Policies and Procedures Handbook

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PREFACE

This handbook was created to assist you in developing policies and procedures to ensure the effective and efficient management of your programs and organization. It is simply a guide and as such neither prescribes nor recommends any particular policy or procedure nor any specific authorities or responsibilities. Samples and examples are just that. They are included for illustrative purposes only and may not be applicable to or appropriate for any particular organization.

Each policy and procedure is accompanied by background information, suggested action steps and items to consider in creating customized documents that match your organization's needs. There are limited sample forms included for your reference, but this handbook is really a guide to step you through the process of developing your own policies and procedures.

Your Board of Directors is a resource that is invaluable as you create, review or update your policies. When considering a sample policy or procedure, be sure to read them thoroughly and make appropriate changes to ensure they match your organizational needs.

Written policies and procedures are essential to the effective and efficient operations of your programs and organization. As you review each of the sections keep in mind that the policies and procedures you develop need to be appropriate to your organization and clearly communicated to everyone from the board to the staff. Clear communication is the first step in creating good internal controls and outlining the expectations of all individuals involved in the operations. Creation of written policies and procedures is not the end of the project. They need to be distributed to appropriate staff. There also should be an implementation plan to train your staff on all policies and procedures and conduct periodic assessments to ensure they are being followed. The process continues with at least an annual review of policies and procedures and updates as appropriate. Your organization's policies and procedures should become a reference document for you and all staff, volunteers and Board Members.

The handbook can serve as a guide for many different types of organizations. The terminology used throughout the material will vary based on the type of organization referenced. For example, when referring to an organization's Board of Directors, a Board is the governing body of a non-profit organization. Commissioners are the governing body for State Commissions and are appointed by the Governor. In either case, the Board of Directors and Commissioners are the governing body that guides the organization.

GOVERNING POLICIES AND PROCEDURES

We begin with basic organizational documents, which are not "policies and procedures" as such, but are important in communicating the purpose of the organization and the programs that are run by the organization. Knowledge of this information provides the reader, with the purpose of the organization that clarifies why the organization was formed.

Mission Statement

Background: A mission statement is a short statement that gives the organization's purpose for existence. This is typically a simple one liner that will easily identify your organization with its programs and objectives. The statement can be a very effective means of communicating your purpose and programs to your constituents.

Bylaws

Background: Bylaws designate the rules of operation for the organization in the means of fixed policies. These are the basic rules established by the initial board as they are founding the organization. The bylaws usually address items such as board operations (number of Board Members, officers, board terms, term limits, annual meeting dates, and voting), board meetings (quorums, location, regularity, special meetings, notice of meetings), committee structure (additional boards, specially designated committees, rules of committee operations), officers (election, term, roles and responsibilities), financial matters (establishment of fiscal year, budgeting, authorize those who can commit the organization to a liability, authorized signers), and amendments (procedures for changing articles of incorporation and bylaws).

This document should be kept in a safe place and available for reflection and reference. When a question arises as to the proper structure, quorums, approved transactions, the bylaws are often the document that will describe the proper way to proceed.

Articles of Incorporation

Background: The Articles of Incorporation state the organization's reason for existence. This typically includes its name, its mission statement, outlines how assets will be distributed upon dissolution, names initial officers and directors.

This is a document that is filed with the appropriate state authority by all non-profit organizations. If you are a part of a state government then you will not have this document.

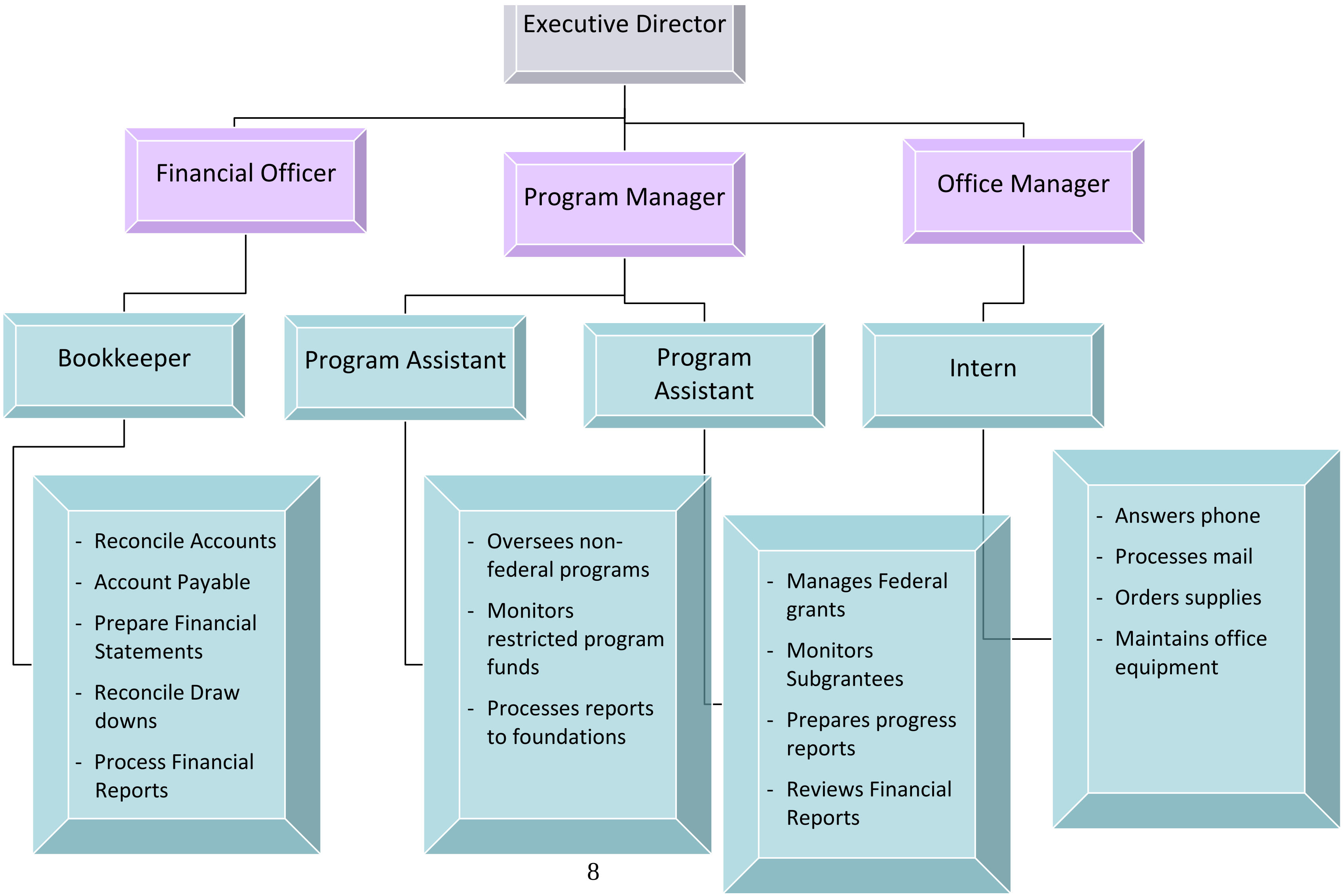
Organizational Chart

Background: An organizational chart is a visual description outlining the chain of command within an organization. It clearly identifies the line of authority. This is a critical document that should be distributed to board, staff and volunteers.

Action Steps: Complete a chart that will clearly outline your operating hierarchy. You want to clearly include where your program sits within the organization and the appropriate avenues for reporting. Who is responsible for administering the CNCS grant program? How do those responsibilities flow through the organizational chart? Who is responsible for administering the CNCS grant program? How do those responsibilities flow through the organizational chart? See the sample on the next page.

The annual review of the organization chart, as with all other policies and procedures is critical to helping ensure they are as current, complete and accurate as possible. When there are organizational changes, the organization chart should be updated and expanded as necessary.

ORGANIZATIONAL CHART



Board/Commission Duties and Responsibilities

Background: Just as an employee receives a job description, it is important to communicate the expectations and duties to the governing Board of Directors. Board of Directors should receive a similar job description that lists out their duties and responsibilities. The Board of Directors is selected for service with your organization because of their various strengths and talents. It is also the duty of the organization to ensure that board members' duties and responsibilities are clearly communicated to ensure maximum benefit and guidance.

At its core, the board's job is to be sure that the organization meets all applicable standards. The board is responsible for seeing that the organization develops the capacity to meet those standards.

General Responsibilities:

- √ Appointment, support and monitoring of executive staff
- √ Clarify the mission of the organization
- √ Approve long term plans
- √ Oversee operations
- √ Ensure financial stability
- √ Assess board performance
- √ Oversees the administration and monitoring of grants
- √ Conduct regular meetings

Fiduciary Responsibilities:

- √ Review/Audit of financial records annually by an Independent Accountant
- √ Create a budget, approval and ongoing monitoring
- √ Review of financial statements on a regular basis (monthly, quarterly)
- √ Create of a system which is conducive to sound day-to day financial management of the organization, including good internal controls.
- √ Oversee requirements of federal grants programs are met and completed.

Action Steps: The duties and responsibilities should be concise and clearly communicated in writing to each individual. The following are items that may be included: term of service, committee assignments, dates of meetings, list of full Board Members, and expectations. See Appendix A for a sample.

Board Meetings

Background: The timing of board meetings should be clearly communicated to all Board Members and staff. This is also an opportunity to outline the important aspects of board meetings such as: quorum requirements, attendance expectations, remote access, proxy voting, board packet distribution methods, and annual meeting dates, etc.

Action Steps: The meeting schedules and requirements vary by each type of organization. The information regarding minimal meeting requirements can be most commonly located in an organization's bylaws. Determine which aspects are the most important to communicate to your board. Prepare an annual meeting schedule and a summary of meeting requirements. Distribute to all Board Members at the annual meeting. There should also be a protocol established for notification of board meetings, researching and utilizing the new laws governing electronic notification.

Board Orientation & Evaluation

Background: The training of Board Members is very important to the effectiveness of the board. Board orientation is a time in which the new board is educated about their duties and responsibilities in relation to the organization.

Action Steps: Board orientation is a wonderful opportunity to engage senior management and experienced Board Members in briefing new members. Regardless of whether Board Members were asked to join the board or were appointed to the Commission by the Governor, it is essential to provide them with the appropriate tools and training so they may serve the organization as effectively and efficiently as possible.

Items to consider:

- √ What information has been provided to the prospective Board Member?
- √ What do you know about the prospective Board Member? Consider having them complete an informational survey, indicating their background and areas of interest within the organization. This is a great way to tap into hidden expertise. The survey will also help to match the needs of the organization with the talents of the board.
- √ Provide the prospective member with a board packet/manual that outlines the critical information about the organization. Various recommendations are: mission statement, financial statements, newsletter, website, and board meeting information, duties and responsibilities, and a conflict of interest policy.
- √ Is the organization providing Director's and Officer's Liability insurance?

Employee Manual

Background: The employee manual is the opportunity for management to clearly communicate with new staff members the policies and procedures of the organization. This manual will contain the materials that employees will refer to often throughout their employment. It should be complete and concise and the employee should acknowledge receipt of the manual.

Suggested policies/statements to include in the employee manual:

- √ Employment Statement (Is employment on an at-will basis?)
- √ Background information about the organization (mission, history, etc.)
- √ Equal Opportunity Employment/Anti-Discrimination
- √ Nepotism and Personal Relationships
- √ New Employee Orientation
- √ Exempt and Non-exempt Employees
- √ Anti-Harassment Policy
- √ Disciplinary Procedures
- √ Use of Organization Equipment and Internet
- √ Confidentiality Statement
- √ Conflict of Interest Policy
- √ Code of Ethics

√ Work Schedules and Hours of Operation
√ Overtime Policy and Weekend Pay
√ Time Keeping Procedures
√ Pay Period, Payroll and Payroll Deductions
√ Evaluations
√ Severance Policy
√ Employee Benefits
  → Vacation
  → Sick Leave
  → Holiday
  → Maternity Leave
  → Bereavement Leave
  → Leave without Pay
  → Family and Medical Leave
  → Flextime
  → Religious Observances
  → Jury Duty
  → Time off to Vote
  → Military Leave
√ Health Benefits
  → Medical/Dental Insurance
  → COBRA (Consolidated Omnibus Budget Reconciliation Act)
  → Life Insurance
  → Disability Insurance (Short and/or Long Term)
  → Worker's Compensation
  → Retirement Plan
√ Dress Code
√ Professional Development
√ Reimbursement of Travel Expenses
√ Safety in the Workplace
√ Drug-Free Workplace
√ Smoke-Free Workplace
√ Whistleblower
√ Organization Credit Card Use Policy (If company credit cards are issued)

Action Steps: Creating the employee manual is a responsibility of the board and senior management. It may be considered a legal document and it is very important to receive the advice of legal counsel in the creation and revision of the document. The employee manual is a partial representation of the ethics of the organization. The more detailed the manual, the less the opportunity for miscommunication.

Items to Consider:

- √ What type of legal entity is the organization? Non-profit, educational, government, unit of state or local government
- √ What is the oversight of the organization?
- √ What policies are important to be communicated upon hire? See proceeding list as reference
- √ Acknowledgement forms that cover policies that you want to have written confirmation of the employees receiving and accepting the rules.

Records Retention and Destruction

Background: Organizations should have a formal records retention and destruction policy. Sarbanes-Oxley Act of 2002 is a United States federal law passed in response to a number of major corporate and accounting scandals that addresses many issues with accountability with corporations. There are two components of Sarbanes-Oxley that directly impact the non-profit sector which include records retention and whistleblower protection. Records retention is not a new requirement; however Sarbanes-Oxley is an effective reminder of its importance. If your organization isn't a non-profit, utilize this policy as a standard of care that is appropriate for all organizations serving the public. Records retention is also a grant requirement, so it is critical to review your grant awards and check with your auditor to be sure you are meeting the federal and state requirements. CNCS generally requires that records related to CNCS grants be retained for a minimum of three (3) years after submission of the final financial report under the grant or until after any Federal audit is completed and resolved.

Action Steps: There are several examples of various records retention and destruction policies. You will need to look within your own organization to review the files that are part of the organizations records. There are legal requirements with some documents. It is important to make a complete list of all records and be sure to check with other funders as to what their record retention requirement are, they should be included in the contracting documents. Using this information the policy should encompass all of the organization's needs and meet state and federal requirements. See Appendix B for an example of a records retention and destruction policy

Items to Consider:

- √ An inventory of all files, paper and electronic retained by your office.
- √ Are electronic files saved in a format in which it is easy to identify the date of creation to provide information to comply with destruction rules?
- √ If you have a records retention and destruction policy it is essential that you follow it. Compliance with the policy encompasses retaining records and destruction of those records.
- √ Voicemail and emails are included in the policy.
- √ Who within the office is in charge of managing the policy?
- √ When does the destruction of documents occur?
- √ How are documents destroyed?
- √ What are your funder's requirements?
- √ Where are the records stored?
- √ What are rules for enforcement and/or remedies for non-compliance with policy?

Confidentiality

Background: Many organizations deal with confidential information on a regular basis. It is critical that the Board Members and staff understand the importance of the confidentiality of information that has access to while working on the programs.

Action Steps: Determine the most effective means of communicating the importance of the confidentiality policy to board and staff. A statement such as: *All communications with the ABCD Tutoring Corporation, Inc. from any outside agency seeking business or information about any transactions shall be made directly through the ABCD Tutoring Corporation, Inc. office. No contact shall be made with individual committee members,* should be part of the board orientation and something they all agree to.

Items to Consider:

- √ Confidentiality is a policy that should not just be communicated in writing but also led by example. Everyone needs to be conscious of their actions.
- √ What information in particular is considered to be confidential and in what manner?
- √ How does confidential information differ between information that comes before staff and the board?

Conflict of Interest

Background: A good conflict of interest policy is essential for proper care of funds and helping ensure public confidence. By definition a conflict of interest is considered an activity or interest, which may cause bias for or against a particular transaction being reviewed by the staff and Board of Directors. The Internal Revenue Service (IRS) is now requiring conflict of interest policies for organizations applying for non-profit status. This is an example of one way in which the environment of accountability is changing the non-profit sector. Changes such as these will strengthen the sector and provide for greater accountability. Policies such as conflict of interest are good standards to follow, regardless of type of organization. Please refer to the Code of Federal Regulation (CFR) as it addresses conflict of interest in the Code of Conduct section.

Action Steps: All Board Members and staff should reveal any conflicts of interest for themselves or through a family relationship. It is essential that all conflicts be disclosed and each person agrees that they will abstain from voting on any matters that are viewed as an actual or potential conflict of interest. See Appendix C for a sample conflict of interest policy

Items to Consider:

- √ Senior management needs to be conscious of things also changing in the lives of the Board Members and how that will affect their conflicts of interest.
- √ Suggest having the conflict of interest forms updated and signed on an annual basis.

√ Note that conflicts of interest include activities of family members, friends and business associates.
√ All actual and potential conflicts should be disclosed even if they are deemed to be immaterial. Materiality is for the staff and board to determine.
√ Policy may require each grantee institution employing more than a certain number of persons to maintain an appropriate written and enforced policy on conflict of interest.
√ A conflict of interest policy should require key personnel to disclose to a responsible representative of the institution all significant financial interests of the key personnel, including those of the key personnel's spouse and dependent children and that would reasonably appear to be affected by the activities funded or proposed for funding by grantor; or in entities whose financial interests would reasonably appear to be affected by such activities.
√ The policy must ensure that key personnel have provided all required financial disclosure at the time any grant proposals are submitted. It must also require that those financial disclosures are updated during the period of the award, either on an annual basis, or as new reportable significant financial interests are obtained.
√ The policy must designate one or more persons to review financial disclosures, determine whether a conflict of interests exists, and determine what conditions or restrictions, if any, should be imposed by the institution to manage, reduce or eliminate such conflict of interest. A conflict of interest exists when the reviewer(s) reasonably determines that a significant financial interest could directly and significantly affect the design, conduct, or reporting of grant activities.
√ The policy must include adequate enforcement mechanisms, and provide for sanctions where appropriate.
√ The organization must include arrangements for keeping the granting agency Office of the General Counsel appropriately informed if the institution finds that it is unable to satisfactorily manage a conflict of interest.
√ Organizations must maintain records of all financial disclosures and of all actions taken to resolve conflicts of interest for at least three years beyond termination or completion of the grant to which they relate, or until the resolution of any action involving those records, whichever is longer.

Whistleblowers

Background: This is the second component of the Sarbanes-Oxley legislation that effects non-profit organizations. The purpose of the Whistleblower policy is to protect an employee and their job if they were to report misconduct by another within the organization. This is directed for the reporting of fraudulent behavior. The Whistleblower policy is a written process of dealing with employee complaints and preventing retaliation in the workplace.

Action Steps: The Whistleblower policy is completely separate from the regular chain of command. The purpose of it is to protect employees who may need to report misconduct by their Supervisors. The policy should be clearly posted in the office for all staff to see. This should be a very open policy. See Appendix D for an example of a Whistleblower policy

Items to Consider:

- √ For small organizations, it may be as simple as naming the Chairman of the board as the contact for reporting misconduct.
- √ Larger organizations may want to contract with 3rd parties that operate an 800 number reporting system. The contracting party has an 800 number that an employee can call and report their concerns anonymously. Then the contractor will contact a designated individual within the organization to report the misconduct anonymously.

Performance Evaluations

Background: Evaluations should be completed at a minimum on an annual basis for all staff and the board. The evaluation should not be as viewed just a requirement, but an opportunity to make changes to make operations more effective. Evaluations provide information as to where the organization is overall in regard to meeting their overall organizational goals and objectives.

Action Steps: The staff evaluation includes a review of prior year work plans, goals and achievements in comparison to expectations and job description. The evaluations for staff should be detailed and a tool for planning for the upcoming year's goals and individual work plans. There should be time for reflection and staff input.

The board evaluation includes a review of the annual plan, goals and achievements in comparison to expectations. There are various methods of board evaluation, some occur in an open discussion format while others consist of a written survey. This is a good opportunity for the board members, without staff, to reflect on the progress made during the year and to re-evaluate annual plans to meet the changing needs of the organization. This reflection can help the board to grow stronger.

Items to Consider:

- √ Format of evaluations and consistent use. The staff evaluations should be a helpful and learning process while also giving the opportunity for open feedback by the staff and supervisors. Expectations should be clearly communicated.
- √ The board evaluation should not be daunting task, but a tool to create a stronger board with more efficient processes and effective programs. This could be completed through an open forum at a board meeting. This can also be completed through individual survey results if confidentiality is important to the group.

Internet Usage

Background: The internet is used as a primary resource of information and access to websites for grant reporting. It is important with such wide usage that there is an internet usage policy so that all staff members are clear as to the approved use during their work hours with the organization. It is also important to monitor and ensure that clearance and passwords are provided to appropriate staff on secure websites.

Action Steps: The policy can be as simple as agreeing that internet usage is limited to business only purposes. This seems simple enough, but once abuse in this area occurs it can spread quickly through the rest of the staff. Aside from inappropriate personal use, it is important to understand that typically email addresses are linked by name to the organization. Once some websites are accessed, they pick up on the person who accessed the site and the organization could receive unwanted and sometimes harmful spam or viruses.

Items to Consider:

- √ How do you anticipate the staff utilizing the internet?
- √ This is an efficiency issue that absorbs staff time and decreased effectiveness.
- √ All staff email addresses link them to your organization. Review email etiquette so as to avoid an uncomfortable situation.
- √ Do you monitor internet/email usage? Is it necessary? How are ways that the organization can monitor internet and email usage? What are some applicable rules? This information could help organizations which have not had to deal with this prior to initiating a policy.
- √ Security of electronic files. If internet usage is not monitored do you have appropriate controls in place to protect the organization's information from hackers and corruption?
- √ Are your software packages secured with each user having their own login and password? When individuals leave the organization, is their access to programs shut down?
- √ Does the policy clearly indicate the penalty/consequence for inappropriate use of the internet?

Annual Work Plan

Background: The purpose of an annual work plan is to give guidance and clearly communicate organization expectations and direction to all employees for the next 12 months. The annual work plan should clarify the goals and expectations for the year. This is something that should be prepared annually, approved by the board and then disseminated to the staff. The staff typically will use the annual work plan to create their own work plan which indicates how their plan links to the organization's plan.

Action Steps: The process of creating a work plan starts with the reflection of "what have we done", "where did we come from" and "where do we want to go" as an organization. The annual work plan is traditionally connected to the strategic plans, which are typically 5 and 10 year plans. It can be viewed as the annual review of the plans, noting and celebrating the successes and making changes to accommodate the direction for the current year.

Items to Consider:

- √ The annual work plan is a continuing process. The annual work plan should be reviewed on a regular basis and adjusted for things that have a major impact on the organization.
- √ The work plan flows through the different segments of the organization: financial, programmatic, etc.
- √ How will each employee's work plan support the annual work plan of the organization?
- √ How your annual work plan correlates to your annual budget?

Job Descriptions

Background: As employees are hired, they should be provided with a detailed Job Description. It is important to communicate to the employee the expectations of the position they have accepted. The success of any employee is to know what is expected of them in their position.

Action Steps: As duties and responsibilities were created for the Board Members, it is essential to have the duties and responsibilities for all staff clearly written and provided to the staff members. Job descriptions should include items like title, salary range, who supervises the position, does the position supervise another position, duties and responsibilities, qualifications and classification. The more detailed the job description, the clearer the expectations are communicated to the employee and the relationship with the organization starts off on the right foot. See Appendix E for a sample job description

Items to Consider:

- √ Are the duties outlined in the job description appropriate for salary level and title?
- √ Are the current job descriptions reviewed during each year's employee evaluation? Are changes made if appropriate?
- √ Should include main duties, responsibilities and qualifications.

- √ Indicate knowledge and skills sets required to complete duties. Include certifications and/or licenses needed or preferred.
- √ Indicate provisions for required travel.

Disaster Planning and Recovery Plan

Background:

The importance of being prepared for a disaster cannot be measured or anticipated until it is too late. An organization has the responsibility to conduct all financial transactions with the highest level of accountability. This responsibility also includes the proper planning to protect all documents of the organization and to have policies and procedures in place to continue business in the face of natural or other disaster.

Action Steps:

The following is an outline for the steps to take in creating a disaster recovery plan. These steps will vary for each organization, but will guide you through the process of creating a detailed plan to implement.

I. Being prepared for a disaster means:

A. Before Disaster: Preparation
- Establish policies
- Collect information
- Prepare facilities
- Implement backups of data
- Create response plan

B. During Disaster: Evacuate
- Communicate
- Prepare facilities
- Gather evacuation materials
- Be safe

C. After Disaster: Response

- Assess situation
- Activate plan
- Locate people
- Participate in response
- Recover

II. Developing a comprehensive communications plan includes the following:

A. Maintaining complete emergency contact information
- Employees, board of directors and volunteers
- Funders, donors, contract
- Insurance
- Evacuation location
- Vendors and suppliers
- Clients
- Local media

B. Developing a pre-determined system and check-in time

C. Confirm appropriate personnel know the proper procedures for securing all organizational premises, notifying personnel, securing and evacuating important documents and equipment

D. Devising ways to keep constituencies informed of recovery progress

III. Safeguarding Data

A. Backups must be frequent, comprehensive and tested
- Backup at least weekly, but daily is advisable
- Larger organizations should consider off-site, web-based backup programs

B. Create an Evacuation Box
- Include documents, records and items important to resuming operations

- Should have TWO boxes: Ideally one stays in the area and the other evacuated to a safe distance. (Boxes should be fire and water proof and clearly labeled)
- Executive Director should have one box; other management staff or Board leadership should have the second
- Should be prepared each year and updated annually

IV. Financial Considerations

A. Disaster Plan should arrange for short-term emergency cash and how to access it
   - Line of credit or Reserve fund should be established or set aside
   - Emergency petty cash amount
   - Account with a national bank

B. Establish policy on alternative lines of authority
   - Signature requirements
   - Decision-making without the full Board

C. Establish accounting codes for disaster incomes and expenses

V. Business continuity plan

A. Should be updated annually

B. Board, staff and volunteers should be informed about the business continuity plan

C. Enter into understanding of agreement with response collaborators immediately upon finalizing the plan

FINANCIAL POLICIES AND PROCEDURES

Every organization should have a separate financial/accounting manual for policies and procedures to ensure there are clear instructions on how financial transactions will be carried out in a consistent, timely and accurate manner. The purpose of a detailed financial manual is to ensure the safe guarding of assets, the prudent management of those assets and to make certain that financial statements are prepared in conformity with GAAP (Generally Accepted Accounting Principles).

The policies and procedures of an organization should take into consideration the internal controls necessary to properly protect the assets entrusted to the organization for the benefit of its programs. All personnel are expected to be aware of and adhere to the policies in the manual. As policies and procedures are created they should be formulated to consider proper segregation of duties. There should also be consideration given to training and communication of the policies so staff is informed and knowledgeable. See Appendix F for a form to assist in reviewing the segregation of duties.

Annual Authorization of Signers

Background: The authorized signers for the organization should be approved on an annual basis, typically at the annual meeting. The authorization is passed onto each financial institution that holds funds for the organization. Due to the changes in regulations with the USA PATRIOT Act of 2001, financial institutions are charged with the duty of confirming the identity of individuals authorized as signers on accounts. The certification process may vary between financial institutions. Contact your financial institution for their specific regulations.

Action Steps: The decision to determine which individuals are to be authorized signers on your bank account should be made based on specific board or job descriptions. Exactly who has authorized signature authority will depend on the size of your organization as well as other controls that are established.

Items to Consider:

- √ Number of signatures required to sign checks

- √ Thresholds for additional signature, i.e.: checks over a certain amount may require two signatures
- √ Train those capable of signing checks on what they should be conscious of as they are signing the checks. Review supporting documentation and be comfortable to ask questions
- √ Who authorizes the payment?

Cash Receipts

Background: The organization needs to have a clear plan as to how cash will flow through the agency and be accounted for appropriately. The cash receipts of the organization are a critical function. Procedures and tasks should be assigned to positions and not to individuals. Cash should be secured from the moment of receipt until it reaches the bank.

Action Steps: There are many cash transactions that need to be reviewed and taken into consideration. Cash is a valuable asset to all organizations and it should be treated as such. Below is a break down for each transaction and sample ways in which to think about the transactions within your organizations.

Items to Consider:

- √ Who within the organization has the authority to authorize changes in the bank accounts?
- √ Cash accounts should not exceed a balance of $100,000 at any time. All financial institutions insure balances of up to $100,000 under FDIC coverage. Any balance over $100,000 is at financial risk by not being insured.
- √ How is cash managed? How much cash needs to be available in the checking account at any one time to cover expenses? Can the excess be invested to earn a greater rate of return?
- √ Do you have a policy of approved investment instruments?
- √ Have all employees with access to cash been bonded? Employee bonds are relatively low in cost and help to protect the organization.
- √ Prompt reconciliation of the bank statement on a monthly basis is very important to ensure timely receipt and disbursement of cash.

√ Ensure that the bank reconciliation is reviewed by an accountant independent of its preparation, or Board Member.

√ The HHS Payment Management System (PMS) allows the drawdown of federal funds by grantees to be available within 24 hours.

√ It is necessary to plan the timely distribution of federal funds so that funds can be disbursed within 3-4 days of the receipt of the funds. Excess interest earned may have to be returned to the federal government based on grant requirements. Disbursements will have to be carefully scheduled to ensure subgrantee expenses are reimbursed in a timely way.

Transaction Example: Receipt of cash in the mail

Office Assistant opens all incoming mail. All receipts are logged on to a daily cash receipts form. The daily cash receipts form (see Appendix G for example) is given to the Accountant.

Office Assistant gives the cash and checks to the Bookkeeper. Bookkeeper makes photocopies of cash and checks and prepares a bank deposit slip.

Office Assistant takes the daily deposit to the bank before 2:00 p.m. If the deposit is not made by 2:00 it is locked in a secure location until the next morning. The deposit receipt is given to the Accountant.

The Accountant compares the bank deposit receipt to the daily cash receipts form. The Accountant codes the receipt to the appropriate fund and enters the data into the accounting records.

The bank statement is received in the mail. It is forwarded to the Bookkeeper to be reconciled. The Bookkeeper compares all deposits made per the deposit book to those made in the bank. Once the bank statement is reconciled by the Bookkeeper, it is reviewed by the Accountant. The Accountant initials the bank statement with approval.

Transaction Example: Drawdown of Federal Funds

The Program Officer gathers the expense reports from the subgrantees for the monthly reimbursement of expenses. The Program Officer provides this information the Accountant.

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The Accountant prints off a report from the accounting system that shows the total Accounts Payable that is due to be paid. The Accounts Payable is broken down by the various programs, Admin and PDAT.

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The Accountant accesses the HHS Payment Management System/SmartLink. The reports provided by the Program Officer and Accounts Payable systems are used to draw down the funds from the appropriate federal fund.

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The Accountant provides the Bookkeeper with the total figure for the draw down. The Bookkeeper verifies the deposit is made into the checking account the next business day by internet access to the account (view only privileges).

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The Bookkeeper reconciles the bank statement once it is received. The Bookkeeper again verifies the deposit of the federal funds. The Accountant reviews the completed bank reconciliation, initialing and dating the reconciliation.

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Accounts Receivable/Billing

Background: Proper realization of revenues that have been earned but have not been received by the organization is very important to record in the accounting records. The accounts receivables are necessary to appropriately manage the cash flows of the organization. Management needs to create a policy to regulate how accounts receivable are realized and the process in which receivables are collected. The policy should include procedures to assign responsibility for collecting receivables and how to deal with delinquent receivables. The organization should evaluate and determine if they need to provide a billing for services rendered. The policy for accounts receivable, if applicable, would include a section on the billing process.

Action Steps: The organization needs to evaluate its resources and timing of receipt of those resources. The policy created to manage accounts receivables needs to take into consideration the transactions and amount of receivables that can be realized for accounting purposes. For revenue to be recorded as a receivable, it must be realized and earned. For revenue to be realized, it must be measurable, relevant and reliable. Let's walk through an example: ABC Tutoring Corporation, Inc. provides tutoring services to local youth service clubs. ABC has standard fees for tutoring services, $9.50 per hour. The tutors of ABC provide 25 hours of tutoring to the Boys and Girls Club during the month of February. ABC distributes invoices to their clients once a month. March 1st, the bookkeeper for ABC bills the Boys and Girls Club for $237.50 ($9.50 x 25 hours). ABC records a receivable on March 1 for $237.50. The amount was measurable, relevant to the purpose of ABC, is reliable, and the service was earned.

In the case of CNCS grants, remember that the federal requirements associated with the grant are very detailed. A grantee should not record 100% of their grant as a receivable at the time it is awarded because the grant is distributed on a reimbursement basis and may not be fully earned. The recording of receivables needs to be managed as improper recording of receivables can skew the financial statements and mislead management and the Board of Directors as to the cash flows of the organization.

Items to Consider:

- √ Does the organization earn revenues and receive payment for those revenues after the fact?
- √ Does the organization provide goods/services in which it needs to bill customers/clients?
- √ How often are services billed?

- √ In general, what is the average time frame the revenues are collected? Within 30 days, 60 days, 90 days?
- √ Has the organization ever needed to write off accounts as uncollectible?
- √ How does the receipt of funds impact the cash flows of the organization?

Travel Expenses

Background: There are several types of expenses that can be a higher control risk. Travel expenses are typically an area that if proper policies and procedures are not in place will lead to audit issues. Travel policies should cover both local and out of town travel for employees, Board Members and volunteers. This will clarify expectations and ensure appropriate procedures and controls are in place.

Action Steps: It is important to have a policy in place and to follow that policy. You need to develop an appropriate, clear and consistent policy for your funding constraints. CNCS will not dictate the contents of your travel policy. However, according to Office of Management and Budget (OMB) Cost Principles, in the absence of an acceptable, written policy on travel costs, the federal per diem rates shall apply. If your reimbursement levels exceed the federal per diem rates, you will need to fund this out of organizational resources. It is important to see evidence of the policy being followed and that the expenses are allocable, allowable and consistently being applied. See Appendix H for sample travel forms.

Items to Consider:

- √ What travel expenses are reimbursable?
- √ Are actual expenses reimbursed?
- √ Do you use a state or federal Per Diem rate?
- √ Do you need receipts?
- √ Does travel have to be approved prior to the actual travel?
- √ What budget line items should be charged for travel?
- √ How often are travel expenses reimbursed?
- √ Do you offer cash advances for travel? How is this reconciled?
- √ What rate do you reimburse mileage? Set rate? State rate? Federal rate?
- √ What mileage is reimbursed?
- √ How is mileage verified?

- √ What form can be used to include all of the necessary information?
- √ Form should be signed by individual requesting reimbursement and supervisor.
- √ What are the guidelines for selecting airfare, lodging and rental cars?
- √ What expenses are non-reimbursable?

Procurement

Background: Procurement is defined as the process of purchasing supplies or services needed or required by the organization. It is a requirement of the federal government that your organization have a policy regarding procurement that ensures grant funds are appropriately utilized and documented. The procedure should describe the process including; what vendors or suppliers were considered; the basis for selection, reasonableness of cost, how and when payments are made, including reimbursement of expenses to subgrantees, and other factors.

Action Steps: Procurement is a process that usually consists of the following steps:

1. Identify need and gather Information;
2. Contact possible vendors or suppliers;
3. Review supplies, services, capabilities, price, delivery, etc.;
4. Negotiate;
5. Select vendor or supplier;
6. Document process and decision;
7. Award contract or purchase order;
8. Ensure fulfillment;
9. Payment.

The documented procedure should address the process of the steps above or the process that you utilize while purchasing goods or services for your organization. The procedure should also identify the internal documents utilized, such as contracts or purchase orders, and the internal review and approval requirements for certain types of procurements and for certain dollar levels.

Items to Consider:

- √ What process is currently being used?
- √ Is the process documented, does it meet the basic elements of procurement as identified above?
- √ Does the process change depending upon the dollar amount to be expended?
- √ Are there additional steps for large dollar purchases? Are those steps documented?
- √ What internal documents are utilized by non-financial staff in the procurement process? What is the internal review and approval process?
- √ Is there a procedure to ensure that requested expenditures were approved within the budget? Within the grant budget?
- √ What is the procedure to amend the budget for unexpected expenses? Does this require approval/authorization of granting agency?

Disbursement of Cash/Accounts Payable

<u>Background</u>: Disbursement of cash is a very important process to document so that bills can be paid and sub-grantees can be reimbursed for expenses in a timely and efficient manner. The process of paying accounts payable needs to include a key understanding of the cash flows of an organization. The accounts payable process should be clearly communicated to all staff members, volunteers and vendors so that everyone understands the timing and payment of bills.

<u>Action Steps</u>: The process of disbursement of cash for administrative expenses and reimbursement of grant expenses needs to be done in a manner that is timely and efficient. There should be a clear flow chart that outlines how the disbursement of cash operates. The organization should determine the frequency in which accounts payables are processed.

One of the most important components in the disbursement of cash for the payment of expenses is to ensure that all costs to be paid with Federal grant funds are reasonable, allocable, and allowable costs under the federal guidelines. The OMB Circulars provide guidance on the cost principles for use of federal funds. The OMB Circular that is applicable to your organization is dependent on your type of organization. See the chart below for guidance:

Type of Organization	Cost Principles OMB Circulars
Educational Institutions	OMB A-21
Non-Profit Organizations	OMB A-122
State, Local, and Indian Tribal Governments	OMB A-87

The OMB Circulars can be downloaded and printed from the OMB's website: http://www.whitehouse.gov/omb/grants/grants_circulars.html. The cost principles (1) determine the allowability of costs incurred by organizations under grants and contracts, (2) are the principles designed so that federal awards bear their fair share of costs for the program, (3) provide guidance about federal reimbursement requirements, (4) provide uniform standards of allowability and allocation and (5) encourage the consistent treatment of costs. The cost principles also examine the factors behind what makes a cost an allowable cost. It is important to carefully review and follow the OMB Circular applicable to your organization and establish written policies and procedures to address the allowability of costs for federal grants. The allowability of costs is important for all staff to understand. This is not the sole responsibility of the fiscal department.

Items to Consider:

Payments by Check

- √ Checks should never be made payable to cash.
- √ Blank check stock should be maintained in a safe place.
- √ Who controls voided/unused checks?
- √ Blank checks should never be signed.
- √ If a check signing machine is used, is it maintained in a safe place and who has access to it?
- √ Is the process for disbursing regular checks different from grantee checks?

What is the cash flow of the organization? Are sufficient funds available to process payments? Are reserve funds held in a separate account? Do they and need to be transferred to process the payments?

Accounts Payable Payments

- √ Does the organization use purchase orders/vouchers/requests for payment?
- √ Who is authorized to approve purchases?
- √ Are there thresholds for those purchases? For example, can purchases less than $250 can be approved by the Accounting Manager? must any expense over $250, but below $5,000 be approved by the Executive Director? and must any expense in excess of $5,000 be approved by the Board of Directors?
- √ Who is authorized to place orders with vendors?
- √ What is the organization's policy for capitalization? If a purchase is to be capitalized, who manages the documentation to ensure the useful life is appropriately estimated and recorded as a fixed asset.

Disbursements by Petty Cash

- √ Do you have Petty Cash?
- √ Petty Cash Limit?
- √ Limit on each petty cash disbursement?
- √ Who manages?
- √ Who reconciles?
- √ Who replenishes?
- √ What are allowable expenses to be paid by petty cash?
- √ Are checks allowed to be cashed with petty cash?

Transaction Example: Disbursement of Regular Accounts Payable

The Administrative Assistant opens all mail as it is delivered. The invoices for payment are opened, attached to their envelope and given to the Bookkeeper.

The Bookkeeper reviews the invoice and verifies its validity and accuracy. If the invoice is for purchase of goods or services, it is verified that the goods or services were received. The shipping advice from the delivery of goods is attached to the invoice for payment. The invoice is reviewed to ensure it is not a statement. (Payments should never be made from a statement, only an original invoice.)

The Bookkeeper codes the expense by account number and fund/grant on the face of the invoice. The invoice is entered into the accounting system. Upon the date to run checks, the Bookkeeper runs a register to pull all invoices ready for payment. The register is provided to the Accountant with the stack of invoices for verification of accuracy and coding.

The Accountant runs the payments through the system generating checks. The checks are compared to the invoices. The checks are given to the Executive Director with the invoices for his/her signature and final approval of payment. If checks require a second signature due to threshold, the signature is obtained.

The Executive Director gives the signed checks back to the Bookkeeper. The Bookkeeper stamps each invoice paid, noting the check number, and the date. The checks are given to the Administrative Assistant for distribution through the mail.

Transaction: Disbursement of Federal Grant Funds to Subgrantees

The Program Officer gathers the expense reimbursement requests from the subgrantees several days prior to the check cycle. The requests are reviewed by the Program Officer for accuracy and examined against program goals. The Program Officer indicates on the requests which grant funds should be charged.

The request is forwarded to the Finance Department for payment. The Bookkeeper enters the approved grant payment into the accounting system. The Bookkeeper prints off a register from the accounting system summarizing the payments to be processed and provides it to the Accountant.

The Accountant uses the register to draw down the funds from the HHS Payment Management System/SmartLink. The draw down of funds is timed to ensure the funds are in the checking account to facilitate timely disbursement. The Accountant reviews the register and the requests for reimbursement for coding and fund charges and signs off in approval.

The Accountant runs the payments through the system generating checks. The checks are compared to the requests for reimbursement. The checks are given to the Executive Director with the invoices for his/her signature and final approval of payment. If checks require a second signature due to dollar threshold, the additional signature is obtained.

The Executive Director gives the signed checks back to the Bookkeeper. The Bookkeeper stamps each request for reimbursement paid, noting the check number, the date, the account code and fund/grant code on the face of the invoice. The checks are given to the Administrative Assistant for distribution through the mail.

Transaction Example: Reconciliation of Petty Cash

A request for reimbursement from petty cash is made to the Accountant. The request is accompanied by a receipt and description that outlines the purpose and grant related to the expense. The item is entered onto a reconciliation sheet.

When the Accountant approves the petty cash request and the cash is disbursed to the employee, the employee will sign off on a Petty Cash reconciliation form that they were reimbursed the funds.

The petty cash account should be reconciled on an impress basis. This means that the balance of the cash box is reviewed and replenished so that the funds back up to the original balance ($100). When the Accountant needs to replenish the petty cash, the reconciliation sheet is used to appropriately support the expenses and code the expenses to the general ledger which all receipts are to be attached.

The petty cash box should also be reconciled by the Executive Director on an impromptu basis at least once a year to ensure that the process is working correctly. If discrepancies are detected, they should be resolved immediately and the policy reviewed to correct any confusion.

Transaction Example: Reconciliation of Checking Account

The bank statement is received in the mail by the Administrative Assistant and forwarded to the Bookkeeper unopened.

The Bookkeeper will reconcile the checking account using the reconciliation process available through the accounting system. If there is no module available, in the accounting system, the same processes are followed: compare deposits per the bank statement with those in the accounting records, compare the checks that cleared the back account with those outstanding and written through the month, and reconcile wire transfers/HHS deposits. The Bookkeeper will review outstanding reconciling items for stale dates, voided items, signatures on canceled checks, etc.

Once the account is fully reconciled, the reconciliation and bank statement are given to the Accountant for supervisory review. The Accountant will review both cleared and outstanding items for anything of concern. Then he/she will sign off the reconciliation in approval by initialing and dating the statement.

Chart of Accounts w/ Narrative

Background: The Chart of Accounts is the numeric sequence of account codes that define the accounting structure of your organization. The Chart of Accounts outlines categories of accounts: assets, liabilities, net assets, revenue/support, expenditures, other support and other expenditures. Every organization has the ability to tailor the chart to meet its specific accounting needs to break down the account structure on a level that assists generating reports that will meet all the organization's needs. In order to track individual expenses with a budget, individual accounts should be established within the Chart of Accounts.

In keeping with the double-entry system of accounting, a **minimum of two accounts** is needed for every transaction, at least one account is debited and at least one account is credited.

Below is a sample structure:

Chart of Accounts

1000-1999	Assets
2000-2999	Liabilities
3000-3999	Net Assets
4000-4999	Revenues/Support
5000-5999	Expenditures
6000-6999	Other Revenues/Support
7000-7999	Other Expenditures

Action Steps: It is critical to give a lot of thought about the programs of the organization as you are creating a Chart of Accounts structure. The structure can be expanded by segments to allow a further breakdown for reporting purposes. For example: 5200-110, may mean account number 5200 which is for salaries, and the 110 can identify that salary is paid out of the CNCS Admin grant for state commissions. The use of segments will allow you to generate reports based on funding sources and funding instrument which will aid in reporting to those funding agencies. A visual example is below:

Example of accounting for expenses by Funding Source

Account Description	110 – CNCS Admin. Grant	120 – CNCS PDAT Grant	130 – Foundation Grant	140 – General Operations	150 – State Funds
5100 – Travel					
5200 – Salaries					
5210 – P/R Taxes					

5220 – Health Ins.					
5230 – Retirement					
5240 – Disabil. Ins.					
5250 – Life Ins.					

Once the Chart of Accounts structure is determined the actual accounts need to be assigned a number and a brief narrative written about each account. The narrative provides a clear description of the expenses to be coded to the account code for accounting and non-accounting personnel. This will assist staff by increasing the consistency in coding and reporting expenditures. Program staff will need to have a clear understanding of the Chart of Accounts and funding sources to be able to clearly communicate their needs and appropriate use of funds to the accounting department. See Appendix I for an example of a Chart of Accounts.

Items to Consider:

- √ Accounting system capabilities, Review complexity of organization funding sources and reporting requirements. Does the system allow users to add accounts/segments for further breakdown of accounts?
- √ Does the system allow for an internal reconciliation of accounts, i.e.: bank accounts?
- √ Does the system provide adequate reports to support transactions without having to utilize other programs that duplicate work?
- √ Does the system provide adequate security with logins and passwords to control the access to appropriate management levels?
- √ Who are the frequent users of the system?
- √ Forecast for the future, does the system meet the organization's needs now and for the next five years?
- √ Funding sources and their reporting requirements
- √ Keeping the chart of accounts simplistic while still meeting the needs of the organization

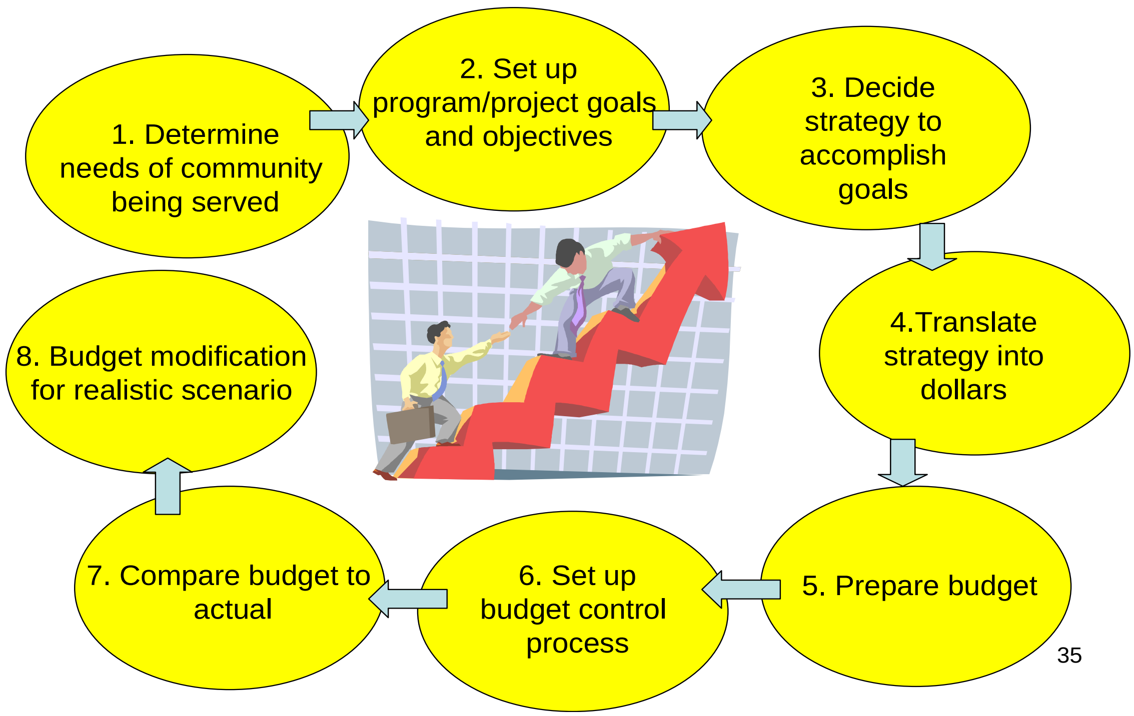
- √ Some accounting systems do not have a numeric Chart of Accounts, but use the account description in alphabetical order within each category. The accounts will be alphabetized by account category, (i.e. – Assets, Liabilities, Net Assets, Revenues and Expenses). How can an alphabetical system group accounts properly?
- √ Chart of Accounts should allow enough flexibility for growth. As the Chart of Accounts is being drafted, leave enough numeric room to add new accounts as the need for additional accounts arise.
- √ Does the system allow revenues and expenditures to be compared with the approved budget?

Budget

Background: The budget is the road map or plan of the organization and can provide direction to meet is goals and objectives. This section will focus on an organizational operating budget, but the philosophies and steps stated apply to creating a programmatic budget as well. The key to appropriate budget preparation is to follow a timeline that will allow plenty of time to draft and review with all staff and the board.

Examples of the steps to effective budget preparation are demonstrated below with the diagram. The annual calendar and timing of the annual meeting needs to be taken into consideration with the budget preparation process to ensure the process can be completed in its entirety.

Effective Budget Preparation



Action Steps: The first step to creating a budget is to understand that the budget is a road map or plan to guide the operations for the budget period. Budgeting is a continual process and needs to be reviewed and amended as the organization and situations change. Because it is a continual process, monitoring of the budget is critical to the success. The financial statements (budget to actual comparison) should be reviewed on a regular basis, and depending on the level and type of review this could be monthly for staff and management and then quarterly with the board. This will depend on the variety of funding sources, the management of the organization and regularity of the board meetings.

The budget is one of many planning tools utilized by organizations and should be the result of short and long term planning by management and the board. The board determines the direction in which the organization will focus and the budget needs to be in place to support the work; allocating funds within a budget dedicates resources to initiatives.

A critical element of the budgeting process is to develop a detailed budget narrative that will provide contextual information. The narrative will assist the staff in analyzing activities and provide instruction on how the tasks are to be carried out.

It is critical to incorporate individual contract, grant or program budgets into the overall organizational budget. There are several restrictions to funds that will constrain the budget and the funds allocation process. Staff needs to be aware of these restrictions.

The timeline for budget preparation will vary for each organization based on the size of organization, complexity of activities, staff roles and levels of review. The timeline needs to have the following steps:

1. Initial draft budget: figures may be based on current year budget. This is should be distributed to all department heads for their input for the upcoming year. The critical piece of budget creation is having all the right people at the table for their recommendations.
2. The department heads will recommend changes to be made to the draft budget. This will take into consideration changes in their departments, current activities, community needs, and additional grants funds or projects that they may be aware of for the upcoming year.
3. A draft budget should be presented to the review committee which might be the management team or finance committee of the board depending on the size and structure of the organization for their input and approval.
4. After the approval of the budget by the review committee, it may need to go though additional reviews. Eventually, the finance committee will recommend the budget to the full board for their consideration. The board approval of the final budget needs to be completed before the end of the fiscal year.

Items to Consider:

√ The board should set the terms for modifying or amending the budget. Are the variances reviewed on a line by line basis or by budget category? Note that this should include individual funding restrictions from granting agencies or other funding sources. This will guide their oversight and indicate when changes need to be made.

- √ It is critical to understand the board is responsible for the financial matters of the organization.
- √ Are there specific requirements and regulations associated with the federal grants funds that the organization has received in regard to budgets? Are policies and procedures in place to ensure all CNCS requirements and regulations are followed? For example:
  - → Do changes in the budget need to be approved by the granting agency?
  - → Purchases of equipment over $5,000 after the budget has been approved may require approval from CNCS.
  - → Cumulative reallocation exceeding 10% of total budget requires CNCS approval.
  - → Changes in scope, objectives or goals of program typically require advance approval
  - → Substantial changes in level of participant supervision may require approval
  - → Additional sub-grants or contracts typically require advance approval
- √ Are specific regulations or requirements for other funding considered?

Human Resources

<u>Background</u>: Human resources management is the process of maximizing one of the most important assets of an organization, its human capital, the employees. The main functions of human resources include: (1) hiring, (2) termination, (3) compensation, (4) evaluation and management of performance, (5) promotions, (6) managing relations and (7) training and employee development. The documentation for the human resource functions is located in personnel files, which need to be maintained in a secure manner. Personnel files are confidential and should be handled with care and respect.

<u>Action Steps</u>: The human resources function is important to achieve the employment goals and responsibilities of an organization, while the employees are working to achieve the programmatic and mission based goals of the organization. Care must be taken to ensure that the questions and concerns of employees are addressed in a professional, timely and respectful manner. The human resources function can flow easily if a detailed employee manual is created that clearly communicates the policies and procedures related to

employment. See the Employee Manual section for a list of policies to consider for inclusion.

The human resources personnel need to be familiar with state and federal employment laws. As policies and procedures are drafted, it is recommended to include a legal advisor for guidance and review to ensure compliance with laws.

Items to Consider:

- √ What are the benefits associated with employment and how are those paid out in conjunction with payroll? For example, health insurance benefits, retirement benefits, payroll taxes, life insurance benefits and cafeteria plans, sick leave, vacation and personal time. (See Employee Manual section)
- √ How are benefits/policies communicated to staff? Manual alone or in conjunction with an orientation?
- √ Create a detailed list of all human resource functions and determine which may be outsourced to be cost effective or due to the complexity of the transaction.

Payroll and Documenting Time

Background: Payroll is a critical topic for all managers to understand as it is typically the largest administrative expense for non-profit and human service organizations. There are many reporting requirements that need to be acknowledged and kept on a calendar of critical deadlines. Often, non-compliance with payroll deadlines will result in penalties and interest. Employment law varies from state to state, it is important to understand the laws that govern the state(s) in which the organization operates.

Recipients of federal funds must be aware of the documentation requirements to support salaries and wages. The OMB Cost Principles specifically address how to document time and activity.

Non-profit organizations need to carefully review and follow OMB Circular A-122 which states that they must complete time sheets. Time sheets documenting actual time spent must be completed after-the-fact, completed at least monthly and coincide with one or more payroll periods (budget estimates are not allowed with the period). These timesheets should include the total time for the employee; record hours spent on various cost objectives (grant funded activities and other activities) and be signed by the employee or supervisory official.

State, Local, and Indian Tribal Governments need to carefully review and follow OMB Circular A-87 which states that employees working on one cost objective complete a certification, at least semi-annually and should be signed by employee or supervisory official. However, if they work on more than one cost objective (grant funded or other activity) they must complete a timesheet that outlines the specific after-the-fact actual time spent on each activity.

Colleges and Universities need to carefully review and follow OMB Circular A-21 which allows institutions to negotiate the system they use to record salaries and wages with their cognitive Federal funding agency.

Also see the Federal Grant Policies and Procedures Section and Time and Activity Reporting*.* Also See Appendix L, Sample Employee Timesheet. Check with your grants and contracts office if have additional questions and need guidance.

Action Steps: The policies and procedures for payroll are important for several reasons. It is critical that payroll is tracked, prepared and distributed in a timely and efficient manner so that employees are paid accurately and timely. In order to do this there must be an acceptable method to document the time of employees which is the basis for payment of salaries and wages. Part of payroll is payroll taxes, there are federal and state regulations associated with payroll taxes that can result in penalties and interest if not submitted timely.

Note penalties and interest are not an allowable cost on federal grants as the cost could have been avoided with compliance.

Other payroll components that vary from state to state are Worker's Compensation and Unemployment Taxes. These expenses are also based on gross payroll and have strict deadlines for submission of payments. Note: The most overlooked area for compliance that could lead to unallowable costs or fines is in relation to payroll. It is critical that you have strong internal controls and policies in place so that employees are paid timely and all payroll related expenses are submitted and paid in compliance with their deadlines.

The policies and procedures for payroll should include detail on the following items:

- √ How are salaries and wages documented?
- √ How do you ensure only actual time spent is recorded?
- √ Timing of payroll cycles
- √ Is payroll disbursed by check or automatic deposit?
- √ Is payroll paid out of a separate account? Do funds need to be transferred to cover the net payroll cost and payroll tax deposits?

It is suggested you have a calendar of deadlines for payroll activities to ensure compliance and timely disbursement.

<u>Items to Consider</u>:

- √ What is the organization pay period? When is the deadline for timesheets to be submitted and approved by management?
- √ Does your staff have the expertise and time available to oversee the payroll requirements or should you outsource to a third party payroll company?
- √ Does your current accounting system accommodate preparing payroll in-house? Does your organization choose to outsource payroll?
- √ Payroll includes not only the distribution of pay to employees based upon the payroll cycle, but also deposit of payroll taxes, accumulation of pay information to be able to create Form W-2s, Form W-3, Form 941s and Form 1099s.
- √ Are timesheets detailed in an appropriate manner to outline time dedicated to various projects and activities?
- √ How are timesheets submitted to ensure original signatures are on file?
- √ Do you allocate funds based on actual time employees spend on a project/ activity or funding stream? Do you reconcile actual time to budgeted time?
- √ Are all timesheets approved by a supervisor prior to payment?
- √ What controls are in place to ensure employees or contractors are paid for time worked and there is no abuse of time keeping?

Financial Reporting - Internal

Background: Financial reporting within an organization is a critical component in evaluating the progress financially and programmatically. It is critical that decision makers within the organization receive reports in a timely, accurate and complete manner. These financial reports will provide management and the board with critical data to measure the goals and objectives against targets.

All Financial Statements should be prepared in compliance with GAAP (Generally Accepting Accounting Principles). A full set of financial statements includes: Statement of Financial Position (Balance Sheet), Statement of Activities (Income Statement), Statement of Cash Flows, Statement of Functional Expenses and Notes to the Financial Statements. A full set of financial statements is typically prepared at the end of the year. Interim financial statements include: Statement of Financial Position, Statement of Activities, and a Statement of Activities, budget to actual. See Appendix J for sample financial statements. Financial statements should always be prepared in accordance with GAAP (Generally Accepted Accounting Principles).

It is required for organizations to develop internal reports that assist them in comparing budget to actual costs incurred. This review should take place at various levels including: individual funding source, program level and organizationally. It is an OMB requirement that recipients of federal funds compare budget to actual expenses. The frequency of the review is not specified, yet it is prudent to review this information on a monthly or quarterly basis dependent on experience and complexity.

Action Steps: The first step in financial reporting internally is to evaluate the current accounting system to determine the reports that the system will generate automatically. The second step is for management to assess what financial information is important to be evaluated on a regular basis and to set the time schedule for evaluating the information, monthly, quarterly, etc. For some reports it is helpful to have comparative information presented so that decision makers can compare historical information.

Items to Consider:

- √ Timeliness of financial reporting is critical. It is important to have the ability to make decisions and proactively manage resources and resolve issues.
- √ Establishing dates for month end entries and reconciliations that enable reports to be created consistently and timely.
- √ Is there data that is intentionally tracked or accounted for in another system outside of the accounting system? Is this included as part of your policy, with clear procedures and internal controls? Has this information been incorporated into the financial reporting? For example: Use of spreadsheets to track miscellaneous information.
- √ What types of controls are in to ensure only authorized personnel have access to the accounting system?

Financial Reporting – External

Background: External financial reporting refers to reporting necessary to be in compliance with agencies outside of your organization. This could be the IRS, the federal government, state agencies, foundations and other funders.

The financial reports should be reviewed on a regular basis. Annually an audit should be conducted by an independent Certified Public Accounting (CPA) firm. The purpose of a financial statement audit is to provide assurance on the completeness and accuracy of financial statements. An audit also reviews and tests the internal controls in place. This is an important component because the auditor can and will recommend changes to the current structure to tighten internal controls or alert the organization of lapses in the controls. Organizations that expend more than $500,000 in federal funds in their fiscal year are required to have an A-133 audit. The $500,000 threshold is total federal dollars expended from all combined federal funds.

The external reporting requirements to the IRS are typically either payroll taxes or income taxes. All organizations are subject to payroll taxes and related benefits such as Worker's Compensation and Unemployment taxes. Payroll taxes are required to be taken out of every paid employee's paycheck. These include Federal Income Tax Withholding, Social Security and Medicare. It is the responsibility of the employer to properly withdraw the correct amount of payroll taxes out of each employee's paycheck and then deposit the employee and employer's portion of payroll taxes with the IRS. This must be done in a timely manner and on the IRS's set schedule or the organization will be subject to penalties and interest. Those fines are not allowable under grants, so it is beneficial to ensure that procedures are in place to guarantee timely compliance. Refer to the payroll section for additional information.

The second IRS reporting requirement is an annual return, the Form 990, Return of Organization Exempt Form Income Tax, for a non-profit organization. If the organization is a non-profit as defined by the IRS Code, then instead of an income tax return being filed an informational return is required to monitor the activities of the organization to confirm the nature of the activities conducted. This return is due to the IRS five months and fifteen days after the end of the fiscal year. This filing could also result in penalties and interest for late filing.

The organization is also accountable to agencies that have granted them funds. The organization should be aware of all requirements that are associated with the various funding streams they received. There are clear reporting requirements that are associated with public (federal or state) funds. Grants from private individuals and Foundations have some form of final reporting, which outlines the use of the funds and the difference that the grant made in reaching the organization's goals. All deadlines should be noted on an office calendar to keep good relations with funders.

When you apply for a federal grant and are awarded the grant, the organization commits to all the provisions, rules and regulations that govern that particular federal grant. It is imperative that staff is knowledgeable regarding all of the rules and regulations. Indicating that you are not familiar or aware of the rules and regulations is not an appropriate response. It is the job of the organization to become familiar with them.

Recipients of Federal grants must submit periodic financial reports to their funding agency or its designee. The Federal Financial Report (FFR) Form 425 is the form most departments and agencies, including CNCS, require. These reports are generally required quarterly. Depending on whether you are a direct recipient or subgrantee your financial reporting requirements will vary. ***Also see the Federal Grant Policies and Procedures Section.***

Action Steps: The critical steps of any external financial reporting is reading and understanding the instructions of the agency. It important to be aware of deadlines and allow appropriate time to gather the financial data, review it for accuracy and completeness and then to submit data leaving time for technical difficulties. Procedures should be drafted to complete the reports in a consistent manner so that if the person in charge of the report is unable to complete the report, the report can still be submitted timely. The procedure should include: instructions for completion of the report, list of information required to complete the report and how that information is generated, and a sample copy of the report for the reporting period.

Items to Consider:

- √ The deadlines for reporting to federal agencies are not negotiable. An extension can be requested and granted, but this does not mean that the report is not considered late.
- √ The late filings of reports are key risk indicators.
- √ Reports are the responsibility of the organization not an individual. There should be cross training to guarantee that in the absence of one staff member, another can step in and complete the task.
- √ The review process should include both fiscal and program staff to ensure reports accurately represent activities under the grant.

Contributions

Background: Contributions are important to the financial health of any organization. There are several aspects of contributions that need to be considered to ensure appropriate accounting treatment. The first is the nature of the gift; did the donor put some type of restriction on the gift?

There are three classifications of contributions. The first class is unrestricted, which means that the donor is providing a donation with “no strings attached.” The donor is leaving the use of their funds to the discretion of the Board of Directors and management. The second class is temporarily restricted. Temporarily restricted gifts mean that the donor has placed a restriction on the gift, but that restriction will either be fulfilled by act or passage of time. An example of a temporarily restricted gift is a donor that gives $500 for the purchase of books for the library. The gift is restricted for the purchase of books for the library. Once the books have been purchased the funds are used and the restriction lapses with the expenditure. The final class is permanently restricted. Permanently restricted donations are more commonly known was endowments. The principal of the funds will never be spent, and only the income generated from the investment of the funds can be used.

When utilizing unrestricted contributions as match for federal grants, those costs paid through those matching funds are still required to be in compliance with all federal regulations and restrictions.

These restrictions are important to understand the appropriate accounting treatment to be in compliance with GAAP. Grants have restrictions set upon them by the granting agency. It is important to ensure that these restrictions are understood and accounted for separately to show that the funds were spent according to those limitations.

<u>Action Steps</u>: Contributions are an important aspect for sustainability for any organization. Financial analysis of the revenues and support for the organization is an important aspect of the budgeting process. It is easy to outline the expenses required to run an organization: often the struggle is to determine where to find the appropriate levels of support. This process will allow management and the board to know how much of the annual budget will have to come from resources not already committed. This is also a time for the board to make a decision as to what types of contributions will be acceptable. The staff working with the board should have a policy established that outlines what contributions it will accept and what steps are necessary to complete the gift.

One of the most important aspects of good relations with donors is to provide them with a timely acknowledgement letter that they can use for income tax purposes that outline the date, description and value of the gift. It is also important to indicate if the donor received anything in return for making the gift. Sample language to include in the body of the acknowledgement letter would be: *The Internal Revenue Service requires us to notify you that you received no goods or services in return for your contribution. You should keep this written acknowledgement with your tax records.* If the donor did receive something in return for their gift, than the item would need to be valued and deducted from the amount of their donation.   This transaction is called *quid pro quo* contribution.

It is considered good practice to provide a donor with a receipt for any donation made, regardless of amount. The IRS requires that a written receipt be provided to donors who contribute amounts in excess of $250. The written acknowledgment required substantiating a charitable contribution of $250 or more must contain the following information:

- ☑ Name of the organization;
- ☑ Amount of cash contribution;
- ☑ Description (but not value) of non-cash contribution;
- ☑ Statement that no goods or services were provided by the organization, if that is the case;
- ☑ Description and good faith estimate of the value of goods or services, if any, that organization provided in return for the contribution; and
- ☑ Statement that goods or services, if any, that the organization provided in return for the contribution consisted entirely of intangible religious benefits, if that was the case.

<u>Items to Consider</u>:

- √ Currently, many Foundations award a cooperative grant in which the organization must raise matching funds for the grant as a means of collaborating and requiring the grantee to do a little more work on its own. How are these funds being tracked separately?
- √ In the case of federal grants, federal funds cannot be used to conduct fundraising. This would be perceived as giving an advantage over other organizations who are also soliciting funds. How is your organization ensuring compliance with this requirement?
- √ The wealth of individuals is often contained in other assets. Donors may be cash poor but asset rich, they may want to donate other assets. For example: marketable securities, real estate, artwork, and other various

personal assets. This should be considered as drafting a gift acceptance policy is being drafted.

√ All expenditures reported on the FSR must comply with grant requirements and restrictions. This may put restrictions on previously unrestricted funds.

In-Kind Contributions

Background: In-kind contributions are non-cash donations of goods or services. It is critical when documenting in-kind contributions that both the donation as well as the value is recorded.   According to Financial Accounting Standards Board (FASB) 116, proper accounting for the in-kind donations of services dictates that there must be one of the two criteria below must be met before the contribution in recorded in the accounting records: (1) The service must create or enhance non-financial assets or the services must require specialized skills, which are provided by individuals possessing these skills, and (2) would have typically been purchased by the organization. If either of these conditions is met then the organization must record as a donation the value of the services.

The complexity of in-kind contributions is typically in the area of valuing the contribution. The value of the contribution should be determined based on fair market value of the good or service being provided. When determining the value of a donated service it is critical to assess the value of the service being provided and what they would have to pay for that specific service and not based on the individuals skills. For example, if an Orthodontist donated her time to serve as an Administrative Assistant, the value of the service provided is at the rate that the organization would have paid for an Administrative Assistant and not an Orthodontist.

An independent appraisal is required by the IRS for the donation of goods whose value exceeds $500. This knowledge should be incorporated into the procedures for gift acceptance.

The next step is to properly document the contribution. For in-kind contributions you must properly document the following items:

1. date and location of donation;

2. detailed description of item/service;
3. estimated value of contribution;
4. how the value was determined;
5. who made the determination;
6. was the contribution obtained with Federal funds; and
7. name and signature of the donor.

The contribution should not be recorded until all information is received. Once the information is complete the donation should be recorded in the accounting records as revenue and as the corresponding expense. This will allow the accounting records of the organization to accurately reflect the total cost of transactions.

Action Steps: In-kind contributions are valuable resources to service organizations. Most CNCS grants require grantee or third party match for their grants. Match can generally be in the form of cash or in-kind contributions. The sources of match and how match is used should be researched to be sure that they are in accordance with the grant provisions and regulations and OMB Circulars. See Appendix K for a sample form for recording and documenting in-kind contributions.

Items to Consider:

- √ Value of in-kind services is the cost that would have to be paid if it were not donated
- √ If your CNCS grant requires matching funds, the matching funds must comply with all grant regulations and restrictions.
- √ Volunteer exceptions for match: CNCS grants prohibit the value of direct community services performed by volunteers, and this does not count as match.
- √ The value of the donated good should be verified by the organization to ensure that it has been appropriately valued.

Financial Statement Review/Audit

Background: There are several different levels of professional review of an organization's financial records which include compilation, review and an audit.

The compilation is just as it sounds. It is only the compilation of the financial information of an organization into a financial statement format that complies with GAAP. A compilation does not provide any form of assurance on the fairness or material accuracy of the financial information.

A review is conducted by an independent CPA firm and is a series of inquiry and analytical procedures that provide limited assurance that the financial statements are fairly presented. This is less comprehensive than an audit, but provides the board and donors some form of assurance as to the financial statements.

An audit is conducted by an independent CPA firm and the auditor expresses an opinion about whether the financial statements fairly represent the financial position of the organization. There are several different types of opinions that can be expressed about the financial statements. Each one indicates whether the financial statements are in compliance with GAAP and if they properly represent the organization. The audit is a series of inquiry, analytical procedures, review of internal control structure and random testing of transactions.   For organizations that expend $500,000 or more in total federal funds within their fiscal year are subject to a Circular A-133 Audit. In this audit, there is an opinion expressed as whether the organization has complied with all federal compliance requirements.

<u>Action Steps</u>: It is good practice to have the financial records of every organization audited. Audits are one tool to be able to ensure that the accounting records are accurate. If annual audits are conducted, the relationship with the auditor needs to remain independent.   The Audit Committee should oversee the relationship with the auditor and be responsible for hiring, working with the auditor, and ensuring recommendations from the audit are reviewed and implemented.

<u>Items to Consider</u>:

- √ External reviews are often required by outside entities as proof of accountability.
- √ Be sure to get recommendation of auditors as to effectiveness, efficiencies and appropriateness of systems and procedures as part of the audit.
- √ Establish an audit committee within the Board of Directors.

Indirect Costs/Administrative Costs

<u>Background:</u> Indirect costs are defined as the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organizations and to conduct the activities it performs. Indirect costs are also known as administrative or overhead costs, these terms are often used interchangeably. In theory, costs like heat, light, accounting and personnel might be charged directly if little meters could record minutes in a crosscutting manner. Practical difficulties preclude such an approach. Therefore, cost allocation plans or indirect cost rates are used to distribute those costs to benefiting revenue sources.

Direct costs can be identified specifically with particular cost objectives such as a grant, contract, project, function or activity. Examples of direct costs are:

1. Salaries are wages (including vacations, holidays, sick leave, and other excused absences of employees working specifically on objectives of a grant or contract – i.e. direct labor costs).
2. Other employee fringe benefits allocable on direct labor employees.
3. Consultant services contracted to accomplish specific grant/contract objectives.
4. Travel of (direct labor) employees.
5. Materials, supplies, and equipment purchased directly for use on a specific grant or contract.
6. Communication costs such as long distance telephone calls identifiable with a specific award or activity.

Indirect/Administrative costs include:

1. Cost for financial, accounting, auditing, contracting or general legal services, except in unusual cases whether they are specifically approved in writing by CNCS or a funding agency as project costs.
2. Cost for internal evaluation, including overall organization's management improvement costs (except independent and internal evaluations of the project evaluations that are specifically related to creative methods of quality improvement)

3. Costs for general liability insurance that protects the organization(s) responsible for operating a project, other than insurance costs solely attributable to the project.
4. Costs of space, base utilities, and communication (telephone, fax, and Internet) that support administrative personnel.
5. Administrative costs may also include that portion of salaries and benefits of the project's director and other administrative staff not attributable to the time spent in support of a specific project. The principles that pertain to the allocation and documentation of personnel costs are stated in the OMB circulars that are incorporated in CNCS regulations [45 CFR §2541.220(b)].

Why would an organization want to have its own indirect cost rate? Some, CNCS grants, but not all, permit the federal government to bear its fair share of the total cost of the program supported by the grant. The government understands that there are these administrative or indirect costs outside of direct costs that are inherent to the operations of the grant and everyday operations.

However there are some CNCS programs that do not allow for administrative or indirect costs or that limit the indirect or administrative costs that can be recovered from the federal share of the grant. There are also some programs that limit allowable administrative or indirect costs a grantee can claim as match if the grantee organization does not have a federally approved indirect cost rate.

For certain CNCS programs there are two methods available to calculate allowable administrative costs: a CNCS fixed percentage method or a federally approved indirect cost rate. Regardless of the option chosen, the CNCS share of administrative costs is limited by statute to 5% of the total CNCS funds ***actually expended*** under the grants. Refer to the Code of Federal Regulations (CFR) 45§2517.710 for an explanation as to the limit of funds classified as indirect costs.

For other CNCS programs grantees are allowed to charge actual expenses and are allowed to fully utilize their approved federally negotiated indirect cost rate in either the federal or grantee share of the grant.

<u>Action Steps:</u> It is critical to understand what limits, if any, CNCS or the funding agency has imposed to limit administrative or indirect costs. The allowable rates

charged to various funding sources may vary but it is important to charge each activity a consistent amount as each activity should bear their fair share of costs.

If your organization already has a Negotiated Indirect Cost Rate Agreement (NICRA) and you chose to use it, the NICRA rate will constitute documentation of your administrative costs.

An indirect cost rate is simply a mechanism for determining fairly and conveniently what proportions of an organization's administration costs each program should bear. An indirect cost rate represents the ratio between the total indirect costs and benefiting direct costs, after excluding and or reclassifying unallowable costs, and extraordinary or distorting expenditures.

Example of Indirect Cost Rate Calculation:

$$\frac{\text{Indirect Costs}}{\text{Direct Costs + Direct Salaries \& Wages}}$$

(Excluding capital expenditures and unallowable costs)

There are many factors to consider when determining the allowability of costs when calculating the indirect cost rate. First, the costs must be allowable as defined in the relevant OMB Circular (A-87, A-21 and A-122). Second, the cost must be incurred by the grantee and reflect actual expenditures paid. Third, the costs must be consistent with the grant agreement. Finally, the costs must be adequately documented.

<u>Items to Consider:</u>

- √ Once an indirect cost rate is approved through an organization's cognizant Federal agency, the rate must be applied uniformly across all funding sources within the organization. The application of the rate includes non-federal grants, i.e. private foundation grants, state and local grants.
- √ The identification of direct vs. indirect costs should be easily accessed through the accounting system.

- √ Approval for an indirect cost rate is a process. Understand the time involved in the process and allow the time to complete all the steps.
- √ Evaluate other grants received and the rate at which indirect costs are charged to the grant.
- √ Figures used to calculate the indirect cost rate should be pulled from the audited financial statements.
- √ The Federal agency from which a majority of federal funds are received is considered the cognizant Federal agency for rate approval.
- √ Once the organization has an indirect cost rate established, a new indirect cost proposal must be submitted to the cognizant Federal agency as described in the agreement.

Inventory and Property Equipment Records

Background: Every organization should maintain a detailed list of inventory and property and equipment records. Inventory should be reviewed at a minimum on an annual basis to ensure that the amount on hand is reconciled with the accounting records. The same is true for property and equipment.

Property and equipment, also known as Fixed Assets, can be defined as assets which can not be easily converted into cash. Examples of property and equipment are land, buildings, motor vehicles, furniture, fixtures, office equipment and computers. Each of the items listed have a useful life beyond the current year and will be retained by the organization until their useful life expires. Because the life of the equipment is often longer term, it is essential to maintain detailed records of the purchase of such equipment not only for accounting purposes but also for management replacement purposes. Property and equipment is depreciated according to guidelines established by GAAP. Depreciation is a process of distributing the cost of the equipment over its useful life.

When federal funds (CNCS) are utilized for the purchase property and equipment, there are specific guidelines that need to be followed. The Code of Federal Regulations (CFR) clearly indicates the management requirements for equipment records. Please refer to 45 CFR §2541 for State, Local and Indian Tribal Governments and 45 CFR§2543 for Non-Profit Organizations and Education Institutions for specific requirements for the organization type.

Actions Steps: The CFR outlines the management requirements for equipment. There are five aspects of the equipment management to understand so that compliance is maintained.

1. Records must be maintained in detailed that includes a description of the property, a serial number/or identification number,
2. Physical inventory must be taken and results reconciled with the property records at least once every two years.
3. Control system in place to safeguard property against loss, damage, or theft of the property. Any loss or damage should be investigated.
4. Maintenance system in place to maintain property in good condition.
5. If grantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

The inventory and equipment listing is also a component of the grants closeout procedures.

Items to Consider:

- √ Does the organization currently have a policy that establishes a dollar threshold that defines items as property and equipment? For example, purchases in excess of $1,000 and a useful life more than a year.
- √ Are all anticipated purchases included in the budget?
- √ Are there policies and procedures in place to protect against the loss, theft or damage of equipment?
- √ Do you have multiple sites? How is the management of inventory and equipment handled at the various sites?
- √ Are there policies and procedures that handle the sale or disposal of equipment?

FEDERAL GRANT POLICIES AND PROCEDURES

In addition to basic organizational governing policies and financial and accounting policies and procedures, Federal grants and awards, including those from CNCS, require the recipients of grants and subgrants to have and follow certain specific policies and procedures that an organization may not otherwise have.

Following is a list of required written policies and procedures for an organization receiving Federal grant funds, whether your organization is a direct recipient or a subgrantee.

Required Written Policies and Procedures

Policies and procedures are a set of documents that set forth principles, rules, authorities, responsibilities and actions for an organization's management and operations. They typically identify what is to be done, who is to do it, and how it should be done. The lists below identify external requirements for policies and procedures for an organization receiving Federal grant funds, whether your organization is a direct recipient or a subgrantee.

Required written financial policies and procedures based on Federal grant regulations:

- ☐ General financial management policies, procedures, manual, or guidelines
- ☐ Internal controls of grant funds, e.g., approval and documentation of expenses, separation of duties, delegations of authority, check issuance, cash receipts, cash management, bank reconciliation, travel, and payroll
- ☐ Procurement and purchasing procedures
- ☐ Property management for equipment purchased with Federal funds
- ☐ Time and effort distribution (timekeeping)
- ☐ Record retention and destruction
- ☐ Procedures to minimize the time elapsing between the transfer of Federal funds from the HHS Payment Management System to the Grantee
- ☐ Procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the applicable cost principles and the terms and conditions of the award

☐ Codes of conduct for employees engaged in the award and administration of contracts
☐ Travel

Other key written financial policies and procedures based on Federal grant regulations:

☐ Cost Allocation Plans
☐ Payroll
☐ Cash receipts and disbursements
☐ Cash drawdowns and reimbursements
☐ Financial Reporting
☐ Site management and monitoring
☐ Closeout of subgrants
☐ AmeriCorps Programs: Delegation of authority to subgrantee staff managing the AmeriCorps program

Additional requirements for nonprofit organizations

If your organization is a nonprofit organization, your entity is required to submit the annual Form 990 to the Internal Revenue Service (IRS). Starting in 2009, your organization used the newly redesigned Form 990. New was the section titled Part VI, Governance, Management, and Disclosure, on Page 6 of the Form. Section B is entitled "Policies." In this section, the IRS requires:

1. Conflict of interest policy
2. Whistleblower policy
3. Record Retention and destruction policy
4. A written process for determining compensation of the organization's CEO, Executive Director, or top management official; and other officers or key employees. The process must include: a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision.
5. A written policy or procedure for an organization that invests in, contributes assets to, or participates in a joint venture or similar arrangement with a taxable entity. It must ensure proper steps have been

taken to safeguard the organization’s exempt status with respect to such arrangements.

References:

- 45 CFR 2541.200 and 360, “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments” for the Corporation for National and Community Service
- 45 CFR 2543.21, 22 and 44, “Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations” for the Corporation for National and Community Service
- 2 CFR part 220, “Cost Principles for Educational Institutions”
- 2 CFR part 225, “Cost Principles for State, Local and Indian Tribal Governments”
- 2 CFR part 230, “Cost Principles for Non-Profit Organizations”
- Form 990, “Return of Organization Exempt From Income Tax” for the Internal Revenue Service

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OMB and CNCS Grants Management Regulation List

The following is a Federal Grant Regulation List:

Which Federal grant regulations apply to my organization?

Educational Institutions

1. OMB Circular A-21 - Cost Principles for Educational Institutions *(2 CFR 220)*
2. OMB Circular A-110 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations *(2 CFR 215)*
    - CNCS has codified this in 45 CFR Part 2543 – Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
3. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
4. Related CNCS Regulations – 45 CFR Part 2543 or 2 CFR Part 215

State and Local Governments & Territories

1. OMB Circular A-87 - Cost Principles for State, Local, and Indian Tribal Governments *(2 CFR 225)*
2. OMB Circular A-102, Grants and Cooperative Agreements With State and Local Governments ***(****Amended 8/29/97)***
   - CNCS has codified this in 45 CFR Part 2541 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
3. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
4. Related CNCS Regulations - 45 CFR Part 2541

Indian Tribal Governments

1. OMB Circular A-87 - Cost Principles for State, Local, and Indian Tribal Governments *(2 CFR 225)*
2. OMB Circular A-102, Grants and Cooperative Agreements With State and Local Governments ***(****Amended 8/29/97)***
   - CNCS has codified this in 45 CFR Part 2541 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
3. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
4. Related CNCS Regulations - 45 CFR Part 2541

Non-Profit Organizations

1. OMB Circular A-122 - Cost Principles for Non-Profit Organizations *(2 CFR 230)*
2. OMB Circular A-110 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations ***(****2 CFR 215)*
   - CNCS has codified this in 45 CFR Part 2543 – Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
3. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
4. Related CNCS Regulations - 45 CFR Part 2543

Where can I obtain these documents?

Office of Management and Budget
The Executive Office of the President

www.whitehouse.gov/omb/circulars/

- OMB leads development of government wide policy to assure that grants are managed properly and Federal dollars are spent according to applicable laws and regulations.

Corporation for NATIONAL & COMMUNITY SERVICE

www.nationalservice.gov/about/role_impact/history.asp
www.access.gpo.gov/nara/cfr/waisidx_02/45cfr2541_02.html
www.access.gpo.gov/nara/cfr/waisidx_02/45cfr2543_02.html

- As required by law, CNCS has adapted these grant regulations.

Federal Financial Reports

Background: The Form 425 – Federal Financial Report (FFR) is a financial report that provides information regarding expenses and obligations for a specific period of time. The FFR is a report that is required for most federal grants and provides the following information:

- √ Identifying information
- √ Project period of grant and report period dates
- √ Federal Cash
- √ Federal Expenditures and Un-liquidated Balance
- √ Recipient Share
- √ Program Income
- √ Remarks/comments
- √ Certification

The FFR is typically filed with CNCS on a quarterly basis through eGrants or through the HHS Payment Management System and provides information on total program costs, specifying federal and grantee share. Some granting agencies may request that FFRs be submitted more frequently with specific grantees. This financial report should be created using supporting documentation that comes directly from the accounting system. All variances between the accounting system and FFR should be reconciled with explanation. After completing the report, it is suggested you maintain all of the information used to create the report in the file. It is critical to be timely in submitting your FFRs. See Appendix M which is a copy of the FFR Form 425.

Action Steps: The FFR is filed on a quarterly basis for most grantees. It is essential to know the timeline for submission of the FFR and documenting the process used to complete and submit the report to CNCS or its designee. As noted above, the FFR is a financial report that accounts for the total costs, federal and grantee share of the grant. It is essential to document how the supporting reports are generated and how the form is completed. The accounting information should come directly from the accounting system and then reviewed for accuracy prior to use in the report.

All documentation used to complete the FFR should be retained and kept with a copy of the FFR in your files.

Items to Consider:

- √ Ensure that all matching funds reported on the FFR have appropriate supporting documentation for verification.
- √ Timeliness of FFR filing is a component of the review by CNCS Grants Officers. A late FFR has the potential to effect the risk assessment of your organization. Also note, even if you receive an approved extension on time to submit the FFR, it is still considered filed late.
- √ Understand the terminology of unobligated funds and un-liquidated funds when filing the FFR.
- √ Utilize the comments section of the FFR to include a narrative description of the figures in the report if you think further explanation is necessary.

Drawdown of Federal Funds using HHS

Background: If you are a direct grantee of CNCS, you will likely utilize the HHS Payment Management System/SmartLink as the means to receive the federal grant funds. If the FFR is entered into the system correctly the funds requested are usually transferred electronically the morning of the next business day. The HHS system also generates some standard reports on prior draws of federal funds that can be helpful in reconciling the remaining balance on grants.

Action Steps: The timing of federal funds drawn down should align with disbursement of those funds to cover allowable expenses or to reimburse subgrantees. It is important to remember that federal funds must be deposited in interest bearing accounts. Once the funds are received from HHS, the funds should be immediately disbursed (within 2-3 business days) to ensure that interest is not earned on federal funds. Excess interest may have to be returned to the United States Treasury.

Items to Consider:

- √ Ensure that funds are drawn down to pay for allowable grant expenses and not overall organizational expenses.
- √ Establish systems to draw funds on a regular basis and create a procedure that draw down amounts are adequately documented to demonstrate only grant funds are included.
- √ Timing of organizational disbursements including: accounts payable, and payroll.
- √ The timely submission of the reports is critical to the successful disbursement of funds.
- √ The accounting system must allow for separation of grant funds to allow reporting by grant

Time and Activity Reporting

Background: Time and Activity reporting is a requirement of federal funds. If an individual spends time on more than one program or activity that is funded with federal and/or non-federal funds, the individual must keep timesheets or time and activity reports that breakdown the time spent on each program or activity. Time and Activity requirements vary based on the type of organization, such as non-profit organizations, local or state government, or higher educational institutions. The Office of Management and Budget (OMB) issues circulars that provide guidance on rules and regulations that govern the disbursement and accounting for of federal funds, including requirements for time and activity reporting.

Below is a chart the outlines which OMB Circular should be carefully reviewed and followed:

Type of Organization	Time and Activity OMB Circular
Educational Institution	OMB A-21
Non-Profit Organization	OMB A-122
State, Local and Indian Tribal Governments	OMB A-87

The OMB Circulars can be downloaded and printed from the OMB's website: http://www.whitehouse.gov/omb/grants/grants_circulars.html.

Action Steps: The organization needs to carefully review and follow the appropriate OMB Circular's administrative requirements based on the type of organization. A policy needs to created ensure the documentation for time and activity reporting is communicated to all employees. A timesheet should be created and disseminated to staff. It is suggested that the policy stipulate the timesheet should be signed by a supervisor and the employee prior to submission for payroll. See Appendix L for a sample timesheet.

Items to Consider:

√ Information to be included on timesheet

- → Employee name
- → Pay Period
- → Total hours worked for the pay period
- → Breakdown of actual hours worked on different programs or activities
- → Make sure hours are charged only once to a program or activity
- → Verify accuracy of time and activity report

√ Non-profit organizations need to utilize actual recorded time for payroll and financial reporting.

√ State, Local and Indian Tribal Government should establish a periodic reconciliation process that coincides with a pay period where actual time is reconciled with budgeted time.

√ Timesheets need to be maintained and filed for review upon request.

APPENDICIES

APPENDIX A
Finance Committee Duties and Responsibilities

ABCD Tutoring Corporation, Inc.
Finance Committee
Duties and Responsibilities

Structure

The composition of the Finance Committee shall be no less than five board members of ABCD Tutoring Corporation, Inc. (Corporation). It shall be comprised of individuals with sufficient knowledge, practical experience and objectivity to guide the finances of the Corporation. Individuals shall possess knowledge of the principles and practices of the administration as applied to the administration of the diversified programs; possess the knowledge of Federal agencies both regulatory and funding; possess knowledge of Federal laws and administrative regulations relating to the administration and management of applicable programs utilizing Federal funds; possess the knowledge of financial management systems; possess the knowledge of issues and programs relating to the goals and objectives of the organization.

Basic Function and Responsibility

- Committee members will discharge their duties solely in the interest of the Corporation and will exercise the care, skill, prudence and diligence that a prudent person, acting in a like capacity would use in the conduct of a similar enterprise.
- To develop, implement and monitor the Board adopted investment policy; recommend, monitor the operating budget and oversee finances of the grant programs.

Corporate Responsibilities (Committee as a group)

- Hire, monitor and, if necessary, dismiss financial institutions to properly manage the funds of the Corporation.
- Recommend a staff initiated budget to the Board of Directors; monitor budget and fund management generally.
- Establish, upon the recommendation of the President, a lump-sum line item for each budget year reflecting increases or other changes in the compensation/benefits of all job positions other than that of the President.
- Establish upon the recommendation of the Executive Committee, the compensation/benefits of the President for each budget year.
- Invite volunteer advisers who are not directors to participate in the Committee activities, when appropriate.
- Review and monitor the financial statements of the Corporation quarterly with the assistance of the Financial Officer and recommending the approval of the financial statements to the Board as a whole.

- Review and monitor the operating budget to actual financial statements of the Corporation quarterly basis and recommending and budget amendments to the board as deemed necessary.
- Hire, monitor and, if necessary, dismiss the auditor of the Corporation. The Committee will work with the auditor through the audit process and report to the Board the results of the audit.

Note: All budget matters shall be acted upon in conjunction with the Annual Meeting of the Finance Committee and the Board of Directors. The financial matters of the Corporation are not the sole responsibility of this Committee. It is essential that the Finance Committee openly communicates all financial matters to the entire Board.

APPENDIX B
Records Retention and Destruction

ABCD Tutoring Corporation, Inc.
Record Retention & Destruction Policy

The information contained in this policy is intended as a guideline for retention of records; it is not a comprehensive list of all types of records the ABCD Tutoring Corporation, Inc. (Corporation) might have, nor will compliance with this list guarantee compliance with all applicable laws. In addition, some individual records within a given category will have more significance than others, depending on the circumstances, and may warrant retention beyond the time period indicated below. In each case records should be retained for the longer of the periods specified in the "Legal Purposes" and the "Business Purposes" columns.

Legal Holds. From time to time the Executive Director may issue a notice, known as a "Legal Hold," suspending the destruction of records due to pending, threatened or otherwise reasonably foreseeable litigation, audits, government investigations or similar proceedings. No records specified in any Legal Hold may be destroyed, even if the scheduled destruction date has passed, until the Executive Director withdraws the Legal Hold in writing.

If need for a Legal Hold arises, the Executive Director will move affirmatively to ensure the preservation of documents that might otherwise be subject to routine destruction under the Corporation's record retention and destruction policy. The Executive Director will document when the instructions were transmitted, the notice that the Corporation received that triggered the instruction, and will follow up on compliance using Attachment A, Legal Hold Notice.

The Corporation takes very seriously its obligation to preserve information relating to litigation, audits, and investigations. The consequences of failing to retain items subject to a Legal Hold can be serious, including possible criminal and civil sanctions against the Corporation and its employees, and possible disciplinary action against responsible individuals (up to and including termination of employment). Each employee has an obligation to contact the Executive Director immediately in the event the employee obtains knowledge of any potential or actual litigation, external audit, investigation, or similar proceeding involving the Corporation. Likewise, it is also imperative that employees report threatened or actual violations of the Corporation's record retention and destruction policy to either the Executive Director or the Finance Director.

Approval for Record Destruction. Approval for record destruction must be obtained from the Executive Director using Attachment B, Record Destruction Approval. Documentation of every instance of information destruction must be maintained permanently.

Electronic Documents. All retention periods apply to paper and/or electronic media records. The originator of an electronic message is the record copyholder, just as the creator of a paper document is the record copyholder. The originator is responsible for preserving records of lasting importance to the Corporation.

For informational electronic messages such as meeting notices, reminders, informal notes, and telephone messages, users should delete the message once the administrative purpose is served. For significant electronic messages used in connection with the transaction of business, users must generate a paper copy to be filed in the appropriate record keeping system.

Electronic messages managed by a paper-based record keeping system will include a printout of the following: name and email address of who sent the message, names and email addresses of those the email was sent to, date email was sent, date email was read, subject line of email, message body of email, any attachments, and all associated metadata.

Backup copies of email systems will be cycled and replaced according to timetables established by the Corporation. Timetables are encouraged to be of short duration so that the record keeping function remains with the record keeping system, not the backup system.

This policy was approved by the board of the ABCD Tutoring Corporation, Inc. on

____________________________.

____ ______________________

Board Chair Date

Retention Schedule

Dept.	Item	Retention Period (Legal Purpose)	Retention Period (Business Purpose)	Retention Location
All	Correspondence, general	7 years	7 years	By department
	Correspondence, legal	Permanent	Permanent	By department
Corporate Records	Articles of Incorporation	Permanent	Permanent	Executive Director’s Office/electronic storage
	Bylaws	Permanent	Permanent	Executive Director’s Office/electronic storage
	Board Resolutions	Permanent	Permanent	Executive Director’s Office/electronic storage
	Board & committee agendas & materials	7 years	7 years	Executive Director’s Office/electronic storage
	Board & committee meeting minutes	Permanent	Permanent	Executive Director’s Office/electronic storage
	Board & committee Conflict of Interest disclosure forms	7 years	7 years	Executive Director’s Office/electronic storage
	Board Trustee files (terms, bios, correspondence)	7 years after end of service	Permanent	Executive Director’s Office/electronic storage
	IRS exemption determination, application & related	Permanent	Permanent	

Dept.	**Item**	**Retention Period (Legal Purpose)**	**Retention Period (Business Purpose)**	**Retention Location**
	correspondence			Executive Director's Office/electronic storage
	Policies & Procedures	Until Superseded	Until Superseded	Electronic Storage
Communications	Annual reports	7 years	Permanent (5 copies)	1 copy Communication's Officer office, remainder donor filing
	Other publications	7 years	Permanent (5 copies)	1 copy Communication's Officer office, remainder donor's filing cabinet
	Photos	7 years	Permanent	Communications office
	Press clippings	N/A	Permanent	Communications office/Electronic Storage
	Press releases	7 years	Permanent	Electronic Storage
	Research reports/surveys	N/A	5 years	CFO's Office

Dept.	Item	Retention Period (Legal Purpose)	Retention Period (Business Purpose)	Retention Location
Development	Fund agreements (signed) & correspondence relating to terms of the fund	Permanent	Permanent	Fund filing cabinets/Electronic Storage
	Legacy Files	Life of donor, then merge to fund files	Life of donor, then merge to fund files	Fund filing cabinets/Electronic Storage
	Trust agreements & related correspondence	7 years after termination of trust	Permanent	CFO's Office/Electronic Storage
Finance	Accounts payable invoices	7 years	7 years	Storage Room/Electronic Storage
	Bank reconciliation	7 years	7 years	Storage Room/Electronic Storage
	Bank statements	7 years	7 years	Storage Room/Electronic Storage
	Bank deposit records	7 years	7 years	Storage Room/Electronic Storage
	Cash receipts log	7 years	7 years	Storage Room/Electronic Storage
	Check register	7 years	7 years	Storage Room/Electronic Storage
	Contracts, leases & agreements	7 years after all obligations end	7 years after all obligations end	CFO Filing Cabinets
	Equipment files	7 years	7 years	CFO Filing Cabinets

Dept.	Item	Retention Period (Legal Purpose)	Retention Period (Business Purpose)	Retention Location
	Financial statements (audited), work papers & auditor management letter	Permanent	Permanent	Prior 2 Years, CFO Office/Electronic Storage
	Insurance policies, claims, accident reports	Permanent	Permanent	Current in CFO’s Office; electronic storage
	Investment performance reports	7 years	Permanent (year end)	CFO’s Office
	Ledgers (accounts payable, accounts receivable, general ledger, journal entries, chart of accounts)	7 years	7 years	CFO’s Office – electronic storage
	Payroll records, withholding tax statements & timecards	7 years	7 years	Payroll Filing Cabinet – CFO Office
	Tax Returns (federal & state)	Permanent	Permanent	Payroll Filing Cabinet – CFO Office
Human Resources	IRS Form I-9	1 year after end of service	1 year after end of service	Finance office
	Retirement Plans (plan descriptions & documents)	Permanent	Permanent	Finance office
	Employment applications & resumes	3 years	3 years	Finance Office

Dept.	Item	Retention Period (Legal Purpose)	Retention Period (Business Purpose)	Retention Location
	Employee handbooks	Permanent	Permanent	Finance Office
	Employee personnel files	Permanent	Permanent	Finance Office
Programs	Grantee records (approved & declined)	7 years	7 years	Program file area
	CNCS Financial Grant Records	3 years from date of filing final FSR	3 years from date of filing final FSR	Program file area
Technology	Email – not moved to subject folder in Outlook	N/A	3 months	Network for 3 months, backup for 3 months after deleted
	Software licenses & manuals	Until Superseded	Until Superseded	Finance Office

Attachment A

Legal Hold Notice

TO:	

Immediately suspend destruction of the following records:

Department:	
Item Description:	

Department:	
Item Description:	

Department:	
Item Description:	

Notification Corporation received to trigger this instruction:
(Attach any relevant documentation)

Legal Hold Placed by:

Signed:	
Date:	

Compliance with legal hold affirmed:

Signed:	
Date:	

Retain this record permanently

Attachment B

Record Destruction Approval

TO:	

Destroy the following records:

Department:	
Item Description:	
Reason:	

Department:	
Item Description:	
Reason:	

Department:	
Item Description:	

Reason:	

Department:	
Item Description:	
Reason:	

Authorized by:

Signed:	
Date:	

Attach destruction documentation and retain this record permanently.

APPENDIX C
Conflict of Interest Policy

ABCD Tutoring Corporation, Inc.

Conflict of Interest Policy

Adopted by Board of Directors, ____________

Effective governance requires deliberate, thoughtful and unbiased decision-making by directors and staff members. At the same time, the ability to make wise decisions for the ABCD Tutoring Corporation, Inc. (Corporation) is strengthened by each individual's personal and professional interests.

Directors and staff members have the duty of complete, undivided allegiance to the Corporation's mission when acting on behalf of the Corporation. This duty requires that directors and staff members recognize and respond appropriately to any real or perceived conflict of interest. A conflict may exist when a director or staff member participates in the deliberation and resolution of an issue on behalf of the Corporation while the individual has or previously had other professional, business or volunteer responsibilities outside the Corporation that could cause such individuals to address the issue with less than complete, undivided allegiance to the Corporation.

Circumstances that may result in an actual or perceived conflict of interest include, but are not limited to:

- Granting funds to a charitable nonprofit organization on which a director or staff member or their families are serving as staff, board members or volunteers.
- Participating on fund raising committees or in fund raising efforts for an organization seeking a grant from the Corporation.
- Investing Corporation funds.
- Hiring vendors or consultants for the Corporation.
- Employing a director or a relative of a director or staff as staff or as a consultant for a project.
- Divesture of prohibited financial interests.
- Disclosure of financial interests.
- Outside activities.
- Awards.

It is the Corporation's policy to deal with such conflicts in an open and direct manner. In accord with this policy, all directors and staff members are required to disclose any actual or perceived conflict (to be recorded in minutes) and to remove themselves from participation in any related discussions or decision-making by the Corporation. However, a director or staff member may, if requested by the Board or a committee of the Board, provide factual information that may assist the Board or committee in its deliberations. A director or staff member may seek guidance from the Board or a committee of the Board as to whether a particular activity or relationship constitutes an actual or perceived conflict of interest.

A copy of this policy shall be provided to all prospective directors and staff members. By accepting appointment as a director or employment as a staff member, an individual agrees to strictly adhere to this policy.

ABCD Tutoring Corporation, Inc.

Board Member/Employee Acknowledgement of Conflict of Interest Policy and Disclosure Statement

Name: ____

Foundation Position: ____

Please list all affiliations (personal, professional or a vocational) with charitable or community organizations for yourself or immediate family members. Please list positions held currently or within the last three years.

Organization Name	**Position Held**	**Name**	**Family Relationship**

Signed: ____

Date: ____

APPENDIX D
Whistle Blowers Policy

ABCD Tutoring Corporation, Inc.

Whistle-Blower/Code of Conduct Policy

In keeping with the policy of maintaining the highest standards of conduct and ethics, the ABCD Tutoring Corporation, Inc. will investigate any suspected fraudulent or dishonest use of misuse of the ABCD Tutoring Corporation, Inc.'s resources or property by staff, board members, consultants or volunteers. The ABCD Tutoring Corporation, Inc. is committed to maintaining the highest standards of conduct and ethical behavior and promotes a working environment that values respect, fairness and integrity. All staff, board members and volunteers shall act with honesty, integrity and openness in all their dealings as representatives for the organization and comply with all applicable laws and regulations.. Failure to follow these standards will result in disciplinary action including possible termination of employment, dismissal from one's board or volunteer duties and possible civil or criminal prosecution if warranted.

Staff, board members, consultants and volunteers are encouraged to report suspected fraudulent or dishonest conduct (i.e. to act as a "whistle-blower"), pursuant to the procedures set forth below.

Reporting

A person's concerns about possible fraudulent or dishonest use or misuse of resources or property should be reported to his or her supervisor or, if suspected by a volunteer, to the staff member supporting the volunteer's work. If for any reason a person finds it difficult to report his or her concerns to a supervisor or staff member supporting the volunteer's work, the person may report the concerns directly to the Chair of the Board, Chair of the Audit/Finance Committee, or the Executive Director of the ABCD Tutoring Corporation, Inc.. Alternatively, to facilitate reporting of suspected violations where the reporter wishes to remain anonymous, a written statement may be submitted to one of the individuals listed above.

Baseless Allegations: Allegations made with reckless disregard for their truth or falsity. People making such allegations may be subject to disciplinary action by the ABCD Tutoring Corporation, Inc., and/or legal claims by individuals accused of such conduct.

Fraudulent or Dishonest Conduct: A deliberate act or failure to act with the intention of obtaining an unauthorized benefit. Examples of such conduct include, but are not limited to:

- Forgery or alternation of documents;
- Unauthorized alteration or manipulation of computer files;
- Fraudulent financial reporting;

- Pursuit of a benefit or advantage in violation of the ABCD Tutoring Corporation, Inc.'s Conflict of Interest Policy;
- Misappropriation or misuse of the ABCD Tutoring Corporation, Inc.'s resources, such as funds, supplies or other assets;
- Authorizing or receiving compensation for goods not received or services not performed; and
- Authorizing or receiving compensation for hours not worked

Whistle-Blower: An employee, consultant or volunteer who informs a supervisor, the Chair of the Board, Chair of the Audit/Finance Committee or the Executive Director about an activity relating to the ABCD Tutoring Corporation, Inc. which that person believes to be fraudulent or dishonest.

Rights and Responsibilities

Supervisors

Supervisors are required to report suspected fraudulent or dishonest conduct to the Chair of the Board, Chair of the Audit/Finance Committee or the Executive Director of the ABCD Tutoring Corporation, Inc..

Reasonable care should be taken in dealing with suspected misconduct to avoid:

- Baseless allegations;
- Premature notice to persons suspected of misconduct and/or disclosure of suspected misconduct to others not involved with the investigation; and
- Violations of a person's rights under law

Due to the important yet sensitive nature of the suspected violations, effective professional follow-up is critical. Supervisors, while appropriately concerned about "getting to the bottom" of such issues, should not in any circumstances perform any investigative or other follow-up steps on their own. Accordingly, a supervisor who becomes aware of suspected misconduct:

- Should not contact the person suspected to further investigate the matter or demand restitution.
- Should not discuss the case with attorneys, the media or anyone other than the Chair of the Board, Chair of the Audit/Finance, or Executive Director of the ABCD Tutoring Corporation, Inc..
- Should not report the case to an authorized law enforcement officer without first discussion of the case with the Chair of the Board, Chair of the Audit/Finance Committee or Executive Director of the ABCD Tutoring Corporation, Inc..

Investigation

All relevant matters, including suspected but unproved matters, will be reviewed and analyzed, with documentation of the receipt, retention, investigation and treatment of the complaint. Appropriate corrective action will be taken, if necessary, and findings will be communicated back to the reporting person and his or her supervisor. Investigations may warrant investigation by an independent person such as auditors and/or attorneys.

Whistle-Blower Protection

ABCD Tutoring Corporation, Inc. will protect whistle-blowers as defined below:

- ABCD Tutoring Corporation, Inc. will use its best efforts to protect whistle-blowers against retaliation. Whistle-blowing complaints will be handled with sensitivity, discretion and confidentiality to the extent allowed by the circumstances and the law. Generally this means that whistle-blower complaints will only be shared with those who have a need to know so that the ABCD Tutoring Corporation, Inc. can conduct an effective investigation, determine what actions to take based on the results of any such investigation, and in appropriate cases, with law enforcement personnel. (Should disciplinary or legal action be taken against a person or persons as a result of a whistle-blower complaint, such persons may also have the right to know the identity of the whistle-blower.)
- Employees, consultants and volunteers of the ABCD Tutoring Corporation, Inc. may not retaliate against a whistle-blower for informing management about an activity which that person believes to be fraudulent or dishonest with the intent or effect of adversely affecting the terms or conditions of the whistle-blower's employment, including but not limited to, threats of physical harm, loss of job, punitive work assignments, or impact on salary or fees. Whistle-blowers who believe that they have been retaliated against may file a written complaint with the Chair of the Board, Chair of the Audit/Finance Committee or Executive Director of the ABCD Tutoring Corporation, Inc.. Any complaint of retaliation will be promptly investigated and appropriate corrective measures taken if allegations of retaliation are substantiated. This protection from retaliation is not intended to prohibit supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.
- Whistle-blowers must be cautious to avoid baseless allegations (as described earlier in the definitions section of the policy)

This policy was approved by the Board of the ABCD Tutoring Corporation, Inc. on

___________________________.

____ ________________________
Board Chair Date

APPENDIX E
Job Description

JOB DESCRIPTION

Date: 03/2007

Job Title: Director of Financial Services

Status: Full-time, Exempt

Program: Administration

Supervised by: President and CEO

Supervises: Controller, Payables Coordinator, Accountant, Registrar

Coordinates with: Directors, Database Manager, Head Start Policy Council, Treasurer of the Board of Directors (through the President and CEO)

General Description: The Financial Services Director is responsible for all financial management of the Corporation including accounts payable, accounts receivable, payroll, grants management and reporting, budget preparation and monitoring, and the annual audit according to generally accepted accounting principles specific grant regulations. This position advises the President and CEO and senior staff on all matters concerning financial management and information technology. The Financial Services Director educates and influences managers and assists them in understanding and implementing their program budgets. This position requires reading, writing, speaking, the ability to use automated accounting software, and interpersonal skills to deal sensitively with a diverse workforce.

I. **Responsibilities and Duties**

A. **Report Preparation (40%)**

1) Prepares timely and accurate reports for all programs and funders, including tax returns.
2) Prepares reports, analyses and projections for Board of Directors through President and CEO.
3) Develops annual budget, reports monthly to Directors, President and CEOs and Finance Committee and monitors budget compliance.
4) Maintains fiscal operations in compliance with federal, state and local regulations and funding guidelines, and generally accepted accounting principals.

B. **Finance Committee (10%)**

1) Serves as staff to the Finance Committee of the Board of Directors, planning agendas in collaboration with President and CEO and Treasurer, reviewing and analyzing fiscal information, trends and projections.
2) Serves as liaison to professional Investment Advisor.

C. **Supervision of Day-to-Day Operations (35%)**

1) Supervises Financial Services staff in the administration of accounts receivable, accounts payable, payroll, benefits, purchasing, cash flow, bank account reconciliations, contribution records and petty cash.
2) Maintains integrity of the accounting software system, and linkages with other systems.
3) Serves as primary contact for the Corporation with financial institutions.

D. **Advisory/Planning (15%)**

1) Advises President and CEO on matters of fiscal planning and policymaking; serves on staff management team.
2) Advises President and CEO on selection of auditors and supplies information for A-133 audit, IRS Form 990, IRS Form 5500 and other required reports.
3) Recommends strategies for optimizing cash flow and effective use of resources.
4) Maintains current procedures manual for fiscal operations and ensures staff familiarity with same.
5) Other duties as assigned.

II. Education

1) BA degree in accounting and at least five years of increasingly responsible accounting experience and training. CPA preferred.
2) Experience working with computerized accounting software.
3) Demonstrated supervisory skills.
4) Ability to plan and act strategically.
5) Knowledge of and experience in nonprofit management.

III. Interpersonal skills

Ability to communicate effectively with persons from diverse backgrounds, to create a favorable customer service environment for the Corporation's employees, volunteers and donors; to maintain strict confidentiality; to solve problems and anticipate future needs; to influence and educate Directors concerning compliance with policies.

APPENDIX F
Sample Segregation of Duties Worksheet

Separation of Financial Duties Worksheet

Instructions: In the top row of each column, enter the names and titles of the individuals who have responsibility for financial duties. In the following rows place a checkmark below the name of individual completing each task.

Task	**Position or Individual Performing the Task**					
Name of Individuals → → → → →						
Cash Management						
• Receives Cash (e.g., opens mail)						
• Prepares & Posts Receipts						
• Prepares Deposits Slips						
• Banks the Deposits						
• Reconciles Bank Statements						
• Custodian of Petty Cash						
• Replenishes Petty Cash						
• Audits Petty Cash						
• Maintains General Ledger						
Disbursements and Purchase Orders						
• Approves Purchase Orders						
• Verifies Receipts of Goods/Services						
• Prepares Requests for Funds						
• Authorizes Disbursements						
• Prepares Checks						
• Signs Checks (co-signature required for amount >$_____________)						
• Signs Checks – Machine						
• Custodian/Check Signing Device						
• Custodian of Blank Checks						
• Compares Check with Voucher						
• Mails or Distributes Checks						
• Posts Disbursements						
• Maintains General Ledger						
• Computes Cost Allocation of Expenses						
Payroll						
• Records Time on Timesheets						
• Approves Timesheets						
• Maintains Staff Timesheets						
• Maintains Member Timesheets *						
• Reconciles Wage Distribution **						

Task	Position or Individual Performing the Task					
Name of Individuals → → → → →						
• Approves Payroll Actions						
Financial Reporting						
• Tracks Match Contributions						
• Prepares Financial Reports						
• Approves Financial Reports						
• Prepares Annual Audit: A-133, other						
• Prepares Federal government financial reports (FFR, etc.)						
• Resolves Audit Findings						
• Prepares IRS financial reports: 990						
Comments:						
Other Related Duties:						

* = AmeriCorps programs only
** = Government agencies only, in accordance with 2 CFR 225, Cost Principles for State, Local, Indian Tribal Governments (formerly OMB Circular A-87)

APPENDIX G
Sample Daily Cash Receipts Form

ABCD Tutoring Corporation, Inc.

Daily Cash Receipts Form

Date: ______________________

Donor/Payor	Amount	Check Number	Description	Date of Deposit	Date Acknow.	Entered into Accting Sys.	Accounting Coding	
							Debit Acct. #	Credit Acct. #

Donor/Payor	Amount	Check Number	Description	Date of Deposit	Date Acknow.	Entered into Accting Sys.	Accounting Coding	
							Debit Acct. #	Credit Acct. #

Total of Deposit: $ -

Prepared Form: ______________________ Date: ______________________

Prepared Acknowledgement Letter: ______________________ Date: ______________________

Approved By: ______________________ Date: ______________________

Entered into Accounting System: ______________________ Date: ______________________

APPENDIX H
Sample Travel Expense Form

ABCD Tutoring Corporation, Inc.
Travel Request

Travel Request

Dates of Anticipated Travel: ______________________________

Purpose of Anticipated Travel: ______________________________
____
____
____
____
____

Estimated Costs of Travel:
Airfare: ______________
Mileage: ______________
Meals: ______________
Transportation: ______________
Other, please explain: ______________

Total ______________

Grant Funds to be utilized: ______________________________

Signature of Staff: ______________________________

Approved By: ______________________________

Date Approved: ______________________________

ABCD Tutoring Corporation, Inc.
Travel Reimbursement Form

Date of Travel: ______________________________

Purpose of Travel: ______________________________
____
____
____

Summary of Results of Travel and any unanticipated costs that differ from the projected costs:

____
____
____
____

Actual Costs of Travel:
Airfare: ______________
Mileage: ______________
Meals: ______________
Transportation: ______________
Other, please explain: ______________

Total ______________

Total Costs of Travel (all supporting documentation attached): __________

Reimbursement Approved By: ______________________________

Date Reimbursement Approved: ______________________________

APPENDIX I
Sample Chart of Accounts

Sample Chart of Accounts

The following is a list of accounts that are available for use of coding transactions in the accounting system.

<u>Assets (1000-1999)</u>

Current Assets

- 1000 - Checking Account
- 1100 - Money Market Account
- 1200 – Grant Receivable

Non-Current Assets

- 1300 – Investments

Property and Equipment

- 1500 – Fixed Assets
- 1550 – Accumulated Depreciation

<u>Liabilities (2000 – 2999)</u>

Currently Liabilities

- 2000 – Accounts Payable
- 2100 – Accrued Expenses
- 2200 – Current Portion of Note Payable

Long Term Liabilities

- 2500 – Note Payable

<u>Net Assets (3000-3999)</u>

- 3000 – Unrestricted Net Assets
- 3100 – Temporarily Restricted Net Assets
- 3200 – Permanently Restricted Net Assets

<u>Revenues/Other Support (4000 – 4999)</u>

- 4000 – Undesignated Contributions
- 4100 – Federal Grants
- 4200 – Corporate Contributions
- 4300 – Foundation Grants
- 4400 – In-kind Contributions
- 4500 – Interest Income

4600 – Other Income

Expenditures (5000 – 5999)

5000 – Salaries
5010 – Payroll Taxes
5020 – Health Insurance
5030 – Retirement
5040 – Short Term Disability Insurance
5050 – Life Insurance
5060 – Other Taxes
5100 – In State Travel
5110 – Out of State Travel
5200 – Supplies
5300 – Telephone
5400 – Postage and Freight
5500 – Office Lease
5600 – Legal Services
5700 – Accounting Services
5800 – Other Contractual Services

Program Expenditures (6000-6999)

6000 – Board Member Travel
6100 – Board Meetings
6200 – Volunteer Travel

In addition, to account for the different grants or funding sources on a fund accounting basis will allow the transactions for each grant to be viewed separately. This may be accomplished with establishing segments or classes for each source. This is done differently within each software package.

APPENDIX J
Sample Financial Statements

ABCD Tutoring Corporation, Inc.

Statement of Financial Position

December 31, 2006

Assets	2006	2005
Current Assets		
Cash and cash equivalents	$ 244,978	$ 134,667
Prepaid expenses	-	500
Investments	205,192	105,718
Property and equipment	802,933	740,345
Total Assets	$ 1,253,103	$ 981,230

Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable	$ 11,363	$ 4,475
Accrued payroll costs	40,998	30,516
Deferred contract revenue	90,997	27,213
Capital lease obligations	-	3,402
Current portion of Notes Payable	5,822	5,574
Total Current Liabilities	149,180	71,180
Long Term Liabilites		
Notes Payable	128,989	134,769

Total Long Liabilities	128,989	134,769
Net Assets		
Unrestricted Restricted	803,799	775,281
Temporarily Restricted	83,441	-
Permanently Restricted	87,694	-
Total Net Assets	974,934	775,281
Total Liabilities and Net Assets	$ 1,253,103	$ 981,230

ABCD Tutoring Corporation, Inc.

Statement of Activities

For the Twelve Months Ended December 31, 2006

	2006				2005
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and other Support					
Government grants and contracts	$ 1,240,802	$ -	$ -	1,240,802	1,148,639
Program Income	287,542	-	-	287,542	258,887
Foundations and Corporations	134,769	115,880	87,694	338,343	134,350
Individual Contributions	24,773	-	-	24,773	17,817
Interest	1,594	-	-	1,594	2,478
Other	12,161	-	-	12,161	550
In-Kind Contributions	23,222	-	-	23,222	61,954
Net Assets Released from Restrictions	32,439	(32,439)	-	-	-
Total Revenue and Other Support	1,757,302	83,441	87,694	1,928,437	1,624,675
Expenditures					
Program Services	1,564,056	-	-	1,564,056	1,428,974
Management and General	115,435	-	-	115,435	116,904
Fundraising	49,293	-	-	49,293	73,290
Total Expenditures	1,728,784	-	-	1,728,784	1,619,168
Change in Net Assets	28,518	83,441	87,694	199,653	5,507
Net Assets, Beginning of Year	775,281	-	-	775,281	769,774
Net Assets, End of Year	$ 803,799	$ 83,441	$ 87,694	$ 974,934	$ 775,281

ABCD Tutoring Corporation, Inc.
Statement of Functional Expenses
For the Twelve Months Ended December 31, 2006

	2006				2005
	Program Services	**Management and General**	**Fund Raising**	**Total**	**Total**
Salaries	1,058,545	78,259	11,180	1,147,984	1,040,722
Payroll taxes and benefits	120,996	8,445	1,206	130,647	108,711
Rent	110,652	7,658	1,094	119,404	107,236
Consultants and contractors	52,390	2,171	31,592	86,153	76,889
Utilities	30,851	2,347	335	33,533	34,022
Repairs and Maintenance	18,432	981	200	19,613	28,133
Professional fees	15,026	1,403	163	16,592	14,542
Staff Training	15,036	1,143	-	16,179	10,046
Telephone	10,378	790	228	11,396	10,818
Insurance	6,835	520	74	7,429	5,906
Office supplies	5,996	456	65	6,517	8,985
Equipment	2,487	189	27	2,703	1,860
Travel	3,302	-	-	3,302	4,290
Postage and freight	1,434	109	16	1,559	1,219
Dues and subscriptions	793	60	9	862	1,986
Other	3,104	238	82	3,424	3,547
In-Kind contributions	17,395	3,787	2,040	23,222	61,954
	1,473,652	108,556	48,311	1,630,519	1,520,866
Depreciation	90,404	6,879	982	98,265	98,302
Total Expenditures	1,564,056	115,435	49,293	1,728,784	1,619,168

APPENDIX K
Sample In-kind Contribution Form

Organization's Logo Here

Non-Profit Organization of My County
P.O. Box 1234 • Any City, TX 76001 • (713) 879-2812

In-Kind Contribution Form

Contributor Information

Name of Business or Indiv.: ______________________

Name of Primary Contact: ______________________

Address: ______________________

City: ______________ **State:** ________ **Zip Code:** ________

Telephone: ______________ **E-mail:** ______________

Contributed Goods or Services

Description of Contributed Goods or Services: ______________________

____

____

Date(s) Contributed: ______________________

Real or Estimated Value of Contribution: $ ______________________

How was the value determined?: ❑ Actual Value ❑ Appraisal ❑ Other

If other, please explain: ______________________

Who Made this Value Determination?: ______________________

Is there a restriction on the use of this contribution?: ❑ No ❑ Yes

If yes, what are the restrictions?: ______________________

Was this Contribution Obtained with or Supported by Federal funds?: ❑ No ❑ Yes

If yes, please provide the name of the Federal agency and the grant or contract number:

____

______________________ ______________________

Signature of Contributor **Date Contributed**

Thank you for your support!!

Office Use Only:

Person Receiving Goods or Services on Behalf of Non-Profit Organization of My County:

______________________ ______________________

Printed Name ***Position***

______________________ ______________________

Signature ***Date Received***

Accounting Use Only:

$				
Value Recorded	***DR/CR Account Numbers***	***Date Entered***	***Data Entry Person***	***JE Number***

APPENDIX L
Sample Employee Timesheet

ABC Non-profit **BI-WEEKLY TIME SHEET**

1234 United Blvd.
Dallas, TX 75555
Telephone: (214) 555-6644; FAX: (214) 555-7755

Employee Name:	Jane Q. Coordinator	**Project Name:**	Happy Kids After School Program
Title:	Program Coordinator	**Pay Period:**	6/21/2010 to 7/4/2010
Department:	Service Program	**Supervisor:**	On Lee N. Americus

Days	**S**	**M**	**T**	**W**	**TH**	**F**	**S**	**S**	**M**	**T**	**W**	**TH**	**F**	**S**	**Total Hrs.**
Dates	**6.21.10**	**6.22.10**	**6.23.10**	**6.24.10**	**6.25.10**	**6.26.10**	**6.27.10**	**6.28.10**	**6.29.10**	**6.30.10**	**7.1.10**	**7.2.10**	**7.3.10**	**7.4.10**	
Task or Grant Project															
AmeriCorps After School Program		5	4.75	4.5		2			4	8	7	8	8		51.25
Fundraising*				2							1				3
Headstart Program		3				6			4						13
Annual Leave				1.5											1.5
Sick Leave			3.25		8										11.25
Holiday															0
Leave: Other ____________															0
TOTALS:	**0**	**8**	**8**	**8**	**8**	**8**	**0**	**0**	**8**	**8**	**8**	**8**	**8**	**0**	**80**

By signing below, I hereby attest that the time recorded on this time sheet is true and accurate to the best of my knowledge.

Employee Signature Date

Supervisor's Signature Date

Instructions:

1. Calculate all time in 15 minute increments, for example: 1.25, 2.50, 4.75.

2. Employee must submit timesheet to his/her supervisor by the ___ day of the pay period.

3. Sign timesheet with ink pen only (no pencil, no erasable pen).

4. Do not use "white-out" to correct mistakes, instead cross-out the error, write-in the correct number, and initial correction.

* = Do not charge time spent in organized fundraising solely to raise capital to Federal grants, whether to Federal or non-Federal share

NOTE: Electronic timesheets are allowed when a grantee (1) has an established, written policy establishing the use of electronic timekeeping systems; (2) has a secure, verifiable electronic signature system that a) identifies and authenticates a particular person as the source of the electronic signature and b) indicates such person's approval of the time; and (3) does not allow changes to the electronic record once appropriate electronic signatures have been applied unless there is a clear, auditable record of the revision.

APPENDIX M

Federal Financial Report (FFR) Form 425

FEDERAL FINANCIAL REPORT

(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted	2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)	Page 1 of pages
3. Recipient Organization (Name and complete address including Zip code)		

4a. DUNS Number	4b. EIN	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)	6. Report Type □ Quarterly □ Semi-Annual □ Annual □ Final	7. Basis of Accounting □ Cash □ Accrual

8. Project/Grant Period From: (Month, Day, Year)	To: (Month, Day, Year)	9. Reporting Period End Date (Month, Day, Year)

10. Transactions	Cumulative
(Use lines a-c for single or multiple grant reporting)	
Federal Cash (To report multiple grants, also use FFR Attachment):	
a. Cash Receipts	
b. Cash Disbursements	
c. Cash on Hand (line a minus b)	
(Use lines d-o for single grant reporting)	
Federal Expenditures and Unobligated Balance:	
d. Total Federal funds authorized	
e. Federal share of expenditures	
f. Federal share of unliquidated obligations	
g. Total Federal share (sum of lines e and f)	
h. Unobligated balance of Federal funds (line d minus g)	
Recipient Share:	
i. Total recipient share required	
j. Recipient share of expenditures	
k. Remaining recipient share to be provided (line i minus j)	
Program Income:	
l. Total Federal program income earned	
m. Program income expended in accordance with the deduction alternative	
n. Program income expended in accordance with the addition alternative	
o. Unexpended program income (line l minus line m or line n)	

11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
				g. Totals:			

12. Remarks: *Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:*

13. Certification: By signing this report, I certify that it is true, complete, and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalities. (U.S. Code, Title 18, Section 1001)

a. Typed or Printed Name and Title of Authorized Certifying Official	c. Telephone (Area code, number and extension) d. Email address
b. Signature of Authorized Certifying Official	e. Date Report Submitted (Month, Day, Year)
	14. Agency use only:

Standard Form 425
OMB Approval Number: 0348-0061
Expiration Date: 10/31/2011

Paperwork Burden Statement
According to the Paperwork Reduction Act, as amended, no persons are required to respond to a collection of information unless it displays a valid OMB Control Number. The valid OMB control number for this information collection is 0348-0061. Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0060), Washington, DC 20503.