

SAMPLE FINANCIAL PROCEDURES MANUAL

Approved by _____ (organization's) Board of Directors on _____ (date)

I. GENERAL

1. The Board of Directors formulates financial policies, delegates administration of the financial policies to the Executive Director and reviews operations and activities.
2. The Executive Director has management responsibility including financial management.
3. Current job descriptions will be maintained for all employees, indicating financial duties and responsibilities.
4. Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts; disbursements; payroll; reconciliation of bank accounts; etc.
5. All employees involved with financial procedures shall take vacations or leaves of 5 consecutive work days each year. During such periods, back-up personnel who have been cross-trained in their duties will perform their tasks.
6. A blanket employee dishonesty coverage in the amount of \$_____ shall be maintained.
7. Professional financial service providers will be established annually. For _____ (year) these include _____ (accounting software), _____ (payroll services), the _____ (insurance), _____ (banking), _____ (restricted investments and retirement services), and _____ (auditors).
8. The _____ (staff position) will maintain a current and accurate log of the chart of accounts, job accounts and accounting classes.
9. These policies and procedures will be reviewed bi-annually by the _____ (Board Committee)

II. CASH RECEIPTS (includes checks)

1. The _____ (staff position) opens any mail addressed to _____ (organization name) or without specific addressee. The receipt of checks or cash will be

recorded in the accounting system. All other checks or cash will be immediately forwarded to the _____ (*staff position*).

2. The _____ (*staff position*) will endorse all checks by rubber stamp to read as follows:

PAY TO THE ORDER OF
_____ *Bank*
Account #
FOR DEPOSIT ONLY
Organization Name
Account Number

The endorsement stamp will specify into which corporate account (savings, checking) the deposit will be made.

3. A report will be printed that includes the source and amount of the receipt as well as the total daily deposit amount.
4. The checks and cash will then be forwarded to the _____ (*staff position*), who will complete deposit slips in duplicate. Receipts and deposit slip will be placed in an envelope for _____ (*Bank*).
5. If no cash is present, the envelope may be sealed and sent through the US mail. If cash is present, the _____ (*staff position*) will verify deposited funds prior to sealing the envelope and making the deposit in person.
6. Documentation for all receipts (a copy of check, letter, etc.) will be attached to the duplicate slip and filed chronologically.
7. All receipts will be deposited intact. No disbursements will be made from cash or check receipts prior to deposit.
8. The _____ (*staff position*) will record each cash payment received in a number receipt book with a duplicate for the payer. Cash shall be locked in a secure location until taken to the bank.
9. The Executive Director will receive a copy of all deposit reports for review.
10. Checks received at the _____ (*other office*) location will be endorsed as in #2 above and mailed to the mail office for processing. Receipts will be given for cash as in #8 above. Cash will be brought to the main office by a staff or board member.

III. CASH DISBURSEMENTS

A. CHECK AUTHORIZATION

1. All invoices will be immediately forwarded to the _____ (*staff position*) who will review all invoices for mathematical accuracy, validity, conformity to the budget (or other board authorization) and compliance with bid requirements.
2. Prior to payment, all invoices will be approved (indicated by initialing) by the _____ (*staff position*), who will code the invoice with an appropriate expense or other chart of accounts line item number, class and job number (where applicable).
 - a. By approving an invoice, the _____ (*staff position*) indicates that it has been reviewed by the _____ (*staff position*) and authorizes a check.
 - b. The _____ (*staff position*) will ensure that all conditions and specifications on a contract or order have been satisfactorily fulfilled, including inventorying items received against packing slip counts. The _____ (*staff position*) is responsible for timely follow-up on discrepancies and payment.
3. Approved invoices will be entered into the accounting system using the "Enter Bills" screen.
4. The _____ (*staff position*) will prepare checks on a weekly basis.
5. Authorized signers on _____ (*organization's*) accounts include the Executive Director, Chair and Treasurer of the Board.

B. CHECKS

1. The _____ (*staff position*) will be responsible for all blank checks.
2. All checks, including payroll checks (with the exception of direct deposit payroll items) will be signed by the Executive Director or designated members of the Board of Directors.
3. The _____ (*staff position*) will generate checks for approved invoices through the accounting system using "Pay Bills" and/or "Write Checks" screens where appropriate.
4. Voided checks will have "VOID" written boldly in ink on the face and have the signature portion of the check torn out. Voided checks will be kept on file.
5. In no event will:

- a. invoices be paid unless approved by an authorized signer
 - b. blank checks (checks without a date or payee designated) be signed in advance
 - c. checks be made out to "cash", "bearer", "petty cash", etc.
 - d. checks be prepared on verbal authorization, unless approved by the Executive Director.
6. In the event that it is necessary to issue a duplicate check for checks in an amount over \$15, a stop payment will be ordered at the bank on the original check.

C. BANK RECONCILIATIONS

1. Bank statements will be received directly and opened by the _____ (*staff position*).
2. The _____ (*staff position*) will reconcile the bank statement monthly.
3. The Treasurer of the Board will receive monthly statements of checks paid on all accounts.
4. The Executive Director shall verify the reconciliation of the bank accounts on at least a quarterly basis.
5. On all checks outstanding over 90 days, the _____ (*staff position*) should take appropriate action.

IV. PURCHASING

A. PURCHASES UNDER \$5,000

1. All purchases over \$500 must be approved in advance by the Executive Director.
2. The Project Director is responsible to know if the item ordered is within the budget and guidelines.
3. If purchase is less than \$150, persons authorized by the Project Director for immediate purchase and delivery can make the purchase. When this is done, invoice copies are to be turned into the Project Director.

B. PURCHASES OVER \$5,000

1. All purchases including services over \$500 must be approved in advance by the Executive Director.

2. Purchases over \$5000 will be required to undergo a competitive bid procedure.
3. All bid requests will contain clear specifications and will not contain features which unduly restrict competition.
4. The Project Director will be responsible to ensure that all conditions and specifications of a contract, bid, or order have been satisfactorily fulfilled and will be responsible for timely follow-up of these purchases.
5. The Project Director will obtain at least 3 bids wherever possible unless prior approval by Executive Committee has been obtained.
6. Purchases of over \$5000 will not be fragmented or reduced to components of less than \$5,000 to avoid the bid process.

V. PAYROLL

A. TIME SHEETS

1. Each hourly employee will be responsible for completing a time sheet on a biweekly basis.
2. Completed time sheets will be dated and signed by the employee, time cards will be stapled to the back, and both will be submitted to the _____ (*staff position*) at the end of the last working day of each pay period.
3. No payroll checks will be issued without a completed time sheet and time card if required.
4. Incomplete time sheets and cards will be returned to the employee for correction.
5. The _____ (*staff position*) will verify the accuracy of the time sheets and addition.
6. Employees will be paid every two weeks, deductions are itemized on each paycheck.

B. PAYROLL

1. The _____ (*vendor name*) Payroll System will enter payroll, print payroll checks, make direct deposit transfers print payroll reports and send reports to the _____ (*staff position*).
2. The _____ (*staff position*) will review the payroll checks before they are distributed.
3. The _____ (*staff position*) will distribute the payroll checks to the employees. Checks will not be issued to any person other than the employee without written authorization from the employee.
4. The _____ (*staff position*) is responsible for entering payroll reports into the accounting system.
5. Voluntary terminations will be paid at regular pay date. Involuntary terminations will be paid on day of separation.

C. PAYROLL TAXES

1. _____ (*staff position*) will prepare and transmit the payroll tax reports, W-2 forms, and 1099 forms.
2. The _____ (*staff position*) will verify payroll tax preparation on a quarterly basis.

D. BENEFITS

1. Payroll will be prepared in accordance with the personnel policies and benefit plan.

VI. TRAVEL & EXPENSES

1. Each employee will complete an expense voucher if any traveling is done. Voucher should include all expenses including credit card charges. Voucher will reflect reimbursement sources other than _____ (*organization*).
2. Mileage to and from residence will not be paid by _____ (*organization*), except for board members traveling from outside the Twin Cities to board meetings.
3. The expense voucher will be submitted within 60 days for payment, with a total, signed by the employee, authorized for payment by the Executive Director.

4. Reimbursement will be based upon current travel policies. Receipts must be attached to the expense voucher for lodging, common carrier transportation, and receipts for meals where required.
5. Incomplete expense vouchers will be returned.
6. Employees and board members will be reimbursed for travel and other related expenses at the rate set by the Board. The Executive Director must approve employee travel and workshop expenditures prior to their occurrence. The organization will reimburse no more than the standard mileage rate for the business use of a car as established by the IRS. _____ (*organization*) will reimburse meal expenses incurred in direct connection with _____ (*organization*) employment, or a per diem rate of \$___ per day. The mileage rate and per diem rate will be established annually by the board.

VII. CONSULTANTS

1. Consideration will be made of internal capabilities to accomplish services before contracting for them.
2. Written contracts clearly defining work to be performed, terms and conditions will be maintained for all consultant and contract services.
3. The qualifications of the consultant and reasonableness of fees will be considered in hiring consultants.
4. Consultant services will be paid for as work is performed or as delineated in the contract.
5. The Board of Directors will approve audit and other significant contracts.
6. The _____ (*staff position*) will prepare 1099 returns for consultants at year-end.

VIII. PROPERTY

A. EQUIPMENT

1. Equipment shall be defined as all items (purchased or donated) with a unit cost of \$500 or more and a useful life of more than one year.

2. The _____ (*staff position*) will maintain an inventory log; which shall list a description of the item, date of purchase or acquisition, price or fair value of the item and its location.
3. A depreciation schedule shall be prepared at least annually for the audited financial statements.
4. The _____ (*staff position*) will record all equipment in the accounting system. An entry must be made whenever property is disposed of or acquired.

IX. LEASES

A. REAL ESTATE

1. The Executive Director will review leases prior to submission to the Board of Directors for approval.
2. All leases, clearly delineating terms and conditions, will be approved by the Board of Directors and signed by the Board Chair.
3. The Executive Director will keep a copy of each lease on file.
4. The Consulting Accountant will be notified of each lease and lease specifications, and will make proper general journal entries for same.

B. EQUIPMENT

1. The Executive Director will review all leases.
2. All leases, clearly delineating terms and conditions, will be approved and signed by the Executive Director.
3. The Executive Director will keep a copy of each lease on file.
4. The Consulting Accountant will be notified of each lease and lease specifications, and will make proper general journal entries for same.

X. INSURANCE

1. Reasonable, adequate coverage will be maintained to safeguard the assets of the corporation. Such coverage will include property and liability, worker's compensation, employee dishonesty and other insurance deemed necessary.
2. The Executive Director will carefully review insurance policies before renewal.
3. The Executive Director will maintain insurance policies in insurance files.
4. Insurance policies will correspond to the calendar year whenever possible.
5. The _____ (*staff position*) will prepare and maintain an insurance register.

XI. TELEPHONE

1. Personal long distance or cellular phone calls made on _____ (*organization's*) telephones by employees must be logged with the _____ (*staff position*), indicating that it is a personal call. Employees will be billed on these calls.
2. _____ (*organization*) business calls from phones outside the office should be billed to the _____ (*organization's*) telephone account.

XII. BOOKS OF ORIGINAL ENTRY

1. _____ (*organization*) will utilize a double entry system for accounting for all funds.
2. Adequate documentation will be maintained to support all general entries.
3. At the end of each month, the _____ (*staff position*) will prepare a Balance Sheet, Statement of Activities, and Statement of Activities by Project that will be reviewed by the Executive Director.
4. The Statement of Activities report will include a comparison to the budget.
5. _____ (*organization*) will maintain its accounting records on the accrual basis in a manner that facilitates the preparation of audited financial statements conforming to generally accepted accounting principles.

XIII. GRANTS AND CONTRACTS

1. The Executive Director will carefully review each award and contract to ensure compliance with all financial and programmatic provisions. The _____ (*staff position*) will maintain originals of all grants and contracts in a file. The Consulting Accountant will prepare initial entries as appropriate to record each award.
2. The _____ (*staff position*) will prepare and maintain on a current basis a Grant/Contract Summary form for each grant or contract awarded to _____ (*organization*). This form shall include the name, address, contact person, and phone number for the funding organization; the time period applicable to expenditures; all significant covenants (such as bonding or liability insurance requirements) and restrictions on expenditures; all require financial and program report and due dates; and the chart of accounts line item number for the revenue deposited.
3. Payments for projects for which _____ (*organization* serves as fiscal agent shall be paid out within one week.
4. The Consulting Accountant will prepare financial reports to funding sources as required.
5. The Executive Director will review and approve all reports to funding sources.
6. It will be the responsibility of the Executive Director to insure that all financial reports are submitted on a timely basis.

XIV. BUDGETS

1. The Executive Director and the _____ (*staff position*) will prepare the financial budget.
2. The _____ (*staff position*) will insure that budgets are on file.
3. The Board of Directors must approve proposed changes in the budget, should they exceed \$_____ or _____% of the line item, whichever is greater.

XV. LOANS

1. The Board of Directors will approve loans.
2. A promissory note will be prepared and signed by the Board Chair and another officer of the Board before funds are borrowed.

XVI. OTHER

A. MINUTES OF MEETINGS

1. The Secretary of the Board will prepare accurate minutes of all meetings of the Board of Directors and committees.
2. The Executive Director will note all items in the minutes relating to finance and take appropriate action.

B. NON-PROGRAM INCOME

1. Donations of cash and non-program related income will be separately accounted for.

C. ACCOUNTS RECEIVABLE

1. Documentation will be maintained for accounts receivable.
2. Accounts receivable will be recorded in the books and collected on a timely basis.

D. FINANCIAL PROCEDURES

1. Financial procedures will be reviewed bi-annually by the Finance Committee. The Board of Directors must approve changes to the financial procedure manual prior to implementation.

E. FORM 990

1. The Board of Directors in conjunction with the audit will authorize preparation of Form 990. Form 990 will be signed by an officer of the Board.
2. Copies of Form 990 will be files in the _____ (*staff position*)'s files, and a copy of the _____ (*organization's*) Form 990 and Form 1023 shall be located at the front desk for public inspection and/or copying.

F. AUDITS

1. The Board of Directors shall annually contract with an independent auditing firm a full audit of the books, to be completed prior to the following first of September.

G. PERSONNEL FILES

1. The _____ (*staff position*) will maintain a personnel file for each employee, containing appropriate documents, such as the signed compensation agreement, approval of changes in compensation, an I-9 immigration form, and withholding forms for taxes, benefits, deferred compensation, and charitable contributions.

H. FISCAL AGENT STATUS

1. The _____ (*organization*) executive committee must authorize all fiscal sponsorship arrangements, which are then approved by the board.
2. All fiscal sponsorship arrangements will begin with a written agreement, stating the terms of the relationship and the purpose for the use of funds.
3. Fiscal sponsorships will be limited to projects for which the _____ (*organization's*) executive committee determines that the project is charitable and consistent with the _____ (*organization's*) mission of strengthening the nonprofit sector, and that no real or perceived conflicts of interest exist with board or executive committee members.
4. The _____ (*organization*) will negotiate with the sponsored project a rate for indirect or direct costs to cover the _____ (*organization's*) expenses of administering the temporarily restricted fund.
5. Sponsored projects will be required to submit full and complete quarterly and year end reports to the _____ (*organization*) by the end of the _____ (*organization's*) fiscal year, (date) _____,; and must include:
 - detailed expenses using budget categories for original grant;
 - program accomplishments and activities;
 - lobbying expenditures; and
 - amount of remaining funds.
6. Any changes in the purpose for which grant funds are spent must be approved in writing by the _____ (*organization*) before implementation. The _____ (*organization*) retains the right, if sponsored project's breaches the fiscal sponsorship agreement, or if a sponsored project jeopardizes the _____ (*organization*) legal or tax status, to withhold, withdraw, or demand immediate return of grant funds.

7. The _____ (*organization's*) executive director will submit quarterly reports to the Executive Committee, to be circulated to the entire board, on the status of active fiscal sponsorships.
8. The _____ (*organization*) will file appropriate tax forms for sponsored projects, including IRS form 1099.

