. Travel form, Receipts)
____ Submitted by Funder's Request System or mail      Date (or NA): _____________
____ Received payment or deposit      Date (or NA): _____________

**Approved by:** Organization Name ______________________________________________

Executive Director

# APPENDIX E: SAMPLE TIMESHEETS

## Appendix E - Sample 1.1 – Entering Hours by Activity and Grant

Enter your hours in the columns that are highlighted in blue.

**Grant Codes**

| | Date | Total hours | (A) | (B) | (C) | (D) | (E) | (F) |
|---|---|---|---|---|---|---|---|---|
| | | | *SA Services* | | | *Youth Specific SA Services* | | |
| | | | *Advocacy* | *Outreach and Education* | *Support Group* | *Advocacy* | *Outreach and Education* | *Support Group* |
| | | | CSBG-2DV | CDD | CDD | CSBG-2DV | CDD | CDD |
| F | 2/4/11 | | | | | | | |
| S | 2/5/11 | | | | | | | |
| S | 2/6/11 | | | | | | | |
| M | 2/7/11 | 7 | 1 | 0.5 | | 3 | 1.5 | 1 |
| T | 2/8/11 | 7 | 1 | | 1 | 3 | 2 | |
| W | 2/9/11 | 7.25 | 0.75 | 0.5 | 0.5 | 5 | | 0.5 |
| Th | 2/10/11 | 7 | 1.5 | 1.5 | 1 | 3 | | |
| | | 28.25 | | | | | | |
| F | 2/11/11 | 7.75 | 2.5 | 1 | 1 | 3.25 | | |
| S | 2/12/11 | | | | | | | |
| S | 2/13/11 | | | | | | | |
| M | 2/14/11 | 7 | 1.5 | 1 | | 3 | | 1.5 |
| T | 2/15/11 | 7 | 4 | 1 | 1 | | 0.5 | 0.5 |
| W | 2/16/11 | 7 | 3 | 0.5 | 1 | 2 | 0.5 | |
| Th | 2/17/11 | 7 | 2 | 2 | 0.5 | 2 | 0.5 | |
| | | 35.75 | 27% | 13% | 9% | 38% | 8% | 5% |

## Appendix E - Sample 1.2 – Summary Hours by Grant and Other Time entry

**Grant Codes**

PAY PERIOD 2/4/11 to 2/17/11

| | Date | Hours Worked by Program: CSBG-2DV | CDD | | | Total Hours Worked | Claimed Leave-Time: CPAF Holiday | Floating Holiday | Sick | Vac | Election | Jury duty/ bereavemt | Total Hours Paid |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| F | 2/4/11 | | | | | | | 7 | | | | | 7 |
| S | 2/5/11 | | | | | | | | | | | | |
| S | 2/6/11 | | | | | | | | | | | | |
| M | 2/7/11 | 4 | 3 | | | 7 | | | | | | | 7 |
| T | 2/8/11 | 4 | 3 | | | 7 | | | | | | | 7 |
| W | 2/9/11 | 5.75 | 1.5 | | | 7.25 | | | | | | | 7.25 |
| Th | 2/10/11 | 4.5 | 2.5 | | | 7 | | | | | | | 7 |
| WEEKLY TOTAL | | 18.25 | 10 | | | 28.25 | | 7 | | | | | 35.25 |
| F | 2/11/11 | 5.75 | 2 | | | 7.75 | | | | | | | 7.75 |
| S | 2/12/11 | | | | | | | | | | | | |
| S | 2/13/11 | | | | | | | | | | | | |
| M | 2/14/11 | 4.5 | 2.5 | | | 7 | | | | | | | 7 |
| T | 2/15/11 | 4 | 3 | | | 7 | | | | | | | 7 |
| W | 2/16/11 | 5 | 2 | | | 7 | | | | | | | 7 |
| Th | 2/17/11 | 4 | 3 | | | 7 | | | | | | | 7 |
| WEEKLY TOTAL | | 23.25 | 12.5 | | | 35.75 | | | | | | | 35.75 |
| TOTAL FOR PAY PERIOD | | 41.5 | 22.5 | | | 64 | | 7 | | | | | 71 |

Comments:

**Certification**

Attendance, absences and overtime recorded are accurate, verified and/or in accordance with legal requirements and prescribed directives.

Name

*Program Associate*

Title

Employee Sign

Supervisor's Signature

| Type of Leave | Beginning Balance | Accrued this P/P | Claimed this P/P | Ending Balance |
|---|---|---|---|---|
| Floating Holiday | 12.00 | - | 7.00 | 5.00 |
| Sick | 64.93 | 3.23 | - | 68.16 |
| Vacation | 16.67 | 2.69 | - | 19.36 |

## Appendix E - Sample 2 – Employee Time Distribution Report

USA Company
1776 Demoracy Boulevard
Washington, D.C. 20099

Employee Name: ____________________

| | 1st Week | | | | | | | 2nd Week | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sunday | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Total |
| Summary of Work Hours | | | | | | | | | | | | | | | |
| Direct Program/Grant/Contract Activities* | | | | | | | | | | | | | | | |
| Project # 1 | | | | | | | | | | | | | | | 0 |
| Project # 2 | | | | | | | | | | | | | | | 0 |
| Project # 3 | | | | | | | | | | | | | | | 0 |
| Project # 4 | | | | | | | | | | | | | | | 0 |
| Indirect Activities** | | | | | | | | | | | | | | | 0 |
| Subtotal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Summary of Non-Work Hours - Release Time | | | | | | | | | | | | | | | |
| Annual Leave | | | | | | | | | | | | | | | 0 |
| Sick Leave | | | | | | | | | | | | | | | 0 |
| Holiday | | | | | | | | | | | | | | | 0 |
| Other*** | | | | | | | | | | | | | | | 0 |
| Subtotal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Employee Signature ____________________ Date: ________ Supervisor Signature ____________________ Date: ________

General Note on this Exhibit: - This sample time distribution report is intended to show the minimum requirements that organizations need to capture to comply with applicable regulations to support claims for salaries and wages. For additional information on these requirements, see OMB Circular A-122, Attachment B, 8.M.

Notes:
* "Projects" must be specifically identified to the actual program worked with name/title/code, etc. Note that "fundraising" is considered a direct activity.
** Indirect - can be changed, or a row can be added showing G&A, Overhead Onsite/Offsite, if applicable.
*** "Other" could include other types of leave. If so, they must be identify here or detailed in the organizations' cost policy statement.

US Department of Labor; Division of Cost Determination — Office of Acquisition Management Services
Indirect Cost Determination Guidance: Exhibit B-1
http://www.dol.gov/oasam/programs/boc/costdeterminationguide/

# Appendix F: Separation of Duties

*(The following list of separation of duties may be used to augment procedures that are in use that do not effectively or uniformly document the separation of duties)*

To reduce the chance of fraud and increase financial data accuracy, the following tasks have been assigned to different individuals.

| **Task** | **Responsibility** |
|---|---|
| Checks received in the mail and entered into a log | Position Title |
| Preparing deposits | Operations Director |
| Deposit at the bank | Position Title |
| Deposit posted into accounting system | Fiscal Manager |
| Invoices received in the office and date stamped | Position Title |
| Invoices prepared by | Fiscal Manager |
| Invoices approved for paying | Executive Director |
| Checks printed by | Position Title |
| Checks signed & approved by | Fiscal Manager / Executive Director, Board Treasurer / Board Chair |
| Checks mailed by | Position Title |
| Bank statements reconciled by | Fiscal Manager |
| Bank statement review and reconciliation approved by | Executive Director & Board Treasurer |
| Developing financial reports for the board | Fiscal Manager / Executive Director / Board Treasurer |
| Charging Credit purchases approved by | Fiscal Manager / Executive Director |
| Filing and paying quarterly payroll taxes | Payroll Services |
| Tax Filing after annual audit by | CPA |

# Index