



Pennsylvania Chapter of
Children's Advocacy Centers
&
Multidisciplinary Teams

Finance Procedure Manual

PURPOSE

This manual describes the financial accounting system and essential elements of the financial management system. Basic features of the financial accounting system are described to the extent that they provide a working knowledge of the systems used. It is the intent of the CHAPTER to maintain these systems in a sound manner.

The financial management system includes:

Accurate timely recordings of financial transactions.

Effective control over financial procedures.

Timely and accurate financial reports for use in budgeting, budget to actual analysis, and financial viability.

Financial reports for Executive and Board inspection.

To develop and maintain effective internal controls.

JOB RESPONSIBILITIES

The following outline is to describe jobs in terms of the operational and financial aspects:

BOARD of DIRECTORS

The Board of Directors, specifically Treasurer, to review, and approve: the operating budget (as submitted by the Chapter Director); quarterly financial statements; and investment strategy

Serve as bank signatories when necessary

Oversee time sheets

Approve salary grades, changes in salaries, bonus and payment of salaries

CHAPTER DIRECTOR

Overall responsibility for organization

Act as one of two signatories necessary for checks above \$1000.

Approve budgets

Review all financial statements

Maintain personnel files

Interface with Board

Approve purchase orders and invoices

Submit monthly financials to, Treasurer and Board

Approve general invoices

Maintain, oversee, and compile usage of office equipment and software

Order supplies and make approved purchases

Manage grant reporting database including any relevant deadlines

Prepare checks for payments

Oversee preparation of deposits and deliver to bank as necessary.

Post to Chapter records and excel spread sheet, send to Accountant/Bookkeeper for record keeping.

Chapter Accountant/Bookkeeper Contractor

Maintain general organizational, financial and administrative

Perform monthly bank reconciliation

Manage payroll with payroll service

Maintain Ledgers with bookkeeping/ payroll service.

Prepare financial statements including financials for the Chapter Director to present, Treasurer, and Board

Oversee Accounts Receivable

Post revenue and expenses to QuickBooks

Input accounts payable

OFFICE ADMINISTRATION

OPENING THE MAIL

The mail is retrieved by the Chapter Director who then sorts the mail in the following manner:

Financial information and invoices are given to the Accountant/Bookkeeper where necessary.

Bank statements are to be sent to the Accountant/Bookkeeper whose job it is to reconcile the account.

Checks are immediately dated received, endorsed, photocopied, and attached to appropriate documentation, logged by the Chapter Director, and reported to Bookkeeper on Chapter revenue and payments excel spreadsheet/categories. They are entered in the computer system database by the Bookkeeper. Donations are entered into Donor log by the Chapter Director.

All grant information is processed by the Chapter Director, copied and filed in the Grant files, entered in to the Chapter revenue and payments excel spreadsheet/categories and sent to Bookkeeper twice monthly, for Bookkeeper ledger entry and bank reconciliation.

GOVERNMENT GRANTS

The Chapter Director will be the designated point of contact for Government Grants. The Treasurer may be the designated financial point of contact for Government grants and may perform draw downs. The Chapter Director, Treasurer and Grants/Funding Committee Chair work closely to assure sound fiscal and grants management.

The Chapter Director and Treasurer, or designee, coordinate, approve, copy, forward, timely and accurate obligated fiscal grant reports to grant funders, including Government Grants.

ORDERING EQUIPMENT

Equipment is subject to approval by Chapter Director within approved annual budget.

See also CASH DISBURSEMENTS.

POSTAGE & POSTAGE BY PHONE

Postage is to be used for postage charges solely for the purpose of the Chapter.

ACCOUNTING FOR FIXED ASSETS

Fixed assets should be accounted for at cost, or if not practically determinable, estimated cost. Donated assets should be recorded at their fair market value at the time they are received. The estimated cost or fair market value will be established by appropriate documentation by the Chapter Director. All fixed asset documentation is to be filed appropriately.

CAPITALIZATION POLICY:

Chapter capitalizes any fixed asset that meets the following criteria: is a non-consumable/ expendable property that has a useful life of at least two years or more; and has a unit cost of at least \$1,000. Cost is defined as the actual invoice price of the object plus additional costs for modifications, attachments, upgrades, etc. Such items will be recorded at cost in a log of capitalized assets and inventory.

DEPRECIATION

Depreciation and amortization will be recognized and recorded yearly.

IN KIND

Recording of in-kind services are to be entered in a journal entry with the value as income and will be reported out at the end of the fiscal year.

CASH DISBURSEMENTS

All cash disbursements are made by check. Cash Advances are generally not used.

Checks will not be made to “cash” or “bearer”, except as follows. Yearly, the Chapter hosts events that require payment by the attendee. For such reason, the Chapter will allow check for “Petty Cash”. At such time, check will be made out to “Cash” with memo “petty cash”.

Checks must have two authorized signer (above \$1000). Authorized signers are the Chapter Director, Treasurer and Chapter President, or designee with full board approval. Both signatures must be an original signature.

The major categories of cash disbursements are: Payroll and Check Requests. All disbursements must be supported by adequate documentation, funder/grant & expense category payment source coding, and approval by Chapter Director before payment, with the exception of Director Reimbursement expense requests, to be approved by the Treasurer or Executive Committee member where appropriate. This documentation includes an attached Check Request Form.

ACCOUNTS PAYABLE

General:

Chapter maintains its books on an accrual basis. Therefore, obligations are recorded when occurred as opposed to when they are paid.

Vendor Payable:

The obligation of funds to a vendor is initiated through the receipt of an invoice or a purchase order.

Purchase requests (written)- are given to the Chapter Director by the purchaser and/or by the Executive Committee . All purchase orders must include supporting receipt or documentation and must be signed approval by Chapter Director before processing.

All packing slips for expenditures made and items delivered shall be given to the Chapter Director responsible for processing accounts payable or the Accountant/Bookkeeper. They shall be acknowledged as being received and the packing slip contents list shall be confirmed to the items delivered. Any differences shall be noted and brought to the attention of the Chapter Director.

Purchases over \$1,000 must have three bids secured. The bid that is selected will be the lowest qualified bid, deeming that the vendor has demonstrated a prior ability to satisfy the service for materials for which the bids is solicited and is deemed to be responsible. Once the Chapter Director determines this it then must be Executive Committee of the Board approved or be processed as directed by a Board resolution.

The Chapter Director reviews, approves, and initials for payment and has assigned payment source coding on the Check Request Form/voucher attached to the invoice or purchase order. The Chapter Director and Treasurer or Chapter President sign the checks.

Payables are processed for payment according to discounted pay rate and due rate schedule.

Paid invoices with documentation attached are filed appropriately by month in the files of the Chapter office.

TRAVEL EXPENSES

In the event of required travel several procedures must be followed. All travel must be approved in advance by Treasurer. Expenses must be submitted on a properly prepared expense report with original receipts attached. Please refer to "Guide for Reimbursement of Travel Expenses" and all required Government Guides including visiting the GSA website often for updates, Government Allowable and Nonallowable Costs, and Guides for Reimbursement of Travel Expenses.

The Chapter follows Government per diem allowances as published and will not pay for expenses above the government rates. The Chapter will not pay for any alcoholic beverages. Other travel guidelines may apply, the traveler will not be reimbursed for amenities, sundries, snacks, personal items, or excessive costs.

Ground transportation may be reimbursed. Reimbursements may include mileage at the GSA, IRS approved rate, parking fees, tolls, and meters. The least expensive parking option should be selected. The Chapter does not pay for car maintenance or repair, moving or parking violation fees, or valet parking.

EXPENSE REPORTS:

Expenses incurred by employee and submitted for reimbursement are to be pre-approved by Treasurer, or Chapter President if Treasurer not available. All approved expenses are to be submitted on Chapter expense report with receipt and will be processed for payment twice monthly.

CASH RECEIPTS

Chapter currently holds accounts with PNC Bank. Banking companies may change subject to approval of the Board of Directors. The PNC account is for the receiving of all credit card charges and debit card expenses as needed, accounts payable, deposits, payroll.

DEPOSITS

Chapter Director opens mail and separates revenue.

All deposits are recorded, copied, and copies distributed to appropriate points.

Deposit slips are prepared and logged by the Chapter Director. Deposit slip information is transferred into financial records and entered into excel record and sent to Accountant/Bookkeeper for entry into Quickbooks and for bank reconciliation.

At the month's end, bank statement deposits are reconciled against Quick books by a Chapter Bookkeeper/Accountant, and reports sent to Chapter Director and Treasurer. Final monthly review may be conducted by the Chapter Director and the Treasurer.

GRANTS, DONATIONS AND RESTRICTED MONEY

All donor income is deposited promptly and a Letter of Donation receipt is generated for amounts at \$10 or above within one week for the donor's tax purposes. The letter is signed by the Chapter Director or Chapter President.

In-kind donations will follow the same system. Letter of Donation includes the description of item, but not the value of the item, unless a recent receipt is submitted with the item.

Donations are subject to the limitations and regulations of Chapter Gift Policies.

All income in the amount of \$1,000 and above is subject to additional requirements beyond the general procedures for cash receipts. A photocopy of the check and deposit slip must also be filed in a separate folder for grants and large donations. Attached to the photocopy should be a copy of any statements from the donor governing the use of the money.

Grants received will have one copy filed as described for donations of \$1,000 and above as well as additional copies for the Grantor's file. All regulations governing the use of the money as well as the reporting requirements are filed in the Grantor's folder as well.

Donor Database

Donations (cash, check, in-kind, special events and unrestricted) are entered into excel as they are received. Once entered, a thank you letter is prepared to be signed by the Chapter Director and mailed.

Monthly summary through profit and loss reports are emailed to the Executive Committee to see the amount of activity of donations received.

Grants Received

Grants received and restricted donations are entered into Quick Books by the Accountant/Bookkeeper.

Line of Credit

The Chapter may secure a line of credit in accordance with the approval of the Board of Directors at a banking institution that affords competitive interest rates.

The Line of Credit is for the purpose of accommodating cash flow needs when outstanding receivables are present. It shall be established only so as to permit transfer of funds directly into a Chapter's bank account.

Use of the Line of Credit shall be authorized by the Executive Director/Treasurer. The Treasurer shall be informed as to the use of the Line of Credit.

All transfers from the Line of Credit to the Chapter's bank account shall be documented and maintained with banking records.

The Line of Credit shall be paid in part or full as soon as cash funds become available.

BANK RECONCILIATION

BANK STATEMENTS: Bank Statements will be mailed/emailed to Accountant/Bookkeeper, in charge of bank reconciliation. Executive Committee Member can review bank statement against on-line bank account to ensure changes have not been done.

Chapter Director will provide a copy to Accountant/Bookkeeper, of all receipts and invoices to ensure all entries are entered in Quick Books by Accountant/Bookkeeper. After completion, Accountant/Bookkeeper conducts bank reconciliation. To ensure all of the checks are in accordance with Chapter business, all receipts, invoices, will be made available the during bank reconciliation process. Checks will be reviewed for Director's signature and other authorized persons.

MONTHLY REPORTS

All Monthly fiscal reports are sent to and reviewed by the Chapter Director and Treasurer. The Treasurer will also provide quarterly fiscal reports to the Board of Directors.

PAYROLL AND RELATED MATTERS

The Chapter processes its payroll through the Bookkeeper. Employees are paid biweekly. If payroll falls on a weekend day or holiday, then payroll is issued on the preceding Friday. Employees will be paid based on their annual salary or hourly wage minus any withholding requested by the employee or required by local, State, and/or Federal authorities.

Each employee is required to complete a W-4 withholding form at the beginning of their employment and may update at the start of each new year. Employees may review their benefits and withholdings. One copy of relevant information is maintained within the Chapter Director office.

PAYROLL TAXES

The Chapter contracts for payroll services, including accurate and appropriate tax remittance and recording.

Federal Payroll Taxes:

It is the responsibility of the Bookkeeper to remit the Federal tax deposits when payroll is distributed. The Accountant/Bookkeeper reviews the submission material to ensure accuracy and timeliness of payment, and sends a copy of the Payroll Submission to the Chapter Director and Treasurer for review and record keeping

State & Local Payroll Taxes:

State and local taxes based on each individual's residency as declared on the W-4 form will be processed by financial services contractor as defined.

State Unemployment Taxes:

Pennsylvania's Unemployment taxes are prepared on a quarterly basis. The assessment is based upon the reports issued by the payroll contractor which tracks all salaries paid to an employee up to the rate fixed by the Commonwealth of Pennsylvania and the applicable tax rate is applied against those earnings.

It is the responsibility of the payroll contractor to remit State Unemployment taxes to the appropriate taxing authorities in a timely manner and prior to any deadlines.

Occupation Privilege Taxes (LST):

Each employee will have a \$52 LST deducted from their paycheck each school year (Jan 1- Dec 31). If an employee had the tax removed from another employer, the employee must notify the Accountant/Bookkeeper in time to avoid a second deduction. At the end of each calendar quarter a report is issued through the Financial services contractor to the Chapter Director. It is the responsibility of the Accountant/Bookkeeper to complete necessary tax forms and submit for payment.

PAYROLL RELATED ACCOUNT RECONCILIATIONS

The Accountant/Bookkeeper will reconcile the salaries as recorded in the general ledger to the quarterly 941s on a timely basis. Any material differences will be researched and communicated to the Chapter Director, Treasurer and Executive Committee for further resolution. If any adjustments are required they are to be submitted in writing to the financial services contractor and reported to the IRS with the outstanding payment or request for reimbursement. The Accountant/Bookkeeper will also record to the general ledger all local, Federal, State, and voluntary withholdings.

The purpose of such reconciliation is to ensure that the withholdings are accurate and that the withholdings, with the employee's share of FICA taxes are promptly remitted to the depository of the government or agencies.

PAYROLL RECORDS

Payroll reports are first examined by the Accountant/Bookkeeper for any discrepancies as noted above. The registers list each employee's earnings and deductions for the period. The registers are kept for a period of seven years.

No changes can be made on employee's salary or other benefit and payroll matters without proper signed change forms.

In addition, personnel files are to be maintained on each employee. Each file should include the following current information:

- Job application or resume
- Verification of training experience
- Required references
- Required Clearances
- Letter of employment signed by employee
- A current job description signed by the employee
- Staff training record
- Performance evaluation
- Salary information, including date of employment, starting salary, salary changes
- Emergency notification
- Citizenship documentation: I9 information obtained and completed upon hiring should be filed in a separate file designated I9s.
- Acknowledgement of policy and procedure manuals
- Benefit information

Account information for payroll
Documentation of disciplinary actions
Other material related to her/his employment
Work permits (if applicable)

TIME KEEPING INTERNAL CONTROLS

Listed Below Are Internal Controls Which Have Been Implemented As Part Of An Employee Time Keeping System:

- Employees are responsible for preparing their own time sheet with the program categories which work is performed
- Time sheets are to be prepared and signed with ink
- Time sheets are to be signed by the Treasurer for Director only after they are complete
- Errors or cross outs must be initialed by Director and an explanation provided, no whiteouts or erases
- Copies of the time sheets are maintained in the Chapter Director's office

New employees are taught the correct procedures and the importance of correct completion impressed upon them.

The Chapter Director maintains the file of completed forms checking submitted forms for correct completion, signatures, and accurate accounting of sick leave and vacation time.

RESTRICTED AND UNRESTRICTED ACCOUNTS

Donations, grants, and other income are kept in the regular bank checking accounts (bank as approved by Board) unless a grantor or donor specifies the requirement of a separate account to house their funds. The money is tracked separately in the financial system by accounts and subaccounts, fund balances are produced at the end of each month with the monthly financial reports and trial balance.

Donations are treated as a general donation unless specified by the donor that the funds are to be used in a restricted manner, i.e. a particular program or that the money was received for a particular campaign. It is the practice of the Chapter to recognize donations marked "In honor of" and "In memory of". This practice is stated on Annual Reports and other printed materials.

Donated and Dues funds may be kept in an interest bearing account when possible.

Government funds are strictly held in none interest bearing accounts.

Stocks, bonds, mutual funds and any other marketable securities may be accepted and are treated as donations. The management of these funds are overseen by the Executive Committee according to relevant board-approved policies. Should stock donations be accepted, they will be sold right away upon receipt, unless the Board approves an alternative.

ANNUAL BUDGETS

The preparation of the annual budget is a joint product of the Chapter Director and Treasurer and with input from the Grants Committee Chair and Executive Committee approval before being presented for Board approval.

The final budget will then be reviewed by the Executive Committee/Board for approval. The budget will be revisited and adjustments made as necessary due to changes in the programs. The budget will be discussed at each Board meeting in relation to the financial reports that are required for review.

Expenses outside approved line items require Executive Committee/Board approval.

Quarterly review of Budget to Actual will be done with Board. Any necessary budget adjustments will be brought to Board.

YEAR END FINANCIAL INFORMATION

At the end of the year, the financial services contractor (Accountant/Bookkeeper) prepares and issues W-2's for each employee and reports all relevant information to the correct governmental agencies. Copies of the individual W-2's are sent to the employee. The final report of W-2's are sent by the Accountant/Bookkeeper along with the year's report of withholding and appropriate documentation to the Director. These should be reconciled with the general ledger.

Vendors will be distinguished between those the IRS requires a Federal Form 1099 filed or not. A W-9 may need to be completed to determine the classification. All consultants must have a W-9 on file before payment is disbursed, as arranged with the bookkeeper.

Federal Form 1099 are issued per IRS Guidelines. The consultant copy is to be distributed to the individual by January 31 following the year-end by the Bookkeeper.

An audit is to be performed by an independent accounting firm as close to the year-end as possible. The Chapter follows a (July 1st to June 30th) fiscal year. The Chapter Director and Treasurer will work closely with the auditors, and Treasurer preparing any necessary schedules and information required.

The audit will produce audited financial statements, prepared tax forms, and a management letter.

ADDITIONAL POLICY AND PROCEDURES:

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| Title: | Audit Services Policy |
| Policy: | Audit Services will be reviewed and re-bidding discussed every three to five years. If the existing audit firm retains the contract, partner rotation will be discussed. |
| Purpose: | To make sure that the CHAPTER is receiving the best audit services at the best price possible. The policy also suggests that rotation of the audit partner in charge is discussed in order to evaluate the continued independence and fresh perspective on our audit. |
| Scope: | This policy applies to the annual financial audits and tax work required for CHAPTER. |
| Responsibility: | The Chapter President and TREASURER of the organization working in conjunction with the Executive Committee are responsible for following this policy. The Treasurer will oversee an ad hoc Auditor Selection Committee to review selection and receive audit reports. |
| Procedure: | Every three to five years the audit and tax services provided to the CHAPTER will be discussed with the Executive Committee and if bidding is recommended, no less than three qualified accounting organizations will be contacted for the purpose of comparing fees for a multi-year audit contract as well as estimated time to completion, staffing, fees, services rendered and references. Responses will be reviewed by the TREASURER and the Executive Committee and interviews will be conducted if needed. |

Whistle Blower Policy

- Title:** Confidential Reporting of any Impropriety or Misuse of Organizational Resources Policy
“Whistle Blower Policy”
- Policy:** Any member of the staff, the Board of Directors, or volunteer affiliated with the organization with information about known or suspected improper activity or misuse of the organization’s resources, or other ethical problem can report this information to the Chapter President without any fear of retribution or retaliatory action of any kind.
- Purpose:** To make sure that CHAPTER will be informed of any improper activity or misuse of assets while protecting the individual who reports the activity.
- Scope:** In accordance with the Sarbanes-Oxley Act, no retaliatory organizational action can be taken against those who report truthful information about the commission or possible commission of any Federal, State or Local offense to a “law enforcement officer”, management or leadership, even if the person incorrectly believes a violation has occurred.
- Responsibility:** The Executive Director of the organization working in conjunction with the Treasurer is responsible for ensuring organizational compliance with the policy.
- Procedure:** Clearly communicate this policy across all levels of the organization and provide for the anonymous or direct reporting of any suspected impropriety to the Chapter President. Reports of impropriety will be reviewed, documented and acted upon appropriately. Confidentiality must be maintained.

Financial Statement Certification Policy

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| Title: | Certification of Financial Statements and Tax Returns Policy |
| Policy: | All Financial Statements and Tax Returns filed by CHAPTER and related organizations will be certified with the signatures of the Chapter President and Treasurer of the organization. |
| Purpose: | To provide assurance that the Executive Director, Chapter President and Treasurer have reviewed and attest to the validity of the organization's financial statements and tax returns. |
| Scope: | This policy applies to the annual audited financial statements of the CHAPTER as well as the annual tax returns or 990's that are required to be filed. |
| Responsibility: | The TREASURER will ensure that both the Chapter Director and TREASURER comply with this policy by signing all annual financial statements and tax returns. |
| Procedure: | When financial statements have been audited and finalized, and are ready for printing, the Chapter Director and TREASURER will sign a certification stating they both have reviewed the financial statements and support the results as accurate and fair. The Chapter Director and TREASURER will sign the organizations tax returns prior to filing with the IRS. |

Document Retention Policy

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| Title: | Document Retention Policy |
| Policy: | All Documents relating to the operation of our organization will be retained according to IRS guidelines. The Sarbanes-Oxley Act requires auditors to keep audit records for 7 years following the final audit report. Our organization has a legal duty to retain relevant documents that it knows or believes may be relevant to any legal action. |
| Purpose: | To provide a system for complying with document retention laws, ensure the organization retains valuable documents, protect the organization against allegations of selective document destruction, and provide for routine destruction of non-business, superfluous, and outdated documents. |
| Scope: | This policy applies to all documents and records of the organization; financial, personnel and corporate (both physical and electronic). |
| Responsibility: | The TREASURER or designee is in charge of making sure that the appropriate staff is complying with the document retention schedule. |
| Procedure: | On January 15 th of each year the Director will submit to the TREASURER or designee a list of documents sent to storage or destroyed. This list should be sufficiently detailed that one outside the department could determine which documents were stored or destroyed. Lists of documents stored or destroyed will be kept by the TREASURER or designee. See document retention schedule attached. |

Loans to Board Officers or Directors Policy

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| 6.0 Title: | Loans to Board Officers or Directors or Staff Policy |
| Policy: | Loans of any type to a Board Officer or Director or staff of the organization are prohibited. |
| Purpose: | To prohibit loans to Board Officers or Directors or Staff. |
| Scope: | This policy applies to any and all loans proposed for any Board Officer or Director or staff of CHAPTER or related organizations. |
| Responsibility: | The Chapter President is responsible for making sure that this policy is complied with if a loan to a Board Officer or Director or staff is proposed. |
| Procedure: | Upon request for a loan for a Board Officer or Director or staff, the Chapter President will communicate the prohibition of such a loan to the Executive Committee of the organization to ensure compliance. |

Conflict of Interest Policy

7.0 Title: Conflict of Interest

Policy: This policy is intended to prevent any member of the community or CHAPTER from unfairly benefiting on business or operations of THE CHAPTER. All board members and certain staff and volunteers will be required to fill out a conflict of interest form annually defining any potential conflicts they may have with the organization. If and when a conflict arises, the conflicted member has the responsibility to make the conflict known and exclude themselves from any discussion and decision relating to the conflict.

Purpose: To make sure management of the organization is aware of any conflicts of interest that exist with any of its employees, board members or volunteers. A conflict of interest may exist when the interests or concerns of an interested party may be seen as competing with the interests or concerns of the organization.

Scope: This policy applies to all board members, staff, and volunteers of the organization, or any other member of the community that is deemed to have a conflict.

Responsibility: The Chapter President is responsible for making sure that this policy is complied with if a conflict arises with an interested party. An interested party is under a continuing obligation to disclose any actual or potential conflict of interest as soon as it is known or reasonably should be known.

Procedure: An interested party shall complete a conflict of interest questionnaire to fully and completely disclose the material facts about any actual or potential conflicts of interest. The disclosure statement shall be completed upon his/her association with the organization, and shall be updated annually thereafter. The conflict of interest statements shall be filed with the official corporate records of the organization.

If the Director or Board of Directors have reason to believe that an interested party has failed to disclose an actual or potential conflict of interest, they shall inform the person of the basis for such belief and take appropriate action.

Supersedes Policy No:

Effective:

Authored by: CHAPTER's

Approved by: _____ Director, Chapter

_____ Chapter President, Board of Directors

Initial Effective Date:

Review Date(s):

Revision Date(s):

Executive Committee Approved 03302011
Board of Directors Adopted by vote 04062011