

Accounting System

Standards for Financial Management Systems

RECIPIENT NAME maintains a financial management system that provides for the following procedures to carry out these standards as detailed in the appropriate sections of this manual.

1. Identification, in all its accounts, of all Federal awards received and expended and the Federal programs under which they were received.
2. Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be fully supported by source documentation.
3. Information that relates financial data to performance accomplishments and demonstrates cost effective practices as required by funding sources.

Chart of Accounts

A chart of accounts is established by the Director of Operations and the Bookkeeper as needed to accurately segregate and track income and expenses for each funding entity.

Invoicing

Invoices will be created timely and accurately to ensure prompt receipt of Accounts Receivable. Numbers for Invoices will be automatically generated by the accounting software. All company invoices will be processed through the Executive Director, Director of Operations, or Bookkeeper.

Purchase Order

Numbers for Purchase Orders will be automatically generated by accounting software. All company Purchase Orders will be processed through the Executive Director, Director of Operations, or Bookkeeper.

Documentation Administration

1. Five years of financial data are stored in [recipient's accounting system]. Reports can be generated by grant and natural expense for any year with corresponding data in the accounting system.
2. Source documentation of all receipts and expenditures, bank statements, and financial statements are either kept in electronic documentation or in paper form at RECIPIENT NAME indefinitely.
3. All invoices, receipts, disbursements, federal awards, authorizations, financial reports with income and expenses, assets, and interest are maintained at RECIPIENT NAME in electronic records or paper form, including source documentation.

Allowability of Costs

All costs must meet the following criteria, in order to be treated as allowable direct or indirect costs under a federal award:

1. The cost must be “reasonable” for the performance of the award, considering the following factors:
 - a. Whether the cost is of a type that is generally considered as being necessary for the operation of RECIPIENT NAME or the performance of the award.
 - b. Limitations imposed by such factors as generally accepted sound business practices, arm’s length bargaining, federal and state laws and regulations, and the terms and conditions of the award.
 - c. If it does not exceed what a prudent person would incur under similar circumstances.
 - d. Consistency with established policies and procedures of RECIPIENT NAME, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be “allocable” to an award and the standard is met if the cost:
 - a. Is incurred specifically for a federal award.
 - b. Benefits both the federal award and other work and can be distributed in reasonable proportion to the benefits received, or
 - c. Is necessary to the overall operation of RECIPIENT NAME, except where a direct relationship to any particular program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions, Cost Principles, or the federal award itself.
4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of RECIPIENT NAME.
5. Costs must be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles (GAAP).
7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.
8. The cost must be adequately documented if it is supported by accounting records and source documentation such as purchase orders, vouchers, invoices, payroll allocation reports, payroll summaries, personnel activity reports or timesheets, etc.
9. Financial reporting timelines shall be tracked and reports will be submitted in accordance with the deadlines of the funding entity. RECIPIENT NAME shall maintain supporting documentation to include copies of RECIPIENT NAME invoices/reports, expense receipts, sub-awardee invoices including supporting receipts and contractor invoices including supporting receipts to support amounts reported.

Timekeeping

Time Sheet Preparation, Review & Approval

1. Time sheets are submitted on a regular basis, reflecting employees' work and which programs directly benefited from their effort. Time sheets shall serve as the basis for charging salaries directly to federal awards and nonfederal functions.
2. Employees complete time sheets in [recipient specific method] for approval by their supervisors by the [day] of the month.
 - a. Supervisors will review time sheets, correct if necessary, and approve for processing by the Bookkeeper.
 - b. Employee will code their time appropriately by [factors recipient uses].
 - c. Hourly employees must enter and ensure timesheets are accurate by the last day of the pay period.
 - d. The Executive Director's timesheet has automatic approval by the Board of Directors.
 - e. The distribution of salaries and wages must be supported by personnel activity reports (time sheets).
 - f. Time sheets must be maintained by all personnel whose compensation in whole, or in part, is charged to government awards.
 - g. Time sheets must reflect an after-the-fact determination of actual activity (not budgeted) of each employee.
 - h. Each time sheet must account for employees' total time.
 - i. Time sheets must indicate a total number of hours worked each day.
 - j. Time sheets must be electronically entered by an employee and approved by a supervisor.
 - k. Time sheets must be prepared at least monthly.
3. For restricted grant fund reporting, all time which applies to that grant will be assigned in [recipient specific method] for accurate accounting of time spent for grant reporting. In compliance with 45 CFR 75.430 Compensation – Personal Services, (i) Standards for Documentation of Personnel Expenses, RECIPIENT NAME time records will accurately reflect the work performed will:
 - a. Be supported by a system of internal control which provides reasonable assurance that time charges are accurate, allowable, and properly allocated.
 - b. Be incorporated into the official records of RECIPIENT NAME.
 - c. Reflect the total activity for which the employee is compensated.
 - d. Encompass federally assisted and all other activities compensated by RECIPIENT NAME.
 - e. Comply with the established accounting policies and practices of RECIPIENT NAME, and
 - f. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Employee Responsibilities

1. Employees are personally responsible for recording his/her time on a daily basis.
2. Employee must input the correct distribution of time by [factors recipient uses]. To ensure accuracy, this information is provided to the employee during their training.
3. Employees must record all hours worked whether they are paid or not. This is necessary because labor costs and associated overheads are affected by total hours worked, not just paid hours worked. Therefore, labor rate computations and labor overhead costs should reflect all hours worked. Unpaid hours worked are termed “uncompensated overtime.”
4. Employees must certify that the hours on the time sheet reflect the hours worked and the appropriate cost objective by the 5th of each month.
5. Each employee is responsible for recording their daily hours worked in [recipient specific method]. Days taken off for sick, holiday, or vacation leave must be recorded on the monthly timesheet to their supervisor by the 5th day of the month for the previous month. Employees are required to record out of office work hours on their timesheets for Workers Compensation reporting requirements. The supervisor reviews the timesheet for correct recording of hours worked and hours taken as sick, holiday, and vacation leave and initials the completed timesheet to indicate approval.
6. As part of employee onboarding, new hires are trained on the use of [recipient specific method], RECIPIENT NAME timekeeping software. They also have access to an application training video. They are also instructed on how to code their time for each project/grant.

Supervisor Responsibilities

1. Supervisors must approve all timesheets.
2. Supervisor are prohibited from completing an employee’s timesheet unless the employee is absent for a prolonged period on some form of authorized leave.

Allocation of Staff Time

Monthly, the Executive Director and the [other staff member, COO, or other] run a payroll report in [recipient specific method] to view staff hours for accurate coding and allocation of hours. The distribution of salary and wages charged to federal awards will be based on records that accurately reflect the work performed and include the total activity for which employees are compensated.

Disbursement/Procurement

Documentation Administration

For each grant/award received by RECIPIENT NAME from a federal, state, or local government agency, a master file of documents applicable to the award shall be prepared and maintained. The Director of Operations will assemble master files for each government award shall include all of the following documents (including originals of all documents received from the awarding agency):

1. Copy of the initial application for the award and corresponding budget.
2. All correspondence to and from the awarding agency post-application, leading up to the award.
3. The final, approved budget and program plan, after making any modifications.
4. The grant agreement and any other documents associated with the initial making of the award.
5. Copies of pertinent laws and regulations, including awarding agency guidelines, associated with the award.
6. Subsequent grant modifications (financial and programmatic).
7. Copies of program and financial reports.
8. Subsequent correspondence to/from the awarding agency.
9. Results of any monitoring visits conducted by the awarding agency, including resolution by RECIPIENT NAME of any findings arising from such visits.
10. Correspondence and other documents resulting from the closeout process of the award.

The original grant document file shall remain in the office of the Executive Director in a locked filing cabinet. The Director of Operations shall maintain a separate file of frequently requested documents that shall consist of photocopies of the documents included in the secure grant document file. The purpose of this file of copied documents is to limit the potential for loss of valuable documents. Any other RECIPIENT NAME employee making a valid request for access to grant documents shall be provided with the file of copied documents and shall be asked to sign this file out of the Director of Operations' office.

Finance Department

A lock will be maintained on the office door of the Executive Director. This door shall be closed and locked in the evenings and whenever the Executive Director's office is vacant. The key to this lock will be provided to key accounting personnel and the Department Heads, and other personnel as approved by the Executive Director. RECIPIENT NAME's blank check stock shall be stored in locking file cabinet located in the Executive Director's office. Access to this cabinet shall only be provided to the Executive Director, Director of Operations, and Operations Associate.

Signature Authority of Program Directors/Director of Operations

Program Directors and the Director of Operations are authorized to approve expenditures up to \$5,000 as supported by Board approved budgets. Any amount over \$5,000 must be submitted to the Executive Director for Approval.

Authorized Signers

The following persons are authorized to sign on all accounts of RECIPIENT NAME: Executive Director, Board Chair and Treasurer. The Executive Director is the preferred check signer for all checks. Any check or savings withdrawal in excess of \$10,000 shall have two signatures including the Executive Director and the Board Chair or Treasurer. A reimbursement or check to an authorized check signer cannot be signed by that person.

Electronic Payments

Electronic payments through the bank or ACH, are processed by the Director of Operations upon receipt of an approved purchase request. All expenditures require prior approval except for reoccurring bills such as rent, utilities, subscriptions, etc. Upon receipt of a bill/invoice for payment, confirmation of approval is made either on the purchase request itself or through email to document the approval. Upon receipt of approval the bill/invoice is paid, entered into QuickBooks and the supporting documentation is attached and filed. The Director of Operations creates new vendor codes as needed. The Executive Director must approve all new vendor payees.

Procurement Procedures

RECIPIENT NAME's purchasing systems, policies and procedures are established to protect against improper use of RECIPIENT NAME assets, waste, unreasonable purchases and conflict of interest in purchasing contracts or arrangements as defined herein.

1. **Purchases up to \$10,000.** RECIPIENT NAME may make purchases of goods or services up to \$10,000 without competitive bids, as long as financial implications are included in the RECIPIENT NAME approved annual budget and price is considered reasonable. Justification or board approval must be documented for any case in which purchase is not reflected in the approved annual budget.
2. **Purchases over \$10,000.** RECIPIENT NAME shall seek competitive bids from three sources. Bids shall include submission of Statement of Work and Budget for proposed project. Justification must be documented for any case in which the lowest bid is not selected.
3. **Noncompetitive Procurement** RECIPIENT NAME may conduct noncompetitive ("sole source") procurement in any case in which the good or service is available from limited sources due to program fit, geography, or specialized experience / expertise. Noncompetitive procurement is also allowed in situations where partners are identified and finalized through a funding application process, so long as price is considered

reasonable. Justification must be documented for any case in which sole source procurement is utilized.

SAMPLE

Cash Management

Draw Down Calculations & Request

RECIPIENT NAME will request drawdowns of Federal Funds for any allowable expenses on a reimbursement basis. The Director of Operations will calculate the amount of the drawdown using actual expenses that are within the approved budget. Using this information, a drawdown will be submitted on average by the end of the following month, but not to exceed 90 days.

RECIPIENT NAME will request funds based upon immediate disbursement/reimbursement requirements. Drawdowns will be limited to the minimum amount needed to cover allowable project costs. Drawdown requests will be timed to ensure that Federal cash on hand is either a reimbursement of costs already incurred, or the minimum needed for disbursements to be made at least 2 weeks before the cash is needed for a cash advance. If not spent or disbursed within 10 days, funds will be returned to the awarding agency. Drawdowns will be timed in accordance with actual immediate cash requirements of carrying out the approved project. RECIPIENT NAME will not be made to cover future expenditures.

If a Federal award authorizes the payment of cash advances to RECIPIENT NAME, the Director of Operations may require that a request for such an advance be made and will follow regulation 45 CFR 75.305 (b) pertaining to cash advances. Upon receipt of a cash advance from a Federal agency, RECIPIENT NAME will reflect a liability equal to the advance. As part of the monthly closeout and reimbursement request/invoicing process, the liability will be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period.

Financial reporting timelines will be tracked and reports will be submitted in accordance with the deadlines of the funding entity. RECIPIENT NAME will maintain supporting documentation to include copies of RECIPIENT NAME invoices/reports, expense receipts, sub-awardee invoices including supporting receipts and contractor invoices including supporting receipts to support amounts reported.

The following policies will apply to the preparation and submission of billings to federal agencies under awards made to RECIPIENT NAME:

1. RECIPIENT NAME will request reimbursement after expenditures have been incurred unless an award specifies another method.
2. RECIPIENT NAME will minimize the time between receipt of advances of Federal funds and disbursement of grant funds by issuing payments within 24-48 business hours of receipt of such funds.
3. Each award normally specifies a particular billing cycle. Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
4. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.

5. All financial reports required by each Federal award will be prepared and filed on a timely basis. To the extent RECIPIENT NAME year-end financial statement audit results in adjustments to amounts previously reported to Federal agencies, revised reports will be prepared and filed in accordance with the terms of each Federal award.

Procedures to Drawdown of Federal Funds

1. The **Director of Operations** gathers the expense reports for its grant for the monthly reimbursement of allowable expenses. The **Director of Operations** provides this information to the **Accountant**.
2. The **Accountant** prints off a report from the accounting system that shows the actual total, of accounts payable that is due to be paid that correspond with the approved grant budget. The accounts payable expenses are broken down by various program and line item (i.e. administration, project, etc.).
3. The **Accountant** accesses the HHS Payment Management System for the drawdown. The reports provided by the **Director of Operations** and accounts payable systems are used to draw down the funds from the appropriate federal fund.
4. The **Accountant** provides the **Bookkeeper** with the total figure for the draw down. The **Bookkeeper** (with view only privileges) verifies the deposit is made into its assigned bank account on the next business day via online banking internet access for the account.
5. 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.