

Long Tom Watershed Council

Financial Policies and Procedures

Board Review & Approval: September 10, 2009, January 6, 2011.

(Proposed updates in italics)

1) OVERALL POLICY

- a) It is Long Tom Watershed Council's policy to ensure that the highest standards of accountability are maintained and that internal controls over financial recordkeeping reflect generally accepted accounting procedures. Moreover, it is the Council's policy and practice to actively involve the Board of Directors in all higher level matters material to the financial position of the organization.
- b) All financial records are to be kept in an electronic accounting system by the Fiscal Manager, backed-up, and shown to the Executive Director (ED) and Treasurer upon request and at agreed-upon times and in agreed-upon formats (e.g. monthly, quarterly, annual reports). The ED may delegate their participation in any task as long as the intended fiscal controls (e.g. separation of duties and review and signatory requirements) are not violated.

2) ACCOUNTS PAYABLE/INVOICES

- a) Maintain separation of duties where at all possible. Invoices are reviewed for accuracy, given the appropriate account codes, and a check issuance request (CIR) prepared by the appropriate project manager (PM), or signed by that person after another staff member prepares it. The CIRs are given to the Fiscal Manager (FM) for processing. When the PM and FM is the same person, the Executive Director (ED) approves those CIRs. Any CIRs that depart from budgeted expenses or are over \$5,000 must be approved by the ED. All purchasing shall comply with the Council's approved Contracting and Procurement Process.
- b) The FM processes paperwork, prepares the checks, and gives the set of checks to the ED for review with the appropriate grant and budget reports. The ED approves the checks and a Board member is called for signature.
- c) *Each check must have a payment description in the "memo" field, and the FM will enter a memo when processing all payments.*
- d) Invoices approved for payment will be paid every other week or weekly as necessary and possible. Checks are presented for signature with invoices/documentation for signature by a Board member. Once signed, checks are to be mailed and check voucher attached to A/P invoice which is filed in the appropriate grant or program fiscal notebook or file with all receipts as evidence for disbursement. No checks may be written to "cash" or "bearer". An exception is for a check written to Cash for a) reimbursing Petty Cash up to its maximum balance, or b) to provide small denominations for an Event, up to \$200. Blank checks may never be signed.
- e) Signing Checks
 - i) The check signer(s) must not be the person who writes checks or who does the bookkeeping. FM presents checks and documentation to ED for approval

before signatures are requested from a Board member. Checks are signed by any one of the Board members designated by the Board. Checks are to be distributed only after ED review and Board signature are completed. An alternative procedure will be provided by the ED or Treasurer for any vacation periods lasting more than 5 business days, otherwise no checks are to be issued during that time.

- f) Special Circumstances
 - i) The ED may sign a check if none of the signatory Board members are available and the check is essential to avoid fees or penalty, to meet regular payroll and associated bills (e.g. tax, retirement, health insurance payments), to re-issue a check that has already been approved, or to provide a check to a contractor for work already performed per the requirements of an approved contract.

3) ACCOUNTS RECEIVABLE

- a) Revenue collections are under the control of at least two people with the goal of providing a separation of duties and reducing the potential of fraud. The separation must be between (1) opening the mail to receive and copy the checks and (2) cross-checking the bank statement to ensure the checks received were deposited. Checks must be deposited within one week of receipt; cash within 2 days of receipt. All revenue is locked up in Council office in interim. Receipts with the Council's nonprofit number and tax-deductible statement are provided to donors within 10 days.
- b) Procedure and current roles:
 - i) Operations Manager (OM) or FM: Open mail, stamp checks with LTWC "Deposit Only", make a copy of each check, and note *what the checks are for (i.e. donation, Annual Meeting dinner ticket, reimbursement)*. Hand-write amount of any cash given and from whom it was received. Give copies to ED. Prepare deposit slip and give copy of deposit slip to ED. Make deposit and give original deposit receipt to ED. Give FM notice of checks received including payor, amount, date of deposit and any important memo information. Prepare and send receipts as applicable, especially for tax deductible donations.
 - ii) ED: Enter checks in log and retain copies of checks, summaries of cash received, and deposit slips and receipts.
 - iii) FM: Record deposit in QuickBooks. Pull any original invoices to record the payments received.
 - iv) ED: Cross-check with bank statement. See also Bank Records below.

4) PURCHASING

- a) All purchases not specifically itemized in a budget must be pre-approved by the ED. All purchases over \$1,000 and retainers for service over \$5,000 must be pre-approved by the ED whether or not the purchases/services are in a budget. Requester will provide the necessary documentation for the purpose/service.

5) PETTY CASH

- a) The Petty Cash balance should always be \$200 in cash and receipts. Petty Cash is obtained by asking the ED and then filling out a pre-printed receipt with date, amount, purpose and name. Any money not spent is returned to Petty Cash with a receipt for the goods/services purchased and with any notation necessary to determine the purpose for which the funds were used. Petty cash is reconciled by either the ED or a designated individual with the other reviewing the reconciliation and noting so by initialing the paperwork. Petty Cash is reimbursed using a standard CIR - see Accounts Payable process.
- b) Cash at Events or Meetings: When cash is collected, a numbered receipt is given and a copy is kept of the receipt. At the end of the day, the cash is counted and put in a locking cash box with a signed total count. A copy of this first count is kept separately with the receipts. The cash is kept in the locked box in the LTWC office. Two (2) people, preferably a Board and staff member, are assigned the responsibility for counting the cash again, verifying receipts, and preparing the deposit. Neither should have had possession of the cash box key between the first and second counting, and one of them should have had possession of the receipts. The amount is recorded, a second count summary signed by both persons, and the money is deposited by one of the persons. The deposit receipt is returned for signature to the person who is in possession of the signed second count and can compare that to the record of deposit. The ED may fulfill this last signature function if the Board member is not conveniently available after the deposit is made, as long as the ED didn't make the deposit.

6) CREDIT CARDS

- a) Staff credit cards are issued at the ED's discretion. The individual credit limit shall not exceed \$5,000. The ED may opt to keep credit cards in a locked drawer or with staff members. Usage follows "Purchasing" guidelines above. The purchaser must fill out a Credit Card Expense Report for each purchase on the day of the purchase, or the next business day. Credit card statements are reconciled by someone other than the purchaser, and/or the ED. Credit card payments are processed by the FM. Statements are shown to the Treasurer for review and initialing monthly with the Bank Records (see also Bank Records below).

7) BANK RECORDS

- a) Bank statements are received monthly by mail by both the ED and the Treasurer. The ED reviews deposits and any obvious discrepancies. Bank statements are always reconciled by someone other than the check signer or writer. Staff reconcile the bank statement in QuickBooks accounting system and prints reconciliation report for each account. The reconciliation is attached to the bank statement and filed in the Bank file. The statement is reviewed and compared to the reports by the Treasurer.

8) PAYROLL AND OUT-OF-POCKET EXPENSES

- a) Time sheets and out-of-pocket expense reimbursement forms are to be turned in to the ED for review and approval. Once approved, the ED will process the payroll, or delegate and supervise this task. The same person must consistently process payroll. The person performing payroll must have minimal if any interruptions during the process. The ED must approve the final payroll summary and check run before a check signer is requested and before taxes and associated bills are paid.

9) EMPLOYEE 401K PLAN

- a) There will be two trustees for the 401K plan.
- b) The dual signatures of both a trustee and the ED is required to withdraw funds from the Council's 401K plan. The other trustee shall be notified in writing one week in advance of any withdrawal (if email: subject shall be "Notification of withdrawal of funds from LTWC 401K account").
- c) *All tax-related documentation should be filed under the organization's EIN number (20-8049325).*
- d) *All payroll-related correspondence with the 401K Plan Third Party Administrator (TPA) will be conducted by the Fiscal Manager.*
- e) *Matters of 401k insurance (e.g. Erisa Bond) will be conducted by the Operations Manager.*
- f) *The Operations Manager will forward all incoming correspondence from the IRS to the 410K plan broker.*
- g) *Correspondence between the TPA and the second trustee will be received at the organization's office. All documentation is to be kept and filed unopened for one year until the January annual review.*

10) TAX FORMS AND LEGAL LIABILITIES

- a) The ED will work with the Treasurer and/or accountant to facilitate preparation of the organization's 990 and CT12. Quarterly payroll reports are filed by the ED, who may elect to use the CPA or payroll service. The Treasurer will review and sign the 990 and CT12 reports and keep copies for LTWC's records.
- b) The ED will immediately notify the Treasurer of any tax problems or penalties, who will then notify the Board.
- c) *Will add brief info regarding quarterly filing of payroll taxes (state, federal) and annual issuance of W-2s in Jan as well as form 1099 to individual contractors. (per Sue's suggestions – 3/2/11 email)*

11) CONTRACT ADMINISTRATION

- a) All contracts are reviewed for deliverables and billing dates by the appropriate grant manager and submitted to the ED. Contract approval is carried out by the ED in consultation with the Board Chair or their designee, who may choose to include review by the Executive Committee if time allows. After review, contracts are signed by the Chair or their designee, or the ED. The ED is authorized to sign all contracts. It is preferable for the Chair to sign Grant Agreements. The original contract is kept in the council office in a Contracts notebook that is accessible to

Board members upon request. Any and all notes pertaining to contract administration are kept in the appropriate contract file by the grant manager.

12) FINANCIAL REPORTING

- a) The fiscal period for the organization shall be July 1 to June 30.
- b) The Board of Directors receives a regular (no less than quarterly) accounting of LTWC's financial status, preferably at each meeting. This is to include a "budget to actual" and a Balance Sheet. Statements are reviewed by the CPA before being presented to the Board. Statements are reviewed and, after any appropriate discussion, approved by the Board.
- c) From time-to-time, the Board may propose items for an ad hoc investigation. The appropriate grant manager will work closely with the Treasurer/Board Chair, accountant, and/or ED as necessary to complete an analysis of the item in question on a timely basis and provide a report to the Board.
- d) *Will add financial reporting schedule table (per Sue's suggestions 3/2/11 email)*

13) MISCELLANEOUS MATTERS

- a) Annual budgets are prepared by the ED and approved by the Board.
- b) Budgets are reviewed mid-year and adjusted as necessary to reflect changing conditions.
- c) A Chart of Accounts is a list of accounts used to code receipts and disbursements to the proper accounts. The list is available to the Board for review upon request.
- d) The FM discusses non-standard journal entries with the CPA to ensure proper accounting treatment, and notifies the ED in writing (email) of any decisions.
- e) A Fiscal Manual is kept to document all procedures.
- f) Actual income and expenditures will be compared to the budget on a quarterly basis.
- g) A proper filing system will be maintained for all financial records.

14) AUDIT

- a) An audit or a review will be conducted by an independent CPA at the close of each fiscal year. An audit will be conducted no less than once every five (5) years. Copies of these reports will be made available to the public.

15) EXCEPTIONS

- a) Exceptions to this policy may be made by the by unanimous decision of the Treasurer and the Executive Director, preferably in consultation with the Chair. These exceptions must be reported in writing to the Board no later than in the materials for their next meeting.