



# Accounting Policies and Procedures Manual

KLR Not-for-Profit Services Group

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## **Accounting Policies and Procedures Manual Preface**

This manual has been assembled to provide ORGANIZATION NAME ("ORGANIZATION NAME") with guidance in fulfilling its fiscal responsibility to its funding sources.

The **Accounting Policies and Procedures Manual** establishes ORGANIZATION NAME's policies in various financial-related areas and sets forth the procedures to be followed in adhering to those policies. This manual is to be used by ORGANIZATION NAME and its employees to assure that ORGANIZATION NAME's financial resources are properly safeguarded and utilized only for authorized purposes.

Management realizes that the procedures set forth in this manual may become inadequate because of changes in conditions. As such, Management, as authorized by the Board of Directors will revise, modify, and update this manual as conditions warrant.

ORGANIZATION NAME will follow the established policies and procedures in fulfilling its fiscal responsibility and in maintaining its accountability to its funding sources.

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## Policy Number 1 - General Statement on Accounting Policies and Procedures

### Policy:

1. ORGANIZATION NAME shall maintain its accounting records in conformity with generally accepted accounting principles.
2. Fund accounting - In order to ensure observance of limitations and restrictions placed on the use of resources available to ORGANIZATION NAME, the accounts of ORGANIZATION NAME are maintained in accordance with the principles of "fund accounting". Resources to be used for specific purposes are classified for accounting and reporting purposes into funds that are in accordance with activities specified. Fund balances restricted by outside sources are distinguished from unrestricted funds. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds. Unrestricted funds represent those funds over which the Board of Directors retains full control in achieving any of ORGANIZATION NAME's purposes.
3. Government grants - Government grants are recognized as revenue by ORGANIZATION NAME according to the guidelines of Financial Accounting Standards Statement Number 116.
4. The policies and procedures set forth in this manual will be followed by ORGANIZATION NAME in carrying out its daily operations. Variances will be allowed only when approved by the Director. If a grant funding source requires more stringent policies and procedures, the funding sources' policies and procedures shall be followed.

### Procedures:

1. Accounting records will be maintained in accordance with ORGANIZATION NAME's fiscal year, ie. January 1-December 31.
2. The double-entry method of bookkeeping and the accrual method of accounting shall be used.
3. ORGANIZATION NAME's computer system will be utilized in maintaining and creating the general ledger, all related journals and financial reports.
4. All revenues, support and expenses shall be segregated by Fund programs, grants, etc. to provide for a proper accounting of each program/grant by source of funds.
5. ORGANIZATION NAME's financial statements will be audited by an independent certified public accounting firm on an annual basis in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. The audit shall also satisfy the audit requirements set forth in the Office of Management and Budget (OMB) Circular No. A-133.

**Policy Number 2 - Internal Control**

Policy: ORGANIZATION NAME will maintain an adequate system of internal accounting controls to provide management with reasonable assurance as to the safeguarding of assets against losses from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability of assets.

Procedures:

1. The characteristics of an adequate system of internal control will include the following:
  - a.) Segregation of duties, when possible, within the organization based on functional responsibilities.
  - b.) A system of authorization and record retention.
  - c.) A degree of personnel competence commensurate with responsibilities.
2. To achieve these objectives, the following controls will be in place:
  - a.) No one person shall have complete control over all phases of any significant transaction.
  - b.) Whenever possible, the flow of work will be from one employee to another so that the work of the second, without duplicating that of the first, provides a check upon it.
  - c.) Recordkeeping will be separated from operations or the handling and custody of assets.
  - d.) Responsibilities in the accounting department will be clearly established and followed as closely as possible

**Policy Number 3 - Financial Statement Audit**

Policy: ORGANIZATION NAME will have its financial statements audited by an independent Certified Public Accounting firm on an annual basis.

Procedures:

1. ORGANIZATION NAME will have its financial statements audited annually in accordance with generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States, 1988 Revision.
2. If applicable, ORGANIZATION NAME's audit shall also comply with the auditing requirements mandated by OMB Circular A-133.
3. In preparing for the audit, ORGANIZATION NAME should complete a self-check audit program.
4. Copies of the audited financial statements will be distributed to the Director, Accounting Manager and/or Bookkeeper and others at the discretion of ORGANIZATION NAME's Director. Additional copies will also be distributed to the Board of Directors.

## Policy Number 4 - Financial Reports

### Policy:

1. All monthly, internal financial reports will be completed and distributed to ORGANIZATION NAME's Director and Board of Trustees by the 15th day of the following month.
2. All financial reports required by a grant funding source will be properly prepared and filed in accordance with the applicable laws and regulations.

### Procedures:

1. The monthly, internal financial reports consist of the following:
  - a.) Trial Balance,
  - b.) Balance Sheet,
  - c.) Statement of Support, Revenues and Expenses,
  - d.) Budget Variance Reports,
  - e.) Aged Accounts (participation fees) Receivable Report, and an
  - f.) Aged Accounts Payable Report, if applicable.
2. ORGANIZATION NAME's external reporting requirements as set forth in the terms and conditions of grants shall be adhered to.
3. In order to satisfy these reporting requirements, ORGANIZATION NAME shall set up and utilize a report tickler file. The tickler file will identify the funding source, type of report, due date and date filed.

## Policy Number 5 - Budget Development, Overview and Responsibility

### Policy:

1. ORGANIZATION NAME will develop and utilize a budgeting process to monitor ORGANIZATION NAME's financial assets and resources.
2. Budgets will be prepared annually and submitted to the Board of Directors for approval following review and recommendation by the Finance Committee.
3. The Director, in conjunction with the Accounting Manager, will be responsible for the oversight of the budget(s) throughout the year.
4. Monthly budget variance reports will be completed and distributed to the Director, department heads and/or project directors, and the Board of Directors by the 15th day of the following month.

### Procedures:

1. Annually, the department heads and/or project directors for each program/grant are responsible for developing a budget for the next fiscal year.
2. The Accounting Manager will assist the department heads and/or project directors by providing cost factor information and information on past budget performance. The Accounting Manager will also review the budget requests for reasonableness, allowability and cohesiveness within ORGANIZATION NAME.
3. The Accounting Manager will submit the budget to the Director. The Director will review, adjust and otherwise confirm the budgets in consultation with each department head and/or project directors and the Accounting Manager.
4. The Director submits the budget to the Board of Directors through the Finance Committee.
5. The Board reviews, adjusts as appropriate and confirms ORGANIZATION NAME's budget for the next fiscal year.
6. Budgets for grant-funded programs are developed by the Director, department heads and/or project directors, and Accounting Manager in conjunction with grant funding sources. These budgets will be reviewed by the Co-Chairmen, and submitted to the Board of Directors as part of the annual budget process described above.
7. Department heads and/or project directors must operate within the budget guidelines and dollar amounts approved for each fiscal year.
8. Department heads and/or project directors will receive a Budget vs. Actual (budget variance) report on a monthly basis.



9. Department heads and/or project directors are responsible for managing the funds allocated in their budgets and will be required to justify all budget overruns.
10. The Director, in conjunction with the Accounting Manager, will oversee actual costs and expense allocations throughout the year to ensure adherence to budget(s).
11. New initiatives, cost overruns, etc. identified during the year are to be brought to the attention of the Director. Review efforts should identify either proposed revenue (support) coverage for these costs or budget re-allocation opportunities.
12. The Director will inform the Board through the Finance Committee or the Co-Chairmen of the proposed budget revisions and seek their approval. The Board or the Co-Chairmen, at any time, may adjust ORGANIZATION NAME's budget at its discretion to reflect Board initiatives or new conditions.
13. Budget revisions for Federally funded projects will be made in accordance with the applicable federal regulations and requirements.

**Policy Number 6 - Cash Management**

Policy:

1. ORGANIZATION NAME will properly control and account for all cash.
2. In accordance with 45 CFR Part 74.61 (e) regarding advanced payments, "Procedures shall be established to minimize the time elapsing between the advance of Federal grant or subgrant funds and their disbursement by the recipient. When advances are made by a letter-of-credit method, the recipient shall make drawdowns as close as possible to the time of making disbursements."
3. All cash depository accounts will have FDIC coverage.
4. All bank balances in excess of FDIC coverage (\$100,000) will be collaterally secured.

Procedures:

1. All bank accounts shall be in ORGANIZATION NAME's name.
2. All checks will be pre-numbered and used in numerical order.
3. No checks will be prepared without proper supporting documentation.
4. Checks will not be made payable to "Cash" or "Bearer".
5. Blank checks are to be kept in a secured location in the Accounting Manager's office.
6. All checks must be accounted for. Void checks are to be defaced and kept for subsequent inspection.
7. All bank accounts will be reconciled monthly by the Accounting Manager and/or Accounting Clerk, and reviewed by the Director.
8. The Accounting Manager will compare the reconciled cash balances to the General Ledger balances and investigate and resolve all variances.
9. The authorized check signatures are as follows:
  - a.) Director
  - b.) Co-Chairman of Board of Directors
  - c.) all other Trustees
10. For disbursements < \$2,000 and recurring monthly payments including rent, auto leases, federal tax deposits, payroll, health insurance and pension, the Director can sign alone.

11. For disbursements  $\geq$  \$2,000 (except for those noted above), two authorized signatures are required. Both signatures must be of Directors, preferably the Co-Chairmen.
12. The mechanical check signer, if applicable, will be kept in a locked file cabinet separate from the blank checks.

**Policy Number 7 - Investments**

Policy: All investments of ORGANIZATION NAME shall be in ORGANIZATION NAME's name and recorded in conformity with generally accepted accounting principles.

Procedures:

1. ORGANIZATION NAME's investment portfolio will be diversified and managed by professional investment advisors selected by the Board of Directors in order to maximize return on investment and minimize the risk of any serious losses.
2. The Director and Board of Directors will be responsible for the periodic review of the portfolio in order to maximize ORGANIZATION NAME's return and avoid any potential loss.
3. All security instruments (stocks, bonds, etc.) shall be maintained by the custodian appointed by the Board of Directors.
4. Each month the investment portfolio reports received from the investment advisors will be reconciled to the general ledger by the Accounting Manager.

**Policy Number 8 - Petty Cash**

Policy: ORGANIZATION NAME shall maintain a petty cash account on an imprest basis in the amount of \$150.00.

Procedures:

1. The Accounting Manager will be the custodian of the imprest petty cash funds.
2. All petty cash funds will be kept in a petty cash box in a locked drawer or file cabinet. Only the petty cash custodian and the Director or Office Manager will have access to the petty cash box.
3. Disbursements of \$50.00 or less may be made from the petty cash fund for miscellaneous supplies and expenses.
4. The purchaser shall present the petty cash slip to the petty cash custodian for payment. A receipt for all purchases must be attached to the petty cash slip.
5. The petty cash custodian shall insure that the petty cash slip is properly completed, approved, and that a proper receipt is attached before payment is made.
6. At all times, the petty cash box will contain receipts and cash totaling the amount of the fund.
7. When expenditures total \$75.00 the petty cash custodian will total the disbursements by account classification and submit all appropriate documentation necessary to the Director to have the fund replenished.

## Policy Number 9 - Accounts Receivable Collection

Policy: The Accounting Manager shall be responsible for monitoring the timely collection of accounts receivable balances.

### Procedures:

1. Remittance statements will be mailed to all affiliate Funds so they will be received by the 1st of the month.
2. An aged Accounts (Participation fees) Receivable Report will be prepared and distributed to the Director by the 15th of the month.
3. The Director and the Accounting Manager will review the report and determine those receivable balances which should be collected during the month.
4. The following procedures will be followed for all affiliate Funds with delinquent balances of 60 days or more:
  - a.) The Accounting Manager will send reminder letters to the delinquent affiliate Funds, as discussed with the Director.
  - b.) Participant Funds' responses to the notice of delinquency will be brought to the Director's attention, including reasons for delinquency and payment commitments obtained from the affiliate Funds.
  - e.) If the delinquencies cannot be satisfactorily resolved, the Board of Trustees will be notified of the situation and any problems experienced.
5. The Accounting Manager will note the affiliate Fund's commitment date and amount. If the affiliate Fund does not uphold the payment commitment or if there are any material discrepancies in the payment amount, the affiliate Fund will be telephoned in an attempt to resolve the matter. All problems experienced will immediately be reported to the Director for resolution.
6. The Director will report any major problems with receivable collections to the Co-Chairmen, and then if need be, to the Board of Directors.

**Policy Number 10 - Procurement Standards**

Policy:

1. All purchases wherever possible will be made on a "Purchase Order System".
2. Procurement of supplies, equipment, construction services and other services under a PHS grant-supported project will comply with OMB Circular A-110, Attachment O, "Procurement Standards".
3. ORGANIZATION NAME may use its own procurement policies and procedures. However, it shall adhere to the standards set forth in paragraphs 3 and 4 of Circular A-110.
4. In accordance with A-110, ORGANIZATION NAME shall establish policies and procedures that will provide:
  - a.) That ORGANIZATION NAME maintain a code of conduct to govern the awarding and administration of contracts using Federal funds.
  - b.) Awards shall be made to the bidder/offeror whose bid/offer is responsive to the solicitation and is most advantageous to the recipient, price and other factors considered.
  - c.) ORGANIZATION NAME shall establish procedures to assure the avoidance of purchasing unnecessary or duplicate items.
5. As part of the procurement process, no employee, officer or agent of ORGANIZATION NAME shall participate in the selection award, or administration of a contract supported by federal funds where the possibility of a conflict of interest, real or apparent exists. Additionally, ORGANIZATION NAME's officers, employees or agents shall neither solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to subagreements.

Procedures:

1. Department heads and/or project directors must discuss potential purchases with the Accounting Manager.
2. The Accounting Manager will review the purchase request and determine if there are sufficient funds in ORGANIZATION NAME's and/or applicable grant's budget to make the purchase.
3. The Accounting Manager will also review the approved budget and applicable laws and regulations to determine if the purchase is an allowable cost (for Grant funds).

4. After obtaining approval from the Director, the Accounting Manager will issue a Purchase Order to the person making the request, who will complete the Purchase Order and place the order with the vendor.
5. Purchase orders will be pre-numbered and used in numerical sequence.
6. Copies of the purchase order are distributed as follows:
  - a.) White Copy - To Vendor
  - b.) Yellow Copy - To Person Who Initiated the Order
  - c.) Pink Copy - To Accounting Manager
7. When the accounting department receives the receiving report and the vendor's invoice, the purchase is scheduled for payment.
8. OMB Circular A-110, Attachment O, 3.c(7) and (8) states:

"(7) Some form of price or cost analysis should be made in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

(8) Procurement records and files for purchases in excess of \$10,000 shall include the following:

  - (a) Basis for contractor selection,
  - (b) Justification for lack of competition when competitive bids or offers are not obtained,
  - (c) Basis for award costs or price."
  9. In accordance with the PHS Grants Policy Statement for PHS Grant-supported projects, ORGANIZATION NAME must obtain written prior approval from the Grants Management Officer for any equipment purchased in the last 6 months of a project period.



**Policy Number 11 - Receiving**

Policy: All materials, supplies and equipment will be received and signed for by an authorized employee.

Procedures:

1. All materials, supplies and equipment received by ORGANIZATION NAME are to be inspected, counted and checked against the receiving report (packing list) and/or a copy of the purchase order.
2. All receiving reports are to be signed by the employee receiving the goods provided the steps noted above did not disclose any discrepancies between the goods actually received and the receiving report (packing list).
3. If any discrepancies are noted, the employee receiving the goods should bring the discrepancy to the immediate attention of the Accounting Manager.
4. The receiving report is to be forwarded to the accounting department where it will be matched with the Purchase Order and invoice.

## Policy Number 12 - Accounts Payable

### Policy:

1. All invoices, check requests, and travel vouchers must be approved for payment by the Director and department heads and/or project directors where appropriate.
2. To establish ORGANIZATION NAME's obligation for payment of invoices, all invoices are matched with Purchase Orders and signed receiving slips.
3. Copies of code sheets and invoices coded are to be reviewed by the Accounting Manager to ensure that the proper expense account is charged to the proper program/grant in the appropriate accounting period.
4. Code sheets and invoices must be reviewed by the Accounting Manager for accuracy before the vouchers are posted to the general ledger.
5. All support documentation must be intact before any invoice, check request or travel voucher is entered into the "open" A/P files.
6. Open invoices are to be filed by vendor name and payment due dates.

### Procedures:

1. Secretary opens mail, date stamps all invoices and delivers date stamped invoices to the Accounting Manager.
2. The Accounting Manager matches all invoices with Purchase orders, and submits invoices to the appropriate department heads for review. Once approved by the department head, all invoices and check requests are submitted to the Director for authorization to pay.
3. The Accounting Clerk will then perform the following tasks:
  - a.) Review vendor files to ensure that invoice hasn't been paid.
  - b.) Run calculator tape to check any extends, discounts, tax rates and addition.
  - c.) Attach calculator tape to the upper left hand corner of the invoice.
  - d.) Code the invoice using the chart of accounts and any other document provided.
  - e.) Use the A/P Voucher form for recording the line items of expense for each separate invoice, and for coding expenses chargeable to grants.
  - f.) Paper clip any remittance advises to the invoice and forward to the Accounting Manager.
3. The A/P Vouchers with invoice and supporting documentation attached are then reviewed by the appropriate department heads and/or project directors, who initial the Voucher form.

4. The Accounting Clerk will then perform the following tasks:
  - a.) Enter the invoice into the Accounts Payable module.
  - b.) Print and review Voucher Edit Report.
  - c.) Post A/P activity to the general ledger.
  - d.) File the entered invoices and supporting documentation in the "open" A/P file by Vendor and DUE DATE, if not being paid at that time.

## Policy Number 13 - Cash Receipts

### Policy:

1. All cash receipts shall be properly recorded in ORGANIZATION NAME's accounting system and deposited in a timely manner.

### Procedures:

1. The Secretary will open all incoming mail.
2. All remittances will be immediately stamped for "Deposit Only" by the Secretary.
3. The secretary shall record the check amount, check date, check number and source (payor) in the cash receipts log, and will give all checks to the Accounting Assistant.
4. The Accounting Clerk will make a photocopy of each remittance and will prepare deposit slips for deposit into the appropriate cash depository account.
6. The Accounting Clerk will then:
  - a.) Make deposit in local cash depository for all appropriate funds; and/or
  - b.) Mail via certified mail/return receipt request, all remittances to be deposited in a non-local cash depository.
7. The Accounting Clerk will then forward the duplicate and/or bank stamped deposit slips and all supporting documentation to the Accounting Manager.
8. The Accounting Manager compares the daily cash receipts log to the duplicate bank deposit slips and investigates and resolves any variances. (Note: This procedure is also repeated upon the "return receipt" of the non-local bank stamped deposit slip).
9. The Accounting Manager manually records the total of daily deposits by source of funds.
10. At the end of the month, the Accounting Manager will record the month's receipts into the computerized accounting system.
11. For all remittances received by delivery or other methods, procedures 2 through 10 are followed in the same manner.

## Policy Number 14 - Cash Disbursements

### Policy:

1. All cash disbursements, except those from petty cash, will be made by check.
2. All cash disbursements shall be supported by an approved payment voucher and all applicable documentation.
3. Checks shall not be issued without bearing the payee and dollar amount.
4. All cash disbursements must be approved by the Director.
5. Upon disbursement of funds, the approved payment voucher will be attached to the supporting documentation thereby cancelling the invoice to prevent duplicate payments.
6. All payment packages shall be filed in vendor files after disbursement.

### Procedures:

1. At the beginning of the month, the Accounting Manager will print a monthly aged Accounts Payable Listing by program/grant, if necessary.
2. The Director and the Accounting Manager will review the aged Accounts Payable listing, open invoices, check requests and travel vouchers. A selection of items to be paid will be made based upon due dates and cash flow.
3. The Accounting Clerk will then enter those invoices selected to be paid in the computer system.
4. A pre-payment report is printed and reviewed by the Accounting Manager for accuracy.
5. The computerized checks are printed and given to the Director together with all supporting documentation.
6. The Director reviews the supporting documents and initials the payment voucher authorizing the disbursement of funds.
7. For all disbursements < \$2,000 and regular monthly bills as described in Policy #6, the Director will sign the check and return the signed check and disbursement package to the Accounting Manager.
8. For all disbursements  $\geq$  \$2,000 (other than regular monthly bills), a copy of the approved payment voucher and supporting documentation is forwarded to the two Co-Chairmen or designated Trustees for signature. Once signed, the checks are returned to the Accounting Manager.

9. The Accounting Manager cancels all supporting documents to prevent any duplicate payments.
10. The Accounting Manager will be responsible for the mailing of all checks.
11. The Accounting Clerk files the supporting documentation in the appropriate vendor files and retains for audit.

## Policy Number 15 - Payroll

### Policy:

1. Employees are paid twice a month, on the 15th and the last day of the month. The payroll is processed using ORGANIZATION NAME's in-house computer system.
2. Employee signed time sheets must be submitted to the Director for approval prior to payment. In no instances, will an employee receive a paycheck if he/she has not submitted a properly signed detailed time sheet for the prior pay period.
3. All employees who have access to any payroll information will be required to sign a "Payroll Confidentiality Form".

### Procedures:

1. Employees are paid on the 15th and last day of each month.
2. Employees must submit signed time sheets to the Director for approval.

Note: OMB Circular A-122, "Cost Principles for Nonprofit Organizations Attachment B 6.1 (1), (2) and (3) states:

- "1. (1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports as prescribed in subparagraph (2) below, except when a substitute system has been approved in writing by the cognizant agency.  
  
(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged in whole or in part, directly to awards.  
  
(2) (a) The reports must reflect an after-the-fact determination of the actual activity of each employee.  
(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.  
(c) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee.  
(d) The reports must be prepared at least monthly and must coincide with one or more pay periods.  
  
(3) Charges for the salaries and wages of nonprofessionals employees, in addition to the supporting documentation described in subparagraphs (1) and (2) above, must also be supported by records indicating the total number of

hours worked each day maintained in conformance with Department of Labor regulations implementing the Fair Labor Standards Act."

3. Approved time sheets will be submitted to the Accounting Manager.
4. The Federal payroll tax deposits are calculated and paid by the Accounting Manager by the 3rd working day after pay day. State payroll taxes are remitted monthly.
5. All federal and state payroll reports are prepared by the Accounting Manager and submitted to the appropriate Federal and State tax authorities by the due date of the return.
6. At the close of the calendar year, W-2 Forms are processed by the computer system.
7. The W-2 Forms are reviewed by the Accounting Manager and compared to the appropriate payroll tax returns (Forms 941) for accuracy.
8. W-2 Forms are distributed to all employees before January 31.
9. W-2 Forms and all other required information will be submitted to Federal and State Agencies by the Accounting Manager in accordance with the appropriate regulations.
10. All employees who have access to any payroll information will be required to sign a "Payroll Confidentiality Form" (See Attachment I).



**Policy Number 16 - Payroll Taxes**

Policy:

1. All payroll tax withholdings, expenses, filings and related payments will be made in accordance with applicable Federal and State regulatory requirements.

Procedures:

1. The payroll taxes for which ORGANIZATION NAME is responsible for paying and the applicable payroll tax forms are as follows:

a.) Federal Form

1. Social Security (FICA) 941

The wage base for tax computation in 199 is \$ .  
The tax rate for employees' withholding and the liability for employers is 7.65%. Employers must match the employees' FICA withholding for the Federal depository.

Additionally, the Employer must withhold and match hospital insurance tax (Medicare) at 1.45% for all employee wages up to the Medicare Wage base of \$125,000. (Note: The Medicare tax on wages up to \$53,400 is included in the FICA tax rate of 7.65%).

2. Federal Income Tax Withholding 941

Employers must withhold income tax from their employees' wages according to a system of graduated withholding rates. Withholding tables are issued to employers under the cover of Circular E (Employer's Tax Guide).

b.) State of \_\_\_\_\_:

1. Income Tax Withholding

2. Payroll Tax Payments and Form Filings:

a.) FICA and Federal Income Tax Withholdings

The requirements for depositing federal income withholdings and FICA taxes are as follows:

<u>If the Accumulated Unpaid Liability is:</u>	<u>Then the Deposit Requirement is:</u>
\$3,000 or more at the end of any "eight-monthly period"	3 banking days after the close of the "eight-monthly period"
\$500 or more but less than \$3,000 at the end of any month	15th day of the following month
Less than \$500 at the end of any month	Carry taxes over to the following month within the quarter
Less than \$500 at the end of any quarter	Due date of quarterly return

See the attached Form 941 for the "eighth-monthly periods" (Attachment II).

Quarterly tax returns (Form 941) must be filed on or before the last day of the month following the close of the calendar quarter to which it relates.

b.) State of Connecticut Unemployment Tax:

Connecticut Unemployment Tax must be remitted quarterly by the last day of the month following the quarter ending date. The tax is 2.7% of the first \$7,100 earned by each employee, and is reported on Connecticut Form UC-2.

3. The Accounting Manager shall be responsible for making sure that all payroll taxes are paid and all payroll tax forms are prepared and filed in a timely manner.

4. INFORMATION RETURNS

a.) Federal Form W-2:

On or before January 31, 1999, employers must furnish to each employee three copies of Form W2, Wage and Tax Statement for the prior calendar year. If employment is terminated before year end, employers may furnish copies any time after employment ends. If the employee asks for Form W-2, the copies

must be furnished within 30 days of the request. The original copy of all Forms W-2 (Copy A) and Form W-3 (Transmittal of Income and Tax Statements) must be filed with the Social Security Administration (Wilkes-Barre Data Operations Center, Wilkes-Barre, PA 18769) by February 28, 199\_. Copy 1 of Form W-2 must be submitted to the state department of taxation (if applicable) along with a state Form W-3 (Transmittal) by January 31, 199\_.

Wages, FICA tax and income taxes withheld, as reported on the Forms W-2 shall be reconciled with the quarterly payroll returns (Forms 941) and the employer's records. This reconciliation should be retained, along with Copy D of all Forms W-2, by the employer.

5. OTHER FORMS:

Form 1099-MISC must be filed to report payments totaling \$600 or more to a person (other than a corporation). These payments may include rents, fees, commissions or any other form of income.

Note: Forms 1099 are to be furnished to the recipient by January 31, 199\_ and to the Internal Revenue Service (Andover, MA 05501) along with Form 1096 (Transmittal) by February 28, 199\_. Forms 1099 must be filed based on a calendar year's activity.

6. The Accounting Manager will be responsible for making sure that Federal Forms W-2, W-3 and 1099-MISC are properly prepared, filed and distributed to the appropriate recipients and Federal and State tax authorities in a timely manner.

## Policy Number 17 - Property Management

### Policy

1. ORGANIZATION NAME will capitalize all fixed assets ("equipment") with an acquisition cost of \$500.00 or more and a useful life of more than two years.
2. ORGANIZATION NAME will record all transactions involving property and equipment ("fixed assets") in the plant fund. As such, the plant fund will reflect fixed assets acquired during the year (at cost) as well as depreciation expense for the year.
3. ORGANIZATION NAME will also expense the cost of capital acquisitions in the operating fund as a direct deduction against the resources provided for their acquisition. This treatment is consistent with the principles of fund accounting.
4. ORGANIZATION NAME will use, manage and dispose of all "equipment" purchased with Federal funds in accordance with Circular A-110, Attachment N, "Property Management Standards."

### Procedures:

1. All capitalized equipment will be properly marked with a specific identification number denoting Federal or Fund ownership.
2. Property records shall be maintained accurately and shall include:
  - a.) A description of the property.
  - b.) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
  - c.) Source of the property, including grant or other agreement number.
  - d.) Whether title vests in the recipient or the Federal Government.
  - e.) Acquisition date (or date received, if the property was furnished by the Federal Government) and cost.
  - f.) Percentage (at the end of the budget year) of Federal participation in the cost of the project or program for which the property was acquired. (Not applicable to property furnished by the Federal Government.)
  - g.) Location, use and condition of the property and the date the information was reported.
  - h.) Unit acquisition cost.

- i.) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal sponsoring agency for its share.
3. A physical inventory of all fixed assets shall be taken annually.
4. The results of the inventory will be reconciled to the general ledger and the "fixed asset" property records. Any discrepancies will be thoroughly investigated and explained.
5. Fixed asset acquisitions will be the result of a capital planning process conducted in conjunction with the annual budgeting process. The Board of Directors will review and approve all capital acquisitions via the annual budgeting cycle. It is possible that additional asset needs will be identified during the year. Such acquisitions need to be justified and approved by the Board or the Co-Chairmen prior to acquisition.
6. Depreciation on all fixed assets will be calculated using the straight-line method over the expected useful lives of the assets (3-10 years).
7. Depreciation expense will be recorded in the plant fund.

\* \* \* \* \*

45 CFR Part 74.140 (c) states:

"A control system shall be in effect to insure adequate safeguards to prevent loss, damage or theft of the equipment."

## Policy Number 18 - Travel and Entertainment Expenses

### Policy

1. All travel conducted by Fund employees with respect to Fund business must be approved by the Director. Employees need to make the travel request in writing at least seven (7) days prior to the scheduled trip. The Director can grant exceptions to this notice requirement.
2. While traveling on official business, the employee is expected to exercise the same sound judgment in incurring expenses that a prudent person would exercise if traveling on personal business and expending personal funds.
3. When Grant funds are supporting Fund travel in whole or in part, ORGANIZATION NAME will adhere to the appropriate travel regulations of the federal government or such other regulations required of the funding agency. (See OMB Circular A-122, Attachment B, 50, "Travel Costs").
4. All entertainment costs with respect to Fund business must have the approval of the Director.
5. Entertainment costs are not allowable charges to Federal funds (See OMB Circular A-122, Attachment B, 12, "Entertainment costs").

### Procedures

1. Travel requests must be in writing, approved by the Director and should state the following:
  - a.) Purpose of Travel
  - b.) Travel destination
  - c.) Travel accommodations sought
  - d.) Mode of Transportation sought
  - e.) Travel dates and duration
  - f.) Source of funding for travel (if a specific grant will fund the travel in whole or in part, state the grant number and reimbursement terms)
  - g.) Other employees required for travel
2. Receipts are to be submitted for all expenses over \$25.00.

3. Transportation:
  - a.) Airfare should be at the discounted fares whenever practicable.
  - b.) Air class for ORGANIZATION NAME's employees must be coach class. The use of business class or first class is specifically disallowed. An exception may be made in extenuating circumstances, with the prior approval of the Director. Use of business class or first class, if necessary, must be documented and justified on the expense report.
  - c.) Directors will be reimbursed up to the cost of first class airfare while traveling on Fund business. If another, less expensive fare arrangement is used, the actual fare will be paid.
  - d.) Rail or car travel is encouraged if less expensive than air travel, and if time permits.
  - e.) For business uses of personal vehicles, ORGANIZATION NAME will reimburse the employee at the current (IRS) prevailing rate.
  - f.) Toll charges are acceptable expenses. Receipts are to be provided whenever possible. For all toll charges over \$25.00, receipts are required.
  - g.) Taxi charges are acceptable expenses. Receipts are to be provided whenever possible, and for all charges exceeding \$25.00.
  - h.) Car rentals are permitted for mid-size or smaller vehicle rentals. Exceptions will be made when employees are travelling together and one large vehicle is less expensive than two small vehicles. The travel agency should be used in setting up a rental so that the least expensive option is selected. To reduce costs, employees should return cars with full tanks of gas and the collision/liability insurance options should not be used since ORGANIZATION NAME's American Express account covers employees and ORGANIZATION NAME in this regard.
4. Hotels - Accommodations should be single rooms in moderately priced hotels.
5. Meals - Costs for meals are to be broken out into breakfast, lunch and dinner on the expense report. Receipts are to be provided for all expenses in excess of \$25.00.
6. Phones - It is generally accepted that the employee is permitted one "safe arrival" phone call for personal reasons. Additional personal phone calls will be permitted but should be kept to a minimum.
7. Laundry - This is a generally accepted expense when length of stay exceeds one week.
8. Tips - This is a generally accepted expense. Receipts must be provided for tips over \$25.00.

9. Entertainment - Entertainment expenses while on travel must be business-related to be acceptable charges. These should be differentiated from general meal expenses on the expense report, and receipts and justification indicating attendees, company, purpose, date, time and location.
10. Travel Reimbursement - Upon the completion of the travel, the employee must submit all receipts and travel-related reports within 15 working days. These documents will be reviewed by the Accounting Manager for adherence to approved limits. Reimbursement of approved expenses will normally occur within the next 15 days.



## Policy Number 19 - Leased Vehicles

### Policy:

1. ORGANIZATION NAME will furnish certain employees with leased automobiles in accordance with its organizational chart and personnel manual.
2. All employees who are provided a leased vehicle must maintain an auto log (diary) of total mileage driven (both personal and business) on calendar year basis.
3. Mileage information from these logs will be filled in on an Employee Statement Regarding Leased Vehicles (see Attachment III). These forms will be completed and turned in to the Accounting Manager on January 2 of the next year.
4. The Accounting Manager will use the Employee Statements to determine the amount of taxable fringe benefit income which must be reported on the individual employee Forms W-2. (IRS guidelines will be followed in adhering to this policy).
5. In the event an employee uses a personal vehicle for Fund business, ORGANIZATION NAME will reimburse the employee at the prevailing mileage reimbursement rate authorized by the Board of Trustees. (Note: The rate is not to exceed the allowable mileage rate set by the IRS.)

### Procedures:

1. Each employee with a leased vehicle will maintain an auto log containing the following information:
  - a.) The date of use.
  - b.) Whether the use is business or personal.
  - c.) The mileage driven associated with each use.
  - d.) Business purpose for each use.
2. Employees will turn in mileage information from these logs for the preceding calendar year to the Accounting Manager on January 2.
3. The Accounting Manager will calculate the additional taxable income to be reported on the employee Forms W-2.
4. The Accounting Manager will be responsible for withholding, matching and depositing the applicable FICA taxes on such income.

## Policy Number 20 - Employee Expenses and Advances

### Policy:

1. ORGANIZATION NAME's policy is to promptly reimburse employees for valid business expenses incurred in connection with Fund activities or on behalf of ORGANIZATION NAME.
2. The Accounting Manager will establish employee expense reimbursement and reporting guidelines which will be approved by the Board of Trustees and issued to all employees annually and as they are newly hired.
3. Willful falsification of employee expense information for the purposes of defrauding ORGANIZATION NAME will be subject to termination and possible prosecution.
4. Receipts should accompany expense reportings as required by the approved guidelines.
5. ORGANIZATION NAME will provide advances on travel expenses for employees as appropriate for length of stay and destination. The Accounting Manager will record these advances as a receivable account. An advance will not be disbursed to an employee until that employee submits expense reports accounting for all outstanding advances. (The Director can authorize exceptions to this policy.)

### Procedures:

1. In order to obtain expense reimbursements, employees must complete and submit a signed employee expense report on a semi-monthly basis to the Accounting Manager.
2. Employees will be reimbursed for the following business expenses:
  - a.) Lodging, transportation and food related expenses when on approved business travel.
  - b.) Business expenses incurred in relation to conducting business meetings, seminars or presentations with or for Fund-related groups.
  - c.) Mileage expenses when an employee uses his/her personal vehicle for Fund business.
  - d.) Expenses incurred for using personal telephones for Fund business.
  - e.) Other valid and approved business expenses incurred by employees for Fund-related business.
3. Employees must attach all supporting invoices, receipts, etc. for expenses in excess of \$25.00 in order to receive a reimbursement for such costs. Expenses not properly documented will not be reimbursed.

4. The Accounting Manager will review all expense reports for compliance, completeness, and supporting documentation.
5. Properly completed and supported reports will be forwarded to the Director for voucher payment approval.
6. Incomplete reports will be returned to the employee with instructions for revisions and/or completion.

## Policy Number 21 - Related Party Transactions

### Policy:

1. It is the policy of ORGANIZATION NAME to obtain the "best purchase" price for goods and services purchased for Fund activities. Policy Number 10 defines the procurement standards to be followed by ORGANIZATION NAME.
2. Such transactions will be disclosed in all grant and contract proposals as appropriate.
3. Such transactions will be accomplished on an arms length basis, with all conflict of interest issues examined prior to entering into the transaction. Evidence of a conflict of interest will be reason not to enter into the transaction or to cancel further service should this be discovered subsequent to its execution.

### Procedures:

1. ORGANIZATION NAME will adhere to the following guidelines as they apply to related party transactions:
  - f.) Such transactions will be justified in terms of their economics and quality of services/products.
  - g.) Evidence of cost and quality comparison should be maintained on file for these transactions.
2. ORGANIZATION NAME will adhere to all applicable federal laws and regulations regarding open and free competition.
3. The Accounting Manager, in conjunction with the program/grant managers, shall be responsible for monitoring these transactions.

**Policy Number 22 - Record Retention**

Policy:

1. ORGANIZATION NAME shall retain all accounting records and related supporting documentation for a period of at least 5 years.
2. At a minimum, all financial and programmatic records, supporting documents, statistical records, and all other records of a grantee or subgrantee required by the terms of a grant or subgrant, must be retained for the time period(s) specified in 45 CFR 74, Subpart D.

Procedure:

2. All prior years accounting records shall be stored in storage boxes labeled with the following information:
  - a.) ORGANIZATION NAME's name and address
  - b.) Time Period
  - c.) Contents of Box
3. The following are the exceptions to the 5 year retention rules:
  - a.) If any litigation, claim or audit is started before the expiration of the 5 year period, the records shall be retained until all litigations, claims or audit findings involving the records have been resolved.
  - b.) Records for fixed assets shall be retained for 5 years after the fixed asset is disposed of.
4. The record retention period starts with the close of ORGANIZATION NAME's fiscal year.

\* \* \* \* \*

45 CFR Part 74.61 (b) and (g) states:

"(b) Accounting records. Records which identify adequately the source and application of funds for grant or subgrant-supported activities shall be maintained."

(g) Source documentation. Accounting records shall be supported by source documentation such as cancelled checks, paid bills, payrolls, contract and subgrant award documents, etc."

**Policy Number 23 - Personnel Files**

Policy: ORGANIZATION NAME shall maintain individual personnel files for all employees.

Procedures:

1. The personnel files shall be kept in a locked file cabinet in the Accounting Manager's office.
2. The personnel files shall contain at least the following information:
  - a.) Application
  - b.) Resume
  - c.) Letter of Hire
  - d.) Documentation of all:
    1. Salary Increases
    2. Job changes
    3. Promotions
    4. Evaluations
  - e.) Signed Forms W-4 for each year of employment.
  - f.) Information regarding fringe benefits provided.
  - g.) Other pertinent information and documents related to the employee's employment.

**ATTACHMENT I**

ORGANIZATION NAME  
PAYROLL CONFIDENTIALITY FORM

In the performance of your duties for ORGANIZATION NAME, you will have access to the company payroll records. This information is confidential and should not be discussed with any other person without the consent of the Director.

Failure to comply with this procedure could result in disciplinary action up to and including termination.

I hereby acknowledge that I have read and understand the above policy.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

## **ABOUT OUR FIRM**

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\*Please note that this whitepaper is a general summary of the law and omits many important details, footnotes and caveats. It is no substitute for informed advice from a tax professional based on your particular circumstances.

This is a sample accounting policy and procedure manual. It is not all inclusive. It is designed to provide you with an example of the type of information that should be included in such a document. It will help you to get started drafting your own manual.

Every company is unique. Every company has certain basic needs that are the same from company to company. If you need additional assistance in creating your accounting manual, contact us at 401-274-2001.

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