

FISCAL MANAGEMENT POLICY

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GENERAL OVERVIEW

Transitions of PA, Inc. is a 501(c)(3) non-profit organization.

This manual describes the fiscal and internal operating policies and procedures which shall govern the operation of the organization. Transitions of Pa, Inc. (Transitions) is committed to responsible financial management. The organization, including the Board of Directors, administrators, and staff work together to make certain that all financial matters of the organization are addressed with integrity, and in the best interest of the organization.

The policy and procedural guidelines contained in this manual are designed to:

- Protect the assets of the organization;
- Ensure the maintenance of accurate records of financial activities;
- Ensure compliance with federal, state and local legal and reporting requirements.

PUBLIC ACCESS TO RECORDS

It is the policy of the organization to allow the public access to Form 990, "Return of Organization exempt from Income Tax". This access will be at the organization's headquarters at a mutually agreed upon time. A responsible employee of the organization will remain in the presence of the individual requesting access to this information. Individuals will be allowed a reasonable amount of time to review the form, but access to copying machines and the like may be denied. The original Form 990 will remain at the organization's headquarters.

GENERAL INTERNAL ACCOUNTING PROCEDURES

The goal of the outlined procedures is to ensure that all financial transactions within the organization are handled according to generally accepted accounting principles. It is imperative that employees follow these procedures to facilitate compliance with the documentation requirements of grantors and to maintain the internal controls set up by the organization.

Additionally, to ensure Transitions' compliance with generally accepted accounting principles and federal guidelines, the agency will engage an outside CPA firm to audit its accounting records annually.

FINANCIAL CONTROLS AND OPERATING PROCEDURES

The Fiscal Manager will function as Accountant with primary responsibility for designing and maintaining the accounting system. Monthly reports shall be made to the Chief Executive Officer covering, at a minimum, receipts, disbursements, receivables and payables. Additionally, a variance report will be provided to the Chief Executive Officer and the Treasurer outlining any variances exceeding 5% of budget. The Chief Executive Officer and/or Treasurer will include this variance report (which includes comparisons to budget) in periodic financial reports to the Board.

Accounting Period

The accounting period of Transitions is a fiscal year beginning July 1 and ending June 30.

Accounting Method and Accounting Software

It is the policy of the organization to utilize the accrual basis of accounting that recognizes revenues when they have been earned and expenses when they have been incurred. All fiscal records will be maintained by utilizing the QuickBooks computer software program. A semi-weekly backup will be completed and locked up in either the Fiscal Manager's or CEO's fireproof safe or taken off premises for storage. The Fiscal manager, Chief Executive Officer, and independent auditor have access to this software and records.

Policies on Receipts and Disbursements

- **Segregation of Duties:** Duties are assigned to individuals in a manner that ensures that no one individual can control both the recording function and the procedures relative to processing a transaction.
- All mail is opened by the Fiscal Administrator or Chief Executive Officer in the absence of the Fiscal Administrator.
- All incoming checks are logged by the Fiscal Administrator and are stamped with "Deposit Only" immediately upon receipt, and then given to the Programs Director who deposits the funds. All checks are copied and deposit slips are prepared and copied by the Executive Assistant. Copies of deposit slips and checks are given to the Fiscal Manager, who records all deposits into the accounting system according to income line items. The Fiscal Manager files all copies of checks and cash income receipts.

- All requests for the purchase of office supplies, food for shelter residents, housekeeping supplies and small equipment are to be made to the Chief Executive Officer. The Chief Executive Officer will approve all purchase requests within budget guidelines. The Fiscal Administrator will place the order and verify all deliveries with the exception of food for shelter residents and housekeeping supplies which will be purchased by the shelter managers.
- All incoming invoices are approved and initialed by the Chief Executive Officer, designated staff (must be a position of titled coordinator or higher) in the absence of the CEO. The invoice is given to the Fiscal Manager to record into the accounting system for payment. If there is no invoice, a check request must be filled out by the person requesting the disbursement and counter-signed by the Chief Executive Officer. The Fiscal Manager enters all invoices and check requests into the computer system which determines payment date according to the invoice terms. A chart of accounts is available for coding receipts and disbursements, but the final determination is made by the Fiscal Manager in accordance with the budget.
- Accounts Payable checks are written on a weekly basis. Payroll is completed on a bi-weekly basis. ACH payroll is set up by the Fiscal Manager. The Fiscal Manager also prints payroll checks for those staff not participating in automatic payroll deposit. The Fiscal Manager then prints paystubs and submits them and the paychecks to the Chief Executive Officer to review and sign. The Chief Executive Officer then goes into the ACH banking system to initiate payroll. For employees who elect to continue to receive printed pay checks, the Chief Executive Officer may sign a check for \$500 and under. All checks over \$500 require two signatures (please review Board policy for persons permitted to sign checks).
- The Fiscal Manager prepares all checks with invoices attached and gives them to the Chief Executive Officer for signature. Two signatures are required for all checks exceeding \$500. A Board member co-signs all checks exceeding the \$500. The checks are then given to the Fiscal Administrator for mailing. The Executive Assistant gives invoice copies and check stubs to the Fiscal Manager for filing. If a copy of the invoice is not available. The Fiscal Administrator will make a copy for the Fiscal Manager. If a hand check is written by the Chief Executive Officer, a copy is made for the Fiscal Manager and the information is entered into the computer system by the Fiscal Manager within two business days. The Chief Executive Officer also makes a copy of the hand check for file purposes.
- If funds are necessary from the Line of Credit for bill payment, the Fiscal Manager will pass this information on to the Chief Executive Officer who then calls the bank to request funds. The transfer of funds may also be made by the Chief Executive Officer through the ACH banking system by initiating an ACH transfer between accounts in accordance with the controls provided by the bank. The Fiscal Manager also determines when there are sufficient funds available to pay on the Line of Credit. This information is given to the Chief Executive Officer who contacts the bank for a funds transfer.

- Dollars raised during the fiscal year in excess of the funds budgeted to be spent, will be placed in Transitions' regular savings account until the end of the fiscal year, when the Board will decide the disposition of the funds.
- Bank reconciliations are performed on a monthly basis using the reconciliation module of the software program. The Fiscal Manager will review the reconciliation, noting outstanding checks that were issued over 90 days previous. If there are such checks, this information will be passed on to the Fiscal Administrator who will contact the payee to ascertain whether the check was received. The Fiscal Manager issues all stop payments upon the advice of the CEO. A comprehensive printout of the reconciliation is given to the Chief Executive Officer who will review and initial the bank reconciliation.
- All checks are pre-numbered and accounted for monthly.
- The checks print in three (3) parts: The original and one payment stub is sent out for payment, one copy is filed with the invoice or payment request, by vendor. All checks are accounted for monthly.
- All voided checks must be defaced and retained in a void check file.
- **No checks may be written to "cash" or "bearer".**
- The Chief Executive Officer and one Board member are the two signatures which are required on all checks over approved limits. If the Chief Executive Officer is unavailable, the Programs Director and one Board member's signature are required.
- **Blank checks may never be signed in advance.**
- All debts will be paid in a timely manner.
- Procedure for routine credit card purchases:
 - a) All requests for the purchase of office supplies and small equipment are to be made to the Chief Executive Officer.
 - b) The Chief Executive Officer will approve all purchase requests within budget guidelines.
 - c) After approval, staff is permitted to use the credit card at the direction of the Chief Executive Officer.
 - d) All cards are to be locked in the appropriate cabinet in the Fiscal Administrator's office.
 - e) The receipt for all purchases made with the credit card must accompany the credit card on its return to the Fiscal Manager.

Policies on Employee Reimbursements

- **Expense Reimbursement:** It is the policy of the organization to reimburse staff and members of the Board of Trustees for expenses incurred while doing business for the organization. Travel advances may be issued to employees only prior to business travel and are to be recorded as receivable from the individual until the submission of expenses to the Fiscal Manager. Receipts for travel and any unused travel advance must be returned to the Chief Executive Officer within 30 days of travel. It is preferred that staff uses their credit card for travel.
- **Personal Mileage:** Employees will be reimbursed for use of their personal cars on agency business at the federal guideline rate. Commuting mileage will not be reimbursed nor will mileage between offices be reimbursed (see Travel Policy). The cost of gas will only be reimbursed when using the organization's vehicles, again it is preferred that staff use a credit card and submit the receipt to the Fiscal Manager.
- **Unallowable Employee Expenses:** Reimbursement will not be made for items of a personal nature or for entertainment. These expenses include but are not limited to movies, laundry, and personal phone calls in excess of 10 minutes per day. Expense reimbursements must include receipts and an explanation of the nature of the expense.

Petty Cash Funds

The organization maintains petty cash funds totaling \$50 that is kept in a locked location within the Fiscal Manager's office. Disbursements from the petty cash fund are available for expenditures totaling under \$25.00 and may only be made for approved expenditures. An original receipt must accompany every disbursement. A request for reimbursement must be submitted along with original receipts attached in order for the petty cash fund to be replenished. Both the Union County shelter and the Coal Township Shelter maintain petty cash funds of \$50 each. Disbursements from the petty cash fund are available for expenditures totaling under \$25.00 and may only be made for approved expenditures. An original receipt must accompany every disbursement. A request for reimbursement must be submitted along with original receipts attached in order for the petty cash fund to be replenished. Cashing checks for employees from the petty cash fund is prohibited. Periodic counts of the petty cash fund shall be made jointly by the Fiscal Manager and the Fiscal Administrator.

Timely and Accurate Financial Information

- Monthly Financial Reports are provided to the Treasurer and the Finance Committee within 30 days of the close of the period.
- Detailed Financial Reports are provided to the Board of Directors at each Board meeting.
- Reference explanations for any budget variances of 5% or more are contained for the above referenced reports.

- An annual audit will be conducted by an independent CPA at the close of the fiscal year. Copies of these reports will be made available to the Board.

PAYROLL CONTROLS

- Personnel files are maintained at the organizations' site for all employees.
- When a new employee is hired, the Fiscal Administrator will see that a W-4, 1-9, and request for medical insurance are filled out. These forms are filed in the employee's files in the office of the Fiscal Manager.
- The Fiscal Manager enters new employees into the appropriate insurance agency, e.g., disability insurance, life insurance, medical insurance, vision and dental insurance. The Fiscal Manager also enters the new employee into the computer system using the W-4 to record proper withholdings and the requests for insurance to record proper medical coverage, vision and dental withholdings for family members and pro-rated on percentage of full time employment. A letter should accompany the W-4 for new employees indicating the starting salary.
- Time sheets are filled out by staff and are verified and signed by the supervisor, and the Chief Executive Officer. The time sheets are then given to the Fiscal Manager for recording sick, vacation and personal time used. The Fiscal Manager has included accruals for all paid time off and extended sick time and it appears on separate spreadsheet. Time sheets are kept in the payroll time sheet file which is maintained by Fiscal Manager. These time sheets become part of the permanent records for audit purposes. The Fiscal Manager will not process any time sheets that have not been co-signed by the supervisor or the Chief Executive Officer.
- Payroll is prepared and checks are ready for signature every other week for the pay period ending on the preceding Sunday. The payroll checks are sent directly to the Chief Executive Officer, who is responsible for comparing checks to the payroll register before manually signing the checks or initiating the ACH payroll transaction. When indicated, the checks are then presented to an authorized Board member for the required second signature. Payroll tax deposits (Federal and state) are both completed electronically by the Fiscal Manager.

BUDGETING POLICIES

Preliminary and final budgets are prepared by the Chief Executive Officer and Fiscal Manager, presented to the Finance Committee and approved by the Board in a timely manner.

Expenditures will be reasonable and limited to those that can be supported by information allowing for the qualified projection of revenue and expenses. Organizational operations will be planned and controlled so as to work within the approved budget amounts, reporting all line-item expense variances on a monthly basis through the Chief Executive Officer and the Finance Committee.

When the notification of grant allocations is received, the Chief Executive Officer and Fiscal Manager begin to prepare the annual budget for the following fiscal year. The Executive Assistant is responsible for file management with regard to all grants and contracts and distribution of all correspondence pertaining to grants to the Chief Executive Officer and Fiscal Manager. The

Personnel and Finance Committees work jointly on determining salary increases. Other budget categories are determined by comparisons with the preceding year's expenses and any anticipated increases or decreases.

BID POLICY

The bidding process is implemented, when appropriate, by the Administrative team, which consists of the Chief Executive Officer, the Programs Director and the Fiscal Manager. The bid process is used in order to obtain the greatest benefit to the Organization when acquiring goods or services.

When the bid process is necessary, three sources must be contacted, providing that adequate sources exist. Departments are welcome to indicate suggested sources if appropriate. Whenever fiscally possible, women and minorities will be given preference.

Prior to the initiation of the bid process, the requesting individual (s) will submit detailed specifications for the desired product or service to the Administrative team. Please remember that the specifications must describe everything used to evaluate the quotations and to communicate compliance requirements with applicable laws.

Bidding Dollar Amount Guidelines

1. Purchases from \$1 - \$9,999

- Bids are not required, but prudent and competitive business practices are encouraged.

2. Purchases from \$10,000 and over

- Bidding will be conducted, at the discretion of the Administrative team, by a written, faxed or a telephone bid. Bids must be obtained from three vendors.

ASSETS

In order to ensure that the assets of the agency are adequately protected and maintained, the Chief Executive Officer, directly or through her/his designee, shall ensure that the following situations and activities occur:

- All capital assets with an economic useful life of greater than one year and costing more than \$2,000 will be capitalized and will be recorded in the fixed asset records. Any asset that does not meet this criterion will be expensed. A capital asset is property, such as land, land improvements, easements, buildings, building improvements, equipment, works of art and furniture and fixtures. Capital assets are acquired or donated for use in normal operations and are not for resale. These assets are subject to depreciation. The straight-line depreciation method (historical cost divided by estimated useful life) will be used. Costs incurred to keep a fixed asset in its normal operating condition that do not extend the original useful life of the asset or increase the asset's future service potential, are not capitalized. These costs are expensed as repairs/maintenance.
- The Agency will carry adequate levels of insurance coverage as dictated by funding sources, and as reasonable to protect Board, staff, volunteers and the agency itself against liability losses.
- Property, plant and equipment will be adequately maintained and protected.

- Actions that would expose the organization to claims of liability will be avoided.
- Intellectual property, information and files will be protected from unauthorized access, tampering, loss or significant damage.
- Investments will occur within the guidelines of the Investment Policy. (See 990 Policies)
- Conflicts of interest will be avoided in all uses of organizational assets.

MAJOR RISK POLICIES:

In order that the organization is suitably prepared to face the following risks, the Board shall promptly meet to take appropriate action in the event of:

- a) Labor disruptions;
- b) The loss of key performance or administrative facilities; and/or
- c) The loss of the Chief Executive Officer.

INDEPENDENT CONTRACTORS AND CONSULTANTS

Any agreements entered into with independent contractors and consultants with Transitions will be agreed to by both parties in written form prior to the beginning of the work and will be in accordance with standard accounting practices.

COMPENSATION - SALARY AND BENEFITS

Please see personnel policies.