

SBWIB, Inc.
SOUTH BAY WORKFORCE INVESTMENT BOARD, INC.

**ACCOUNTING
POLICIES AND PROCEDURES
MANUAL**

July 2018

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Introduction

The purpose of this manual is to describe all accounting policies and procedures currently in use at the South Bay Workforce Investment Board (hereinafter simply the "SBWIB") and to ensure that the financial statements conform to generally accepted accounting principles; assets are safeguarded; guidelines of grantors and donors are complied with; and Fiscal staff are managed with accuracy, efficiency, and transparency; and all aspects of finance are controlled.

Financial controls include reconciliations, division of responsibilities and following the standards of accounting principles, all of which are implemented with view toward compliance reporting and fraud and theft prevention. It is the role of the company to ensure procedures are set up properly to manage that process with minimum to none errors.

All SBWIB, Inc.'s staff with a role in the management of fiscal and accounting operations are expected to use resources prudently in fulfillment of the SBWIB's mission and in compliance with the guidelines presented in this policy.

This manual will be reviewed annually and revised as needed by the designated staff member(s) and approved by the Executive Director/CEO, Finance Manager/CFO and Board of Directors.

Division of Responsibilities

Responsibilities

Internal controls over cash management are needed at all levels of the organization that handle cash and/or cash equivalents, i.e., coupons, credit card slips, etc. Both Program Managers and Financial Managers are accountable for cash under their control.

However, the organization's Finance Manager must provide guidance to all employees who have cash management responsibilities; s/he also bears ultimate responsibility for internal controls over cash collections, disbursements, and holdings, which are accounted for by his/her operations.

Therefore, the organization's Finance Manager should formally delegate responsibilities of cash management to applicable employees to ensure that duties have been distinctively assigned and understood, and so that a level of control may be established and maintained so that duties are appropriately segregated.

Segregation of duties is the means by which no one person has sole control over the lifespan of a transaction. Ideally, no one person should be able to initiate, record, authorize and reconcile a transaction.

Segregation of duties is critical to effective internal control because it reduces the risk of mistakes and inappropriate actions. Adequate segregation of duties reduces the likelihood that errors both intentional and unintentional, will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of the work performed.

The basic idea underlying segregation of duties is that no employee or group should be in a position to both perpetrate and conceal errors or fraud in the normal course of their duties.

In general, the principal incompatible duties to be segregated are:

- Custody of assets
- Authorization or approval of related transactions affecting those assets
- Recording or reporting of related transactions
- Execution of the transaction or transaction activity

A detailed supervisory review of related activities is required as a compensating control activity if these functions cannot be separated in smaller departments.

No one person should:

- Initiate a transaction
- Approve a transaction
- Record a transaction
- Reconcile balances
- Handle assets
- Review Reports

At the most basic level, management should assign responsibilities to ensure a crosscheck of duties. If a single person can carry out and conceal errors and/or irregularities in the course of performing their day-to-day activities, they have generally been assigned or allowed access to incompatible duties or responsibilities.

Note: At least two sets of eyes are required for any transaction!

Chart of Accounts and General Ledger

SBWIB, Inc. has designated a Chart of Accounts specific to its operational needs and the needs of its financial statements. The Chart of Accounts is structured so that financial statements can be shown by natural classification (expense type) as well as by functional classification (program vs. fundraising vs. administration).

Chart of Accounts contains identifiers or account codes necessary to maintain accounting records as required by budgetary statutes and by generally accepted accounting principles. The Finance Manager is responsible for maintaining the Chart of Accounts and revising as necessary.

The Finance Manager is also responsible for ensuring that fiscal staff makes appropriate decisions regarding the use of accounting identifiers in order to ensure accuracy and consistency in expense and financial reporting. If additions or revisions to the "account" identifier are needed to meet external or management reporting needs, such requirements should be communicated to the Finance Manager or designee.

The Chart of Accounts may be referred to as the Allocation of Accounts or is even often referenced as the General Ledger accounts. The General Ledger consists of the Chart of Accounts, individual transactions, account balances, and the financial reports for a given accounting period. In other words, the General Ledger is the repository for all financial records and statements of business for a particular time period.

The General Ledger is so named because it is used as a ledger providing various reports of accounting information. The two most important reports are the Balance Sheet and Income Statement. The Balance Sheet provides a financial picture of the organizations status at a particular point in time by reporting its assets, liabilities, and owner's equity. The Income Statement, or Profit & Loss Report, lists all income and expense account balances and calculates Net Income.

Each account in the General Ledger is classified as one of five account types as mentioned below - provided with a generic description of each account.

- **Assets:** what the company owns of value (e.g. cash, equipment);
- **Liabilities:** what the company owes to others (e.g. loans);
- **Equity:** that portion of the total assets fully owned by organization;
- **Revenue or Income:** money earned or awarded from grantors, sales, donations and/or interest and dividends;
- **Expenses:** money spent in relation to operational maintenance (e.g. utilities, office supplies) and/or services provided according to contractual establishments.

The general ledger is automated and maintained using our accounting software. All input and balancing is the responsibility of the Finance Manager or designee unless duties have been otherwise delegated to other fiscal staff. The Finance Manager or designee should review the general ledger on a periodic basis for any unusual transactions and rectify them accordingly.

Accounts Receivable / Cash Receipts Management

Accounts Receivable – (cash received): All cash received from sales and from all other sources has to be carefully identified and recorded, not only in the cash account but also in the appropriate account for the source of the cash received. The fiscal/accounting department makes sure that the cash is deposited in the appropriate checking accounts of the business and that an adequate amount of coin and currency is kept on hand for AP.

Cash receipts generally arise from:

1. Contracts and Grants
2. Direct donor contributions
3. Fundraising activities
4. Refunds/Reimbursements

The principal steps in the cash receipts process are:

The Receptionist(s) receives incoming mail and separates all fiscal related correspondence and forwards it unopened to the Front Office Manager. The Front Office Manager then filters through all fiscal related correspondence, separating checks/warrants for logging and oversees the distribution of other mail accordingly. The Front Office Manager then records all checks on a cash receipts log, listing the contracts/departments in which the income may be attributed to and forwards the logged checks to the Finance Manager or designee for further processing.

The Finance Manager or designee then enters all checks received into the company's financial system, applying warrants to corresponding invoices and/or depositing monies into the applicable funding accounts. The Finance Manager or designee then stamps all checks with the company's bank account information, makes a copy of all checks and deposits them into the company's bank account(s).

If checks cannot be deposited on the date of receipts then they are to be locked up in the safe/Finance office until such transaction occurs, which should be within three consecutive business days from the time of receipt.

Once the checks have been taken to the bank for depositing, a copy of the deposit slip and deposit receipt should be attached to the check copies and all copies should be filed in the current fiscal year's deposit book/folder for later referencing.

Actual cash received will follow the same procedures as above and also be posted using the appropriate allocation. A receipt will be given to the paying party and a copy kept for internal purposes.

All received cash and/or checks shall be kept in a locked, secure location at all times!

Draw Downs, Wired Transactions or Inter-Account Bank Transfers

SBWIB has established cash process systems for the delivery of funds to cover accounts payable and payroll checks issued on a weekly or biweekly basis. In those instances where checks on hand are not sufficient to meet our funding need, then inter account transfers, wires or cash drawdowns are made on-line from various funding streams to make up the difference.

The Finance Manager or designee monitors the balances in the bank accounts to determine when there is a shortage or excess in the checking account. The Finance Manager or designee recommends when applicable that a drawdown or transfer should be made to cover accounting activity.

Drawdowns

All funds resulting from drawn down activity is requested based upon the amount of current expenditures, in relation to the various grants, at the time or on the day in which AP is processed. Requests to draw down funds from a grantor should be submitted two days prior to the actual date of expectancy to ensure ample time for reimbursement. The drawings of funds are facilitated by the Finance Manager or designee and are requested upon demand, usually on a biweekly basis unless urgent circumstances require otherwise.

All draw down accounting and/or transactions are protected by passwords. Passwords are issued to the grantee, or more specifically to the Finance Manager or designee of the organization in which a grant is being awarded to, upon commencement of the grant. Instructions in relation to drawing down funds are also provided when the grants are awarded. It is the responsibility of the Finance Manager to ensure that applicable staff has the appropriate authorizations to perform the above discussed functions.

Inter-Account Transfers

All funds resulting from account transfers are requested based upon the amount of current expenditures, in relation to the various grants, at the time or on the day in which AP is processed. Transfer of funds from another of the organization's accounts – usually a savings or interest bearing account - should be submitted in advance to allow ample time of transfer in order to meet reimbursement deadlines. The drawing of funds is facilitated by the Finance Manager or designee and is requested upon demand, usually on a weekly/biweekly basis unless urgent circumstances require otherwise.

Accounts Payable / Cash Disbursements, & Expense Allocation Procedures

Accounts Payable – (Cash Disbursements): Checks issued during the course of a year to pay for a wide variety of purchases. The accounting department prepares AP checks for the signatures of the business officers who are authorized to sign checks. The accounting department keeps all the supporting business documents and files to know when the checks should be paid, makes sure that the amount to be paid is correct, and forwards the checks for signature.

The Accounts Payable Department processes payments for invoices and check requests and performs other functions of a similar nature. This section provides guidelines to improve the accountability and safeguarding of the organizations cash disbursement activity.

Invoices for Goods or Services

The Accounts Payable Department pays invoices for goods, supplies or other materials. If payment is required in advance to receiving goods, a follow up should be immediately conducted to determine that such goods are received. When the goods are received, the person that ordered the goods should verify that the goods received were that which was ordered and the invoice amount is correct. The invoice must accompany a request for payment and be submitted to the applicable accounting personnel in a timely manner. The request must be attached to the original invoice and specify the vendor, the date of the invoice, invoice due date, the signature of the requestor, and appropriate account distribution(s).

Invoices for services will be paid after services have been conducted or according to stipulations agreed upon in contractually binding. All contracts require the submission of a completed Form W-9.

Prior to placing an order for goods or services, a "Request to Purchase Form" for any item regardless of its amount, should be submitted to the Finance Manager or designee for prior approval and review of the program budget to insure sufficient funds remains in the budget to cover the purchase expense.

The assigned accountant will then confirm approvals on payment requisition; enter such request into financial system and prepare corresponding check to forward for signatures to, at minimum, two of the authorized check signers (CEO, Finance Manager and/or Principal Accountant). After the check has been signed, it should be mailed to the vendor. The accountant then cancels the invoice by stamping it with "paid" and placing a copy of the issued check to the form and filing it away.

All invoices are to be paid within the lesser of thirty (30) days, the discounted due date or the due date on the invoice, receipt of goods or services, and completion of inspection and approval of the goods or services, or as spelled out in the contractual agreement.

Requests for cash disbursements are submitted to Accounting in four ways:

- Original invoice
- Petty Cash request (submitted on approved form)
- Purchase request (submitted on approved form)
- Employee expense report or reimbursement request (submitted on approved form)

All invoices must have the account code(s) written on them and approved by the Program Manager prior to being submitted to the Fiscal Department.

Every employee reimbursement or purchase request must be documented on the approved form and submitted with appropriate supportive documentation: receipts, nature of business, program allocation, and funding source (if applicable) before approving for reimbursement. See Travel and Expense Section for more expense related processes.

The Finance Manager and/or designee reviews all requests for payment and:

- Verifies expenditure and amount;
- Approves for payment in accordance with budget;
- Provides or verifies appropriate allocation information;
- Provides date of payment, taking into account cash flow projections;
- Submits to the assigned accountant for processing.

Check Processor (accountant) is responsible for the following:

- Immediately enter invoices into the Accounts Payable module;
- Prep checks according to allocation and payment dates;
- Submits checks along with request for payments and attached backup documentation to Executive Director/CEO or designee, and Finance Manager or designee for approval and signatures;
- Mail checks and appropriate backup documentation to vendors;
- File all backup documentation in the appropriate file;
- Reviews or runs an accounts payable aging at the beginning and end of each month to assure timely payment of all invoices.

Other Expense Allocations

Most non-salary expenses that benefit more than one cost center (administration, fundraising, and program) are spread across centers using a shared cost method. Under this method, the numbers of full-time equivalents (FTEs) within a department are divided by the total number of FTEs at the organization to determine the percentage of shared costs they should bear. This is done on a monthly basis by the Finance Manager or designee. Occupancy expenses may be split between departments based on the percentage of square footage that is used by each department.

Use of Inventory Account

Items that are purchased in advance and in bulk, such as bus passes, bus tokens, books, with the intention to be distributed to the participants served under various programs, are to be booked in an Inventory account. At the end of each month the Career Service Coordinators submit to the Fiscal Department the Distribution list/Sign-in Sheet, with the items distributed during the month to the eligible participants. At that time the items used are charged as an expense to the programs where the participants are enrolled, decreasing the inventory account, thru a Journal Entry. The inventory account is reconciled monthly, with a formal reconciliation at year end, to ensure the proper charges of the expenses.

Processing Check Requests

Check requests will be processed only when the request has all proper signature(s) approval; availability of budgeted funds is verified, and the request is completely filled out, including the following:

- Date, name and address of payee
- Dollar amount to be paid

- Explanation of reason for check request
- Appropriate signatures authorizing the check
- Proper account coding for charges

Checks are processed weekly. Completed Invoices submitted to accounting by 5 p.m. on Tuesdays will be processed on Wednesday morning and paid by the following Thursday of a short week and by Friday of a long week. Checks can be prepared manually within one day, but this should be limited to emergency situations.

As stated previously, batch processing begins on Wednesday; however, on occasion(s) there will be a special run processed that is strictly for processing immediately necessary payments such as insurance benefits or payroll.

A designated employee within the Fiscal Department reviews the list of invoices to be paid against the actual invoices and verifies the vendor name, invoice number, description, expenditure account number, and total dollar amount. Should corrections or additions to the invoices be required it is done during this stage.

Once all additions and corrections have been made, a final "list to be paid" should be printed for a final verification. If there appears to be no errors, checks and reports are ready to be printed. If errors are found they should be corrected and the list should be printed and reviewed again.

Check Printing and Signing

Two people are required to print checks: usually the check processor and another senior fiscal staff member. Once checks are printed, the original checks should be submitted to the applicable personnel for signing. All checks with an amount no greater than \$4,999.99 require a minimum of one signature before distributing. Checks in the amount of \$5,000 or more requires two signatures. However, any checks issued in relation to the CDBG projects that exceed \$500 will require two signatures. Please refer to the organization's *Signature Approval List* for current signers.

Once checks have been signed, two copies of the check should be made: one copy for the check processor to be filed and one copy to be included with the invoice.

Originals invoices should always remain in the Fiscal Department to be filled with a copy of the warrant.

Remittance copies or copies of invoices, along with checks should then be mailed out to all payees.

AR / AP Internal Control Standards

Proper internal control mechanisms provide management with a reasonable assurance that intended safeguards are being practiced consistently. Therefore, the integrity of any cash management activity depends on the application of internal control principles and standards. The attainment of these principles and standards in the cash management area can be achieved by pursuing the following guidelines:

- Cash related transactions shall occur only after the approval of an individual with delegated authority to make approvals.
- Cash related transactions shall be fully documented so that an undisputable audit trail exists.
- Cash related transactions shall be recorded promptly during each step of the cash handling function.
- Documents used in cash related transactions shall be safeguarded against re-use, tampering, or unauthorized disposal.
- Provisions shall be made for the regular review and comparison of transaction documentation to detect errors and duplicate payments.
- The approval of adjustments to cash related transactions shall be administratively controlled.
- Supervision of cash management activities shall be strictly and continually administered.
- Cash related duties, such as maintenance of accounts receivable, cashiering, accounting, disbursing, and collecting funds shall be segregated.
- Cash related accounts shall be frequently reviewed and reconciled with subsidiary records.
- The accessibility to funds and fund records shall be restricted and administratively controlled.
- Electronic funds transfer and direct deposit shall be used where feasible and advantageous.
- Cash transactions shall not be used to substitute, or circumvent, prescribed procurement approvals and procedures.
- Checks received in collections shall be endorsed upon receipt and collections shall be safeguarded until deposit is accomplished.
- Prompt responses shall be made to review cash management activities to ensure the correction of cited deficiencies.
- Cash disbursement transactions shall be processed promptly, and cash shall be reconciled no less than once a week.

Other Internal Controls:

- Most payments and services are paid by check unless submitted via petty cash or credit card request form (also see petty cash and/or credit card policies).
- Checks should be pre-numbered, controlled and locked up at all times.
- Check signers include: Executive Director/CEO, Finance Manager and Principal Accountant.
- Signature stamps are not allowed on checks and pre-signed blank checks are disallowed.
- Checks presented for signing must be attached to original invoice, purchase order and check request form.
- No checks may be issued without an invoice or original receipts. If invoice is lost the unit that placed the original order must request a duplicate invoice for processing.
- Manual/cashier's checks should only be permitted in urgent and rare circumstances. Request for such checks should be submitted in a timely fashion and should coincide with the stated "payables" schedule and procedures, using a requisition form.

Credit Cards

Use of the organization's Bank/Credit Card is allowable for purchases when economically feasible – in lieu of cash or check – whenever possible. The use of a credit card may help to reduce the cost of collection activity and to meet the urgency of a deadline.

All credit card transactions must first be approved by submitting a *Request For Approval* or *Credit Card Authorization* document to both the Finance Manager or designee and the Executive Director/CEO or designee. Once the documentation has acquired signatures from both authorities, use of the credit card may be granted.

Unauthorized use of the credit card includes:

- personal expenditures of any kind;
- expenditures which have not been properly authorized;
- meals, entertainment, gifts, or other expenditures, which are prohibited by budgets, laws, and regulations, and the entities from which SBWIB, Inc. receives funds.

The Executive Director/CEO will assign an employee to handle all credit card purchases based on the above procedures. Once purchases have been made, the receipts for all credit card charges and copies of the credit invoices or summaries should be given to the Finance Manager or designee within three (3) weeks of the purchase along with all authorizing and other documentation supportive to the purpose of the request.

The Finance Manager or designee will verify all credit card charges with the monthly statements. A record of all charges will be given to the assigned accountant or bookkeeper with applicable allocation information for posting.

A copy of all charges will be attached to the monthly credit card statement when submitted to the Executive Director/CEO for further approval and signing and then filed according to the established accounting file systems.

Petty Cash Fund

Petty cash funds are maintained by the organization and such funds are to be used for miscellaneous or unexpected purchases when payment by check is impracticable. It is intended that these procedures communicate guidance, security measures and responsibilities. Petty cash funds shall remain locked in the company's safe at all times. Entry into the safe will be restricted to two staff members for each transaction: the Petty Cash Custodian and a Senior Fiscal Staff member - by access of a key and a code - separately assigned.

Petty cash funds are to be carefully managed, and may not be used to circumvent procurement systems, travel policies, or other procedural restrictions. All expenditures from petty cash are charged to the department's budget, and must not cause that budget's capacity to be exceeded.

The Fiscal department is entrusted with the custody and safekeeping of the funds and the responsibility of disbursing funds in accordance with this policy. Any problems or special situations regarding the safekeeping of funds, their distribution, or the enforcement of this policy, shall immediately be brought to the attention of the Finance Manager and CEO or designee.

The below guidelines are enforced to encourage an effective administration and internal control of the petty cash fund.

Fiscal and Custodian Guidelines

1. The petty cash fund will not exceed \$2000 and will be kept in a locked safe at all times. Entry into the safe will require the presence of staff members at all times: the Petty Cash Custodian and a Senior Fiscal Staff member by access of a key and a code - separately assigned to the applicable staff member.
2. The Finance Manager will designate a petty cash custodian from the Senior Fiscal staff members. The Petty Cash Custodian is entrusted with the custody and safekeeping of the funds and the responsibility of disbursing funds in accordance with this policy. Any problems or special situations regarding the safekeeping of funds, their distribution, or the enforcement of this policy, should be brought to the attention of the Finance Manager, CEO or designee.
3. The Finance Manager will also designate a Petty Cash Code and/or Key holder from the Senior Fiscal staff members in which entry into the petty cash safe will require both the presence of a code and/or key holder and a Custodian.
4. All money taken and/or returned to the petty cash fund or money periodically counted for verification and reconciliation purposes will be the responsibility of the assigned Custodian. However and as previously stated, all transactions should occur in the presence of another senior fiscal staff member.
5. The Petty Cash custodian is responsible for counting the petty cash fund monthly or no less than on a quarterly basis to ensure that the fund has the correct total of petty cash and reimbursement vouchers. A record of these counts is to be reviewed and approved by the Finance Manager or Executive Director / CEO or designees.
6. Since the Petty Cash Fund is always subject to audit, the assigned Custodian must ensure that the fund be "whole" at all times; i.e., the fund custodian must always have "in hand" a sum of cash and receipts equal to the original advance.

7. The custodian responsible for the petty cash fund must keep a log of each transaction with paid receipts and documentation describing the goods or service purchased.
8. Under no circumstances may un-deposited receipts be used as a petty cash fund, nor may petty cash funds be commingled with other funds. Petty cash funds may not be used to cash checks, personal loans or salary advances.
9. Reimbursement for petty cash expenditures must be in the exact amount of the expense(s), and must be documented by original detailed receipts. If an unallowable purchase is made through a petty cash fund, the custodian will be held personally responsible for reimbursing the request.
10. Splitting a transaction which exceeds petty cash limits into two or more smaller transactions is not allowed. Each transaction must not exceed the maximum allowance of \$100.
11. Custodians may provide a cash advance to an employee who is going to make a purchase up to two days in advance of the anticipated purchase with preapproval from the Executive Director / CEO. The fund custodian is responsible for the return of the funds or an appropriate receipt and supportive documentation for the purchase.
12. All petty cash requests shall be submitted on a Petty Cash Request Form. Custodian will not reimburse any request without proper documentation and approval(s). Each petty cash request must have documented: the date of the transaction, the exact amount expended, a brief description of the expenditure - including its company-related purpose, supporting documentation (i.e., agendas, meeting invites, etc.) and the account number/name in which the expense(s) should be booked.
13. Custodian should confirm that all reimbursed request vouchers reflect a minimum of four signatures:
 - a. The signature of the Custodian (the disperser);
 - b. The signature of a second Fiscal staff member (the witness);
 - c. The signature of the employee once s/he receives the reimbursement (the requestor and receiver);
 - d. The CEO or designee (the Approver).
14. The Custodian shall then record the reimbursement information into the company's financial system for later reconciling and replenishing. The fund shall be replenished when necessary.
15. Annually, the petty cash custodian and Fiscal Manager and/or designee, shall review each petty cash fund under their control and verify the following:
 - a. The fund is still needed for the amount authorized;
 - b. The sum of cash on hand and receipts for unreimbursed expenditures is equal to the amount which has been authorized;
 - c. The funds are secured and NOT deposited in a separate bank account;
 - d. The custodian is still the custodian of record and no change is necessary;
 - e. This petty cash policy and supplemental guidelines have been reviewed and the fund is being used in accordance with this policy and that all records kept provide clear documentation of petty cash expenses.
16. In the event of theft or unexplained disappearance of all or part of the fund, the Finance Manager should be notified immediately. Once the situation has been confirmed by the Finance Manager, the CEO should then be notified and new security measures be implemented.

Petty Cash Request Processing Guidelines

1. Petty Cash fund may be used for minor expenses that generally require immediate handling, or where the use of the normal purchasing or accounts payable processes is impractical. Examples of appropriate uses include the purchase of stamps, the payment of express delivery charges, and the payment of incidental employee reimbursements.
2. Petty cash requests shall not exceed \$100 and must have documented: the date of the transaction, the exact amount expended, a brief description of the expenditure including its company-related purpose, supporting documentation (i.e., agendas, meeting invites, etc.), the program account in which the expense will be charged, and should always be initialed by employee's Supervisor and/or Program Manager.
3. All request forms should be completed in pen with the exception of a cash advance. When requesting cash advances, all information shall be completed in pen except for the amount, which should be completed in pencil until the original receipt has been received.
4. All disbursements must be supported by an approved Petty Cash Request Form (or requisition for amounts over \$100), an official petty cash receipt and original supporting documentation of the expenditure. When food is purchased for a meeting, the purpose of the meeting should be "*meeting purchase*" and such request should be accompanied by copies of attendee sign-in sheets, copies of agendas and any other supporting documentation.
5. Requests for petty cash funds/reimbursements shall be submitted on the appropriate Petty Cash Request form to the Administrative Front Office Manager or designee for the purpose of acquiring approval from Executive Director or CEO. Note that requests may be subject to disapproval so employees should follow policies and procedures when purchasing items that require reimbursement and always seek at minimum a verbal pre-approval before purchasing items requiring reimbursement. You may contact the front office or the fiscal department for petty cash forms.
6. Once the request is approved, the request voucher will be forwarded to the Fiscal Department for further processing. The assigned custodian(s) will then confirm authenticity of request, approvals and documentation and proceed accordingly.
7. The petty cash requestor will be contacted by the Petty Cash Custodian to pick up the reimbursement once it has been processed. Upon reimbursement the employee will be required to sign the request form before receiving funds. It is the employee's responsibility to count and confirm that the reimbursed amount is equivalent to the request and has been received before he/she provides a signature and before leaving the Fiscal Department.
8. All petty cash request should be forwarded to the Fiscal Department within 30-days of the expense occurrence.

Prohibited Uses (Petty Cash)

1. Petty cash funds may not be deposited into personal bank accounts;
2. Petty cash funds must not be commingled with other monies, such as personal funds of employees;
3. Purchases of goods and services for more than \$100 should not be made with petty cash.
4. Petty cash funds may not be expended for:
 - a) Employment salary and travel expenses or similar payments to individuals;
 - b) Payment of personal checks or IOU's;
 - c) Payroll advances, travel advances, and loans to employees;
 - d) Cashing checks for employees or other individuals;
 - e) Reimbursement for entertainment expenses.

Travel and Business Expense Reimbursement Guidelines

The purpose of these guidelines are to establish procedures in the approval of travel, meals and other business related expenses eligible for reimbursement by the South Bay Workforce Investment Board, Inc., (SBWIB, Inc.). These guidelines are designed to ensure consistency in reimbursing employees for reasonable and necessary travel expenses, provided advance approval is obtained in accordance with this procedure.

Travelers will be reimbursed only for expenses deemed to be in the best interest of the SBWIB. This policy applies to all travel regardless of the source of the funds.

The SBWIB, Inc. established the following Travel Policy:

Travel Expenses for Non-Employees

Travel expense reimbursement for individuals other than SBWIB employees, such as board members, guest speakers and consultants are subject to this policy.

Local and Extended Travel

Local travel shall include any trip within the Los Angeles, Orange, Ventura, Riverside or San Bernardino counties (which does not require an overnight stay.) Generally, no lodging expense or advance travel will be paid. Mileage will be reimbursed in accordance to the annual Internal Revenue Service's standard mileage reimbursement rate. Other expenses such as reasonable meal costs and/or parking may also be submitted for reimbursement.

Extended travel shall include any trip, conference or meeting which required the presence of an employee for more than one day and requires air, automobile or rail travel. Travel can be authorized to be paid for meetings of one day or less requiring air travel but no overnight stay. Lodging expenses shall be reimbursed for extended travel. Lodging cost will not be paid if the location of the conference or training program and the schedule of meeting permit travel home each night within a reasonable time. A determination concerning this allowance should be sought from the CEO/Executive Director by the employee prior to incurring any expense.

Travel Time

Authorized travel time shall be based on time required by the most appropriate mode of transportation. Should an employee desire travel time in excess of the above, such time shall be considered and accounted for as vacation or compensatory time off.

Approval Procedures

To be eligible for reimbursement, all travel must be requested and approved in advance. Extended travel should be programmatically approved by departmental Manager as well as fiscally approved by Finance Manager or designee and by the SBWIB, Inc. Chief Executive Officer. The travel normally should be made no less than two weeks in advance to allow for approval and processing. Generally, airfare and other transportation costs are much lower if reservations are made at least two or more weeks in advance. A travel and expense report should be filed soon as possible after the travel is completed. It is the responsibility of

the individual filing the travel and expense report to assure the accuracy of the report, the appropriateness of the expenses, and compliance with all aspects of this policy. **Guideline for Reimbursable Expenses**

Relationship to Assignment

To qualify for approval, travel must bear a reasonable relationship to the employee's job responsibilities. Examples of appropriate travel include, but are not limited to:

- Participation in local, State and Department of Labor (DOL) activities, professional conference, seminars or other job training programs relevant to the employee's assignment.
- Official representation of the organization at meetings or events. The City will not pay for expenses incurred in the performance of any legal representation, whether compensated or uncompensated, for any other institution, organization, firm, agency or individual.

Eligibility of Employees on Leave

Normally, employees are not eligible for expense reimbursement while on unpaid leave of absence from the organization, unless the employee is requested to represent the organization at a professional meeting, event or other activity.

Transportation

The payment of travel expenses for domestic and international travel will be based upon the following considerations:

- The mode of travel should be the most economical means reasonably possible. However, if time and convenience of the traveler and time away from the organization cause a traveler to select a mode of travel other than the most economical, those factors will be considered in the computation of reimbursement.
- Reimbursement for air, rail, automobile rental car and taxicabs must be evidenced by original receipts issued by the carrier.

Automobile:

- For approved travel, use of the traveler's automobile will be reimbursed per mile in accordance to the currently approved Internal Revenue Service's standard mileage rate.
- Parking cost, bridge tolls and turnpike tolls will be reimbursed if properly substantiated by receipts.
- Privately owned vehicle usage makes adequate primary liability insurance for bodily injury and property damage the responsibility of the vehicle owner because the company cannot provide primary coverage.

Automated Rental:

Rental of an automobile is permitted when necessary for an employee traveling on behalf of the SBWIB. Such rental of an automobile will be allowed and reimbursed on the following basis:

- A traveler is expected to rent a mid-size or smaller vehicle unless a larger car is necessitated by the number of bags and /or travelers in the group.
- Gasoline charges on a rental car will be reimbursed with submission of an original receipt and the rental agreement.

- Reimbursement for rental cars will be made promptly upon submission of a Travel Expense Report for the trip, documented by an original rental agreement. Credit cards receipts are not sufficient for reimbursement.

Airlines:

Traveling by air is limited to tourist/coach class. The SBWIB will not pay for first-class or business class fares unless the SBWIB requires the employee to make an unscheduled trip on an emergency basis and no tourist/coach class tickets are available. Only the customer's airline ticket (or electronic ticket receipt) serves as a receipt for air travel, not itinerary.

Rail:

Rail travel should be by coach class, unless overnight travel is involved. Only the customer's rail ticket serves as receipt.

Taxicab/Airport Shuttles:

Taxicabs or airport shuttle travel, where appropriate, will be reimbursed if properly substantiated by the original receipt. Air shuttles or buses should be used whenever possible if less expensive than taxis.

Lodging

Travelers are expected to utilize economical accommodations, including but not limited to the following:

- Reimbursement for lodging may not exceed the normal rate for a standard room. If an individual is attending a convention or conference, use of the convention or conference hotel is appropriate, but not required.
- Traveler should request the lower corporate or education institution rate where available.
- Reimbursement request must be documented by an original itemized hotel bill and receipt, and is limited to room and tax (if required).
- Business phone calls and one personal phone call home (of reasonable duration), per day, if away overnight.
- The sales tax exemption should be requested if applicable.

Meals

Meals purchased at a reasonable cost during business related travel will be reimbursed. Tips/gratuities may be reimbursed within the custom and ordinary percentage applicable to the time of the purchase not to exceed a maximum of 20%. Amounts over 20% will not be reimbursed.

Non-reimbursable Travel or Business Related Expenses

All requests are subject to being denied if the expenses are deemed unnecessary and/or unrelated to the purpose of the travel. The below non-reimbursable items are not to be considered all-inclusive, and a rule of reasonableness may be applied by the Executive Director/CEO.

Examples include but are not limited to:

- motel/hotel video rental;
- one employee buying another lunch (unless SBWIB business is being conducted during the lunch);
- a department taking employees to lunch unless attendance or participation of meeting or event is required by company;
- office parties;
- Fines for parking or traffic violations;
- Repair or insurance of personal automobiles;
- Theft loss and damage of personal luggage and effects;
- Membership dues in private or social clubs and organizations not related to the organization;
- Personal expense, e.g., barber, laundry, entertainment and phone calls; (cell phone cost may be reimbursed if employee is required to use personal cell to make work related calls, especially while away on a business related trip. If an individual is away overnight, one personal phone call home per day from the hotel, of reasonable duration, will be reimbursed. If the individual is away for more than five days, laundry will be reimbursed.);
- Passenger insurance, e.g., flight insurance;
- Alcohol beverages purchased for any purpose, including travel, will not be reimbursed;
- Entertainment expenses in which an employee is involved that is not otherwise justified as a necessary travel and/or meeting expense(s) will not be reimbursed.

Receipts

All claims for reimbursement of the expense items listed below must be documented by the original receipted bill or by a vendor-certified copy of the receipted bill. Photo copies, credit card receipts, or facsimile copies are accepted only in unusual circumstances. Transportation by airline, railroad, rental automobile, taxi, airport shuttle; parking and tolls; accommodations for hotel or motel; registrations; attached official printed receipt, or canceled check and copy of literature itemizing fees.); supplies and miscellaneous expenses (e.g., a long distance telephone charge which did not originate from a SBWIB telephone);

Submission of Travel/Expense Report

Employees must sign and submit their Travel Expense Report to the appropriate person no later than 30 days after the end of the individual trips. Employees risk the chance of not being reimbursed when submitting late reports.

Property and Equipment

Purpose:

The basic goal and objective of these guidelines are to define and describe a set of standard procedures and policies necessary to record and control the changes in the fixed asset system in accordance with generally accepted accounting principles.

To this end, we will attempt to outline those policies and procedures as they have been formulated to date. These records are necessary to:

- ensure that the asset is adequately protected from loss, theft, etc.;
- provide necessary documentation for the effective use, maintenance, management and reporting of the asset; and
- appropriately dispose of equipment and/or property,
- provide necessary documentation for insurance purposes.

Definitions:

- *Equipment* is tangible, nonexpendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit, including all costs related to the property's final intended use.
- *Procurement* includes all stages of the process of acquiring property or services, beginning with the process for determining and a need for property or services and ending with contract completion and closeout.
- *Information Technology* is computer hardware and software.
- *Property* is durable goods, equipment, buildings, installations, and land.
- *Intangible Property* is recognized protectable rights and interest such as: patents, copyrights, trademarks, service marks, etc.
- *Depreciation* is the process of allocating the cost of an asset over a period of time.
- *Capital Assets* are assets that are not available or cannot be made available to fund current operations.
- *Capital Expenditures* are expenditures for land or building improvements as well as building and equipment repairs or maintenance expenditures that increase the value of a capital asset or materially increase its estimated value of useful life are identified as capital expenditures in Federal regulations.
- *Capital expenditures for equipment* also mean the net invoice price of the equipment including cost of any modifications, attachments, accessories or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.

- *Computer Software* is considered to be non-expendable personal property.
- *Intellectual Property* is recognized protected rights and interest such as: patents, copyrights, trademarks, service marks, etc. - referred to as intangible property.
- *Supplies* are all tangible personal property other than equipment.

Types of Property			
Real	Personal		Personal
	Tangible		Intangible
Land, including land improvements, structures, and property incident to the principal property (appurtenances) thereto, but excluding moveable machinery and equipment (not generally allowable under the WIA program)	Nonexpendable (Equipment) Useful life of more than one year and a unit acquisition cost of \$5,000 or more.	Expendable (Supplies) Everything else.	Without physical existence: patents, trademarks, or copyrights that are produced or acquired under the agreement.

Purchase Considerations

In order to satisfy federal and state procurement requirements the following considerations must be made prior to requesting approval to charge funds for the purchase of property with a per unit cost of \$5,000 or more.

- Is this purchase necessary and reasonable?
- Why is the purchase needed?
- Have the best products been selected?
- What procurement method will be used?
- Was a lease option considered in lieu of the purchase?
- What other costs are associated with the purchase?
- Is there a cost sharing agreement if multiple partners will share the cost of the purchase?

Purchase Procedures

A. Prior Approval Process:

To charge fund accounts for any property purchase (including software purchases) with a per unit acquisition cost of \$5,000 or more, the following steps will occur:

- a) A "Request for Purchase" must be completed by the Procurement Manager and submitted to the CFO or designee for approval of funds.
- b) The form must then be submitted to the CEO who will then review the form and either approve or disapprove the request in which it will then be returned to the Procurement Manager for further processing.

B. Budget Plans:

An entity may occasionally submit budget plans that include an equipment request. The approval of the budget plan DOES NOT constitute approval of the equipment request. A separate request to purchase equipment must be submitted for approval at time of purchase.

C. Cost Sharing Information:

When an entity plans to enter into a "cost sharing" agreement for the purchase of property with a per unit purchase price of \$5,000 or more, prior approval must be obtained.

D. Leasing Considerations:

The decision to lease or buy personal property must be governed by considerations of economy. Consideration may differ by property type and according to market conditions. The length of the contract period of the lease should also be considered. Leasing with an option to purchase is generally preferable to straight leasing. However, administrative requirements may prohibit the purchasing of real property and contracts should be reviewed thoroughly for purchasing guidelines before requests are submitted.

E. Equipment Inventory

All SBWIB offices and offices under the Administration of the SBWIB should maintain accurate records of inventory for all supplies with a unit acquisition cost of \$300 or more which includes, but is not limited to, facilities or conference room furniture and/or supplies, chairs, fax machines, printers and computers.

The following procedures shall be enforced:

1. All equipment, both donated and/or purchased, should be inventoried immediately upon arrival.
2. All equipment should have a unique identification mark or sticker to be referenced for inventory purposes.
3. A physical property inventory must be taken and reconciled with the property records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the purchase records shall be investigated to determine the causes of the difference.
4. The Procurement Manager must be certain to log and verify the physical existence, current utilization, and continued need for the equipment. The log will be reviewed and filed by the Finance Manager / CEO or designee. An updated version should be requested upon knowledge of new purchases and purchases shall not be made without first receiving approval from the Finance Manager (approving funds) and CEO or designee's.
5. Equipment logs shall include, at minimum, the following information:
 - a) A description of the equipment;
 - b) Manufacturer's serial number, model number, Federal Stock number, national stock number, or other identification number;
 - c) Source in which the equipment was purchased or acquired;
 - d) Acquisition date (or date received, if the equipment was furnished by the federal government);

- e) Per unit cost at acquisition and assigned funding accounts;
 - f) Records showing maintenance procedures to keep the equipment in good operating order;
 - g) Location and condition of the equipment and the date the information was reported;
 - h) Disposition date, sale price or the method used to determine current fair market value at the time of inventory;
6. The Finance Manager shall be informed in writing of any change in status, position or condition of any property or equipment.
 7. A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.
 8. Adequate maintenance procedures shall be implemented to keep the equipment in good condition.
 9. For purposes of checks and balances, no employee within the Fiscal Department will be allowed to conduct inventories if they were involved in the payment processing or approval of any equipment purchases. However, all inventory logs should be submitted and further reconciled by a staff member of the Fiscal Department, using the equipment and financial records.
 10. Depreciation is recorded at least annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

F. Property Records Retention:

All property records must be maintained from date of acquisition through final disposition. Records must also be maintained for a period of three years from the date of the final disposition.

G. Report of Lost, Stolen or Damaged, Non-Expendable Personal Property

Should any non-expendable personal property with an acquisition cost of \$300 or more purchased with SBWIB funds or acquired by donation be lost under any circumstances, stolen or damaged, the SBWIB Report of Lost, Stolen or Damaged Non-Expendable Property Form shall be completed and appropriate police reports shall be filed within five days of the incident. Any other expendable supplies such as computer, printers or fax machines should also be reported to the appropriate local police authorities and the mention form submitted to the SBWIB.

H. Maintenance of Equipment

All SBWIB computer type equipment will be maintained by the Information Technology Unit of the SBWIB to ensure the equipment is maintained in good working condition or replaced as needed. Vehicle maintenance for the SBWIB's passenger van which includes tune-ups, oil change and other necessary maintenance as needed may be acquired at any local business providing such services after acquiring 3 quotes.

I. Disposition of Equipment

If the recipient has no further use of the equipment and wishes to dispose of it (other than selling the equipment), that person must request a disposition process be completed by the Procurement Manager. Disposal of property should be based on fair market values; however, guidelines may vary based on source of program funds in which the equipment was purchased. A disposition record must be kept for all transactions.

Proper Utilization

The SBWIB is responsible for the proper utilization of all property. Property must be used for grant-funded purposes in the program for which it was acquired when charged to a specific funding source. When the program or project for which the property was purchased no longer exists, or the property is being used for non-grant purposes, the agency must notify the SBWIB Procurement and Contracts Unit and request disposition instructions.

Contracts

Contracts for purchasing products or services, similar to a purchase order, should be created and maintained for the file whenever appropriate. All contracts in any amount must first be approved by the CEO and Finance Manager or designees.

Property and Equipment Procedure Summary

1. A fixed asset Log is maintained by the Procurement Manager including date of purchase, asset description, purchase/donation information, cost/fair market value, donor/funding source, identification number, life of asset.
2. The Log will be reviewed and filed by the Finance Manager / CEO or designee. An updated version should be requested upon knowledge of new purchases and no purchases should be made without the Finance Manager / CFO or designee's knowledge and approval.
3. A physical inspection and inventory will be taken of all fixed assets and reconciled to the purchase records, general ledger balances and previous logs every two years, at minimum.
4. The Finance Manager shall be informed in writing of any change in status, position or condition of any property or equipment.
5. Depreciation is recorded at least annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

Note: Depreciation Rate is the percentage in which the asset is depreciated every period. The rate is determined by dividing the original cost by the asset life. However, there are several methods to figure depreciation and the Finance and Procurement Managers shall agree on the determination and application of depreciation.

Accruals

To ensure a timely close of the General Ledger, it may be necessary to book accrual entries. Some accruals will be made as recurring entries.

Accrual Accounting is the matching of revenue and expense. The revenue/expense should be recorded in the period that the event happened and the revenue and expense that are correlated to each other should be recorded within the same period. If there is not any revenue generated by the expense then the expense should be recorded when it occurs not when the cash is paid. In short, accrued expenses are used to increase the accuracy of the financial statements, so that expenses are more closely aligned with those revenues with which they are associated. The vast majority of accruals are usually for expenses but there are occasions where revenue may require accruing all the same. Examples of both are shown below:

Examples of Accrued Revenue:

Examples of expenses that are commonly accrued include:

- Interest on loans, for which no lender invoice has yet been received
- Goods received and consumed or sold, for which no supplier invoice has yet been received
- Services received, for which no supplier invoice has yet been received
- Taxes incurred, for which no invoice from a government entity has yet been received
- Wages incurred, for which payment to employees has not yet been made

Examples of Accrued Expense Journal Entries

- Office supplies received and there is no supplier invoice as of month-end: Debit to office supplies expense, credit to accrued expenses.
- Employee hours worked but not paid as of month-end: Debit to wages expense, credit to accrued expenses.
- Benefit liability incurred and there is no supplier invoice as of month-end: Debit to employee benefits expense, credit to accrued expenses.
- Income taxes are accrued based on income earned. Debit to income tax expense, credit to accrued expenses.
- The first three entries should reverse in the following month. Income taxes are typically retained as accrued expenses until paid.

You should record an accrued expense when you have incurred the expense but have not yet recorded a supplier invoice (probably because you have not yet received the invoice).

What is a reversing entry?

A reversing entry is a journal entry made at the beginning of an accounting period, which reverses selected entries made in the immediately preceding accounting period. A reversing entry is typically used in situations when either revenue or expenses were accrued in the preceding period, and you do not want the accruals to remain in the accounting system for another period. If you were to forget to make a reversing entry, this means that the accounting records would already show an initial amount of revenue/expense that was recorded and then will subsequently show an additional – most times identical – amount of expenses/revenue, thereby, being overstated. The key to resolving problems exemplified by this situation is to regularly examine the contents of the organization's liability and asset accounts.

Bank Account Reconciliations

Bank reconciliation is the process of matching the balances in an entity's accounting records for a cash account to the corresponding information on a bank statement, with the goal of ascertaining the differences between the two and booking changes to the accounting records as appropriate. The information on the bank statement is the bank's record of all transactions impacting the entity's bank account during the past month. Bank reconciliations for all bank accounts should be completed within thirty (30) days after the last day of the month and no later than sixty (60) days to ensure that cash records are correct.

Bank Reconciliations consists of the following:

Compare Balances

When reconciling a bank statement, the ending bank balance is compared to the actual account balance kept on record. These two amounts rarely are the same because of outstanding checks, deposits and other outstanding items. The process of reconciling a bank statement is to compare these two amounts and calculate where the difference is and why. Any items that have not cleared the bank are added or subtracted to the ending bank account balance. This process balances the checkbook. Reconciling a bank statement also consists of verifying the accuracy of all transactions made in the account.

Verify all Credits

All deposits and other credits, including electronic deposits, made to the account must be checked. This procedure consists of looking at the bank statement and the checkbook. All deposits and credits made are check marked off to verify the accuracy of them. After the list is complete, there may be items in the actual checkbook that are not checked off. When a bank statement is generated, it's possible that deposits and other credits were made to the account after the statement date. If this is the case, these deposits will not be checked off and the amounts are added to the ending bank account balance.

Verify all Debits

Reconciling a bank statement also consists of verifying all debits made to the account. Debits include things such as checks, debit transactions and charges to the account. The bank statement is compared to the actual checkbook and each item is check marked off as it is verified. Any remaining items in the check book that are not marked off are deducted from the ending bank statement balance. Any items on the bank statement that are not in the checkbook are recorded in the checkbook and subtracted out. Typically banks charge a monthly service fee for the account. This is generally one item that must be recorded in the checkbook and subtracted out.

Other Reconciling Steps

Once the month-end bank statement arrives, reconcile the general ledger to the bank balance with the following steps:

- a) Go to the accounting computer system and access the bank reconciliation module;
- b) Check off all issued checks listed in the bank reconciliation module that are listed as having cleared the bank on the bank statement. If any check amounts listed by the bank differ from the amounts listed in the module, make a journal entry to correct to the bank balance.

- c) Check off all deposits listed in the bank reconciliation module that are listed as having been received by the bank on the bank statement. If any deposit amounts listed by the bank differ from the amounts listed in the module, make a journal entry to correct to the bank balance.
- d) Make a separate journal entry for each special expense or revenue item on the bank statement, such as a monthly account processing fee.
- e) Record in the accounting system any manual checks not previously recorded, but which are listed on the bank statement as having cleared the bank.
- f) If all items reconcile and the bank statement still does not match, then the only remaining possible solution is that the beginning bank reconciliation was incorrect.
- g) Verify that voided checks, if returned, are appropriately defaced and filed.
- h) Investigate any checks that are outstanding over six months.
- i) When the reconciliation is complete, print the Bank Reconciliation, attach the applicable bank statement, along with all corresponding documentation and submit it to the Finance Manager for review and signature.
- j) Once the reconciliation has been approved and signed, store it with the bank statement in a bank statement file for the current year, sorted by month.
- k) All reconciliations must be completed within 30 days and no later than 60 days or within timeframes specified by applicable funders.
- l) All bank reconciliations must reflect signatures and dates in which it was completed (by the preparer) and signatures and dates when the final approval was provided (by the reviewer/approver).

Key Bank Reconciliation Terminologies and procedures

- **Deposit in transit.** Cash and/or checks that have been received and recorded by an entity, but which have not yet been recorded in the records of the bank where the entity deposits the funds. If this occurs at month-end, the deposit will not appear in the bank statement, and so becomes a reconciling item in the bank reconciliation. A deposit in transit occurs when a deposit arrives at the bank too late for it to be recorded that day, or if the entity mails the deposit to the bank (in which case a mail float of several days can cause a delay), or the entity has not yet sent the deposit to the bank at all.
- **Outstanding check.** A check payment that has been recorded by the issuing entity, but which has not yet cleared its bank account as a deduction from cash. If it has not yet cleared the bank by the end of the month, it does not appear on the month-end bank statement, and so is a reconciling item in the month-end bank reconciliation. All checks still outstanding after six months should be voided.
- **NSF check.** A check that was not honored by the bank of the entity issuing the check, on the grounds that the entity's bank account does not contain sufficient funds. NSF is an acronym for "non-sufficient funds." The entity attempting to cash an NSF check may be charged a processing fee by its bank. The entity issuing an NSF check will certainly be charged a fee by its bank.
- **NUFPI check.** A check issued but not cashed at the organization's control (e.g. check issued in error). NSF is an acronym for "not used for purposes intended."

Financial Reports

Financial Reporting: Financial reports are generated by the Accounting / Fiscal department for the purpose of tracking expenses, budgeting, forecasting, etc.

The Finance Manager or designee(s) will prepare the monthly and annual financial reports for distribution to the CEO, for meeting distribution and/or for filing and later referencing.

These reports may include: balance sheet, statement of income and expenses, budget versus actual report for each program which has an established budget, a budget versus actual report for the organization, accounts receivable aging, accounts payable register and aging, cash flow projection, and any other requested reports.

Periodic and annual financial reports will also be submitted to the Fiscal Committee and Board of Directors for review and approval. However, all reports must first be approved by the Finance Manager and CEO before distributing.

Grant Compliance

When a new grant is received or renewed, a copy of the executed grant must be forwarded to the Finance Manager. The Finance Manager or designee should set up a permanent file for the grant and maintain the contract along with any other financial correspondence regarding the grant. It is the responsibility of the Finance Manager to review the grant contract and extract any fiscal items which must be complied with by the SBWIB.

It is the policy of SBWIB to adhere to any restrictions imposed by its funders, governmental, federal and/or private. Therefore, SBWIB employees are expected to bring to the attention of management, any instances of non-compliance.

Close-Out Procedures

One of the many important phases following the end of a grant or contract performance year is the close-out stage. The close-out stage is the final process of a funded project that may include the closing out of contracts, grants, and cooperative agreements and also subcontracts. Once the award is physically complete, e.g., the period of performance has expired, the “clock begins ticking” for submission by the awardee of final deliverables mentioned above.

Staff should anticipate the completion of the close-out process whether communication or instructions have been provided or not. However, if no procedures have been provided then the staff should make contact with the contractors in which they have been assigned and confirm if/what the close-out procedures are.

Close-out procedures provided within this policy are not an all-inclusive guide for closing out contracts and should be used in conjunction with regulations put in place by the Funders.

There are some basic assumptions necessary for understanding the essential nature of the close-out process as described here:

- Each individual contract, grant, or cooperative agreement is potentially different in its Close-Out requirements than the next. An intimate knowledge of the specific terms and conditions of an award, especially relating to final deliverable requirements, is a pre-requisite for a complete understanding of the Close-Out process. Read the terms and conditions of each award for a full understanding of the Close-Out process.
- Each Contractor/Funder is charged with providing specific and detailed procedures for the Close-Out process, and the contractor will be charged with the responsibility of providing evidence and supportive documentation of its completion according to the procedures provided.

The primary purpose of close out procedures is to ensure that:

1. The contractor has complied with the terms and conditions set forth in the award, including timely submission of all deliverables;
2. Final progress reports are delivered and goals have been met or extended;
3. Final costs have been reviewed and accepted or budget modifications have been made, including requests to deobligate or rollover excess funds;
4. Final invoices have been submitted and paid.

Staff should contact and follow up with the sponsoring agency following submittal of deliverables to gain formal acceptance, or to facilitate necessary desirable changes to the deliverables.

Close-Out Preparations Summary

1. **Account reconciliation for programs (billing/reporting):**
 - a. All actual billings, information in Quick Books and Allocation worksheets should correspond; discrepancies should be resolved immediately.
 - b. All invoices must be posted and appear in the correct Quickbook's revenue account corresponding to each invoice and all payments received should be reconciled.
 - c. All revenue posted in relation to each applicable account should match the expenses, with the exception of any "fixed-fee" (programmatic-based) contracts (TSE for Inglewood, Redondo and Gardena, and Probation I and II).
 - d. Receivables should be checked periodically and follow-ups should be conducted for any payments not received or not received in a timely manner.
2. **Payroll liability accounts** for both staff and participants should be in balance after each Journal Entry (JE) has been posted. All discrepancies should be corrected immediately after the posting of a JE, or an explanation should be provided, explaining the discrepancy.
3. **Retirement, Health and other Supplemental benefit accounts** should be reconciled at the end of each month and especially as the year end approaches.
4. **Payroll** reconciliation should be done every quarter after receiving the 941 reports to avoid time consuming projects while finalizing all cost for the closing of the fiscal year.
5. **Credit card accounts** should be in balance after each month also to avoid time consuming projects while finalizing all cost for the closing of the fiscal year.
6. **Petty Cash account** funds should be counted and reconciled quarterly and always before the year's end.
7. The **inventory asset account** (e.g., gift cards and Blue Prints books) should be updated with the usage. Proper logs, and signatory and funding (when applicable) receipt trails should be maintained with each account. Ongoing follow-ups with pertinent One Stop personnel in regards to the usage of each inventory account should be conducted, at minimum, quarterly as well before and at the year's end.
8. **Budget modifications** should be requested when applicable for each grant/program before year's end. It is best to not wait until the last moment to submit modifications as the chances of receiving denials of such requests may increase.
9. **Bank Reconciliations:** Must be completed no later than sixty days after the end of each month.
10. **Fiscal Monitoring** should be completed before year end. All staff assigned with monitoring duties should maintain a status log of all monitoring visits. This log should consist of the following:

- a. Agency being monitored;
- b. Point of contact's information;
- c. Anticipated date of visit;
- d. Agency status notes, including information for any findings;
- e. Notes detailing resolutions of findings and follow-up dates when applicable;
- f. Actual date visit was conducted and dates of completion.

Such logs should be submitted to the Finance Manager or designee quarterly.

11. Grants / Funded Programs:

- a. All expenses should be monitored to ensure that 80% of all obligations have been met by June 30th or the fiscal's year end. Frequent reviews of all programs obligations should begin after January 1st of each year. If obligations have not been made, such findings should be reported to the Finance Manager for further discussions of action plans.
- b. Update Excel worksheets or other financial programs, for training obligations to establish the balance outstanding and to ensure that no overpayments have been made. (It may be necessary to perform manual reconciliations and updates - especially when/if financial systems are not properly functioning - to avoid delays and noncompliance of year-end reporting.

Other Monthly – Year End Close-Out Procedures

1. The Finance Manager/CFO will review and sign off on all month- and year-end journal entries. They will be printed and filed for audit trail purposes.
2. At the end of each month and fiscal year end, the Fiscal Manager/CFO will review all balance sheet accounts including verification of the following balances: cash accounts match the bank reconciliations, fixed assets accounts reflect all purchases, write-downs and retirements, accounts receivable and payable accounts match outstanding amounts due and owed.
3. The income and expense accounts review will include reconciliation to amounts received and expended and verification that payroll expenses match the payroll reports including federal and state payroll tax filings.
4. Once the final monthly and fiscal year-end financial statements are printed, reviewed, and approved by the Finance Manager/CFO and Executive Director/CEO, no more entries or adjustments will be made into that month or year's ledgers.
5. At the end of the fiscal year, the Finance Manager/CFO or outside CPA will prepare the annual Return for Organization Exempt from Income Tax (IRS Form 990). The return will be presented to the CEO, the Board Fiscal Committee, and the Board Chair for their review and approval. The Finance Manager or designee will then file the return with the Internal Revenue Service by the annual deadline.
6. All other appropriate government filings including those required by the state tax board and attorney general's office will be completed and filed with the appropriate agency.

Fiscal Policy Statements

1. All cash accounts (except petty cash) owned by SBWIB, Inc. will be held in financial institutions which are insured by the FDIC. No bank account will carry a balance over the FDIC insured amount.
2. All capital expenditures which exceed one thousand dollars (\$1,000) will be capitalized.
3. Employee or public personal checks will not be cashed through the petty cash fund.
4. No salary advances will be made under any circumstances unless preceded by a termination from employment.
5. No travel cash advances will be made except under special conditions and pre-approved by the Executive Director.
6. Reimbursements will be paid upon complete expense reporting and approval using the official SBWIB, Inc. forms. Reimbursements to the Executive Director will be authorized by the Board Chair.
7. Any donated item with a value exceeding (\$50) will be recorded and a letter acknowledging the donation will be sent to the donor within two weeks of the receipt of the donation or within time indicated by donor.
8. All volunteer time shall be recorded as in-kind donations.
9. The Executive Director/CEO, the designated Board member or Finance Manager and one Senior Fiscal staff member are the signatories on the SBWIB, Inc. bank accounts. All checks in the amount of \$5,000 will require at least two signatures and checks in the amount of \$4,999 and under will only require one signature.
10. Bank statements will be reconciled monthly but no later than within sixty (60) days. All bank statements reconciliations will be provided to the Executive Director/CEO or designee for final review and approval.
11. Correction fluid and/or tape will never be used in preparing any accounting documents, including timesheets.
12. Accounting and personnel records will be kept in locked file cabinets within the HR office. Only the HR and Senior Fiscal staff-members, Executive Director/CEO and Finance Manager will have access to the keys.

Personnel

Personnel Files

The Human Resources Department is charged with the responsibility of maintaining personnel files on all staff and volunteer persons.

Each personnel file should contain the following information, at a minimum:

- a. Employment application or resume;
- b. Personnel Action Status form, including: date of employment, position, pay rates (and changes therein);
- c. Job Description;
- d. W-4 Form, withholding authorization;
- e. I-9 Immigration Form and proof of identity / eligibility to work;
- f. A record of background investigation or letter of clearance;
- g. Authorization of payroll deductions (when applicable);
- h. Signed company policy acknowledgement documents;
- i. Termination data, when applicable

All personnel records are to be kept locked in a locking file cabinet in the Human Resource (HR) office. Access to these files other than by HR staff, Manager/Supervisor of pertinent employee or CEO is prohibited. For auditor / monitor review, personnel documents may be stored in two folders in which information protected by HIPPA or that not applicable to the review may be separated for the purpose of maintaining employees' privacy. Said documents may contain health information or information pertaining to employees' bank accounts or other private matters. As such, template documents may be provided for review when requested.

Employees may request to see a copy of their file by emailing HR to establish an appointment. Employees are not permitted to take files away from HR office and must be supervised during the review.

Timesheet Processing

Timesheets are a legal document, which are the source of payroll transactions, and are related to a project, customer invoicing. Timesheets serve as the legal authority to pay an employee. They also serve as a verification of time off, and provide the legal basis to grant an employee benefits, including workers' compensation as appropriate.

The below guidelines are intended to provide information that will allow the effective monitoring of timesheet completion and ensure that staff receives the pay for the work undertaken. This document also sets forth rules, procedures and guidelines established in accordance with applicable federal and local laws, which govern the responsibility of the Employee, Supervisor, and the Payroll / Fiscal Departments for the accurate completion, submission and review of all time sheets.

Definitions

Short weeks: Weeks in which employees work Monday through Thursdays and off on Fridays.

Long weeks: Weeks in which employees work Monday through Fridays.

Employees' Process

1. Timesheets are to be completed by each employee only on the approved document provided by the organization.
2. The approved timesheet is made up of two sections: the time certification section, found above the bold line and the time allocation, found below the bold line. Time certification section, including signatures should always be completed in pen. The time allocation, however, should be completed in pencil only.
3. It is the responsibility of each individual employee to complete an accurate timesheet and submit it promptly for authorization to their immediate supervisor. Timesheets are to be signed by employees immediately upon receipt and Entries on timesheets should wherever possible, be completed daily.
4. Any corrections to timesheets are to be made by making a single line through the error and writing in the corrected information. All corrections should be initialed by the employee or applicable staff member. **Correction fluid and/or tape are not allowable.**
5. Both the employee and the employee's supervisor are required to sign the completed timesheet before it will be processed.
6. Timesheets are due on a biweekly basis and should be submitted to supervisors by 10 a.m. on Mondays mornings of short work weeks. *Timesheet due dates may be modified as necessary during holiday seasons and communicated accordingly.*
7. Paychecks will be distributed by the Front Office Coordinator, Manager or designee of each Career Center on Thursdays during the long weeks or according to the organization's pay schedule. *Pay-dates may be modified as necessary during holiday seasons and communicated accordingly.*
8. If the employee requests that his/her check be turned over to a third party, the request must be made in writing prior to distribution.
9. Employees may choose direct deposit in which their paychecks will be deposited directly into the designated account and a verification stub will be available for pick up according to the instructions provided in bulletin number 7. See HR or Fiscal for Direct Deposit forms.

10. Under no circumstances will timesheets be paid, if the procedures set forth in this document are not followed. Timesheets cannot be banked, held back or back-dated for payment for any work undertaken even if the work has been authorized in advance. The submission of timesheets on a biweekly basis is vital to ensure that payment is received, as payment will not be made unless a timesheet which complies with these procedures has been submitted.
11. Under no circumstances should an employee falsify his/her own, or a fellow employee's, timesheets or encourage a fellow employee to take such action on their behalf. This also includes completion of timesheets in advance for work that may be authorized, but not yet undertaken. Time sheets are considered legal documents and, therefore, it is the responsibility of the employee to accurately complete and submit his/her own timesheets. Falsification of timesheets submitted is considered gross misconduct and disciplinary action may be taken against you.
12. Under no circumstances will an advance, or early payment, be made against any timesheet, where work has taken place and, under the terms of this policy, is due to be paid or where the work may be authorized to be undertaken but has not yet been completed.
13. All W-2 statements are to be issued to employees prior to January 31st of the following year for the prior calendar year. You may contact the Fiscal Department for more information.

Interim Process

14. Supervisors / Managers who are responsible for authorizing timesheets should ensure that the work was authorized in advance and that the timesheets are accurate prior to authorization and forwarding to the Human Resources.
15. Once Supervisors / Managers have reviewed timesheets for accuracy, they should then sign them and forward them to the Administration's Front Office Manager or designee no later than 12 noon on Tuesdays during the short week.
16. It is then the duty of the Front Office Manager or designee to perform the preliminary review of all timesheets, ensuring that hours have been truthfully submitted and that all timesheets reflect the applicable signatures of approval.
17. Once the Front Office Manager or designee has completed the preliminary review, timesheets shall then be forwarded to Human Resources no later than 2:00 p.m. on the Wednesdays during short weeks. *Timesheet due dates may be modified as necessary during holiday seasons and communicated accordingly.*
18. Human resources will conduct one final review, ensuring compliance of applicable company policies and federal and state laws. Timesheets will then be passed onto the assigned Payroll Clerk for processing.
19. Once the checks have been processed and received, the payroll clerk will forward all paychecks/stubs to the Front Office Manager for distribution.
20. The Front Office Manager or designee will then distribute paychecks/stubs to the Front Office Coordinator or Management staff at each Center for further distribution. *Pay-dates may be modified as necessary during holiday seasons and communicated accordingly.*

Payroll Processing

Payroll – Payroll is a critical function of the accounting department and includes making sure all employees' wages are paid accurately and timely. The total wages and salaries earned are called gross wages or gross earnings, and must be accurately calculated on a biweekly basis. Correct amounts of income tax, social security tax, retirement, vacation, sick pay, and other benefits earned by the employees should be deducted from gross wages and/or updated every pay period as well. In addition, proper tax is assessed and tax payments are to be submitted on time according to state and federal government agencies.

The processing of payroll can produce errors in several places, which calls for a detailed process flow that incorporates several controls. The procedures set forth in this policy shall be used to ensure that payroll is handled consistently on a repetitive basis. The actual process flow may vary somewhat from the steps noted below, since there may be differences related to the use of manual or computerized payroll processing solutions. However, the most likely version of the procedure, including responsibilities and basic controls, are as follow:

1. *Update employee master file.* The payroll clerk may receive notification of a number of changes to employee information that impacts the processing of payroll, such as withholding exemptions and pay rate changes. If so, update the employee master file in the payroll system with these changes and verify that the payroll module is set for the correct pay period.
2. *Enter time worked.* Enter the amount of regular and overtime hours (when applicable) worked by each employee in the payroll system. If processing manual checks, then enter manual payments. Enter the amounts of any manual paychecks that have not yet been recorded in the payroll system. These may be pay adjustments from previous periods, or payments related to the initial hiring or the termination of employees.
3. *Deductions.* Enter any changes to the standard deductions from employee pay, such as for medical insurance, garnishments, etc. For appropriate calculations of garnishments, use the tax tables provided by the federal and state governments to determine the proper amount of tax withholdings.
4. *Review reports.* Print the preliminary payroll register summary reports and forward them to another payroll clerk to review for errors. Also focus on excessively high or low wage amounts to spot potentially inaccurate hours worked or wage rates. Make changes as necessary.
5. *Issue payments.* Once the analyses of reports indicate no further errors, the payroll clerk should then complete the process.
6. *Issue management reports (optional).* Issue payroll reports to management that are related to the payroll just completed. Examples of such reports are a trend line of overtime by employee and a trend line of compensation expenses by department.
7. *Back up data.* Once the payroll has been completed, back up the data related to it. If payroll processing is outsourced, this is handled by the supplier. If in-house software is being used, archive the data. If a manual system is used, put the payroll register in locked storage.

8. Lock down the period. Lock down the payroll period in the payroll module for the period just completed, to prevent unauthorized changes. This is essentially the same as Step 2; by locking down the payroll period, we are essentially shifting forward to the next payroll period.
9. Deposit taxes. Deposit payroll taxes and verify their transmission to the government. If the company has outsourced its payroll processing, this step is handled by the supplier.
10. Store timecards. File the timecards near the payroll department. It is quite possible that employees will question their pay, in which case the most recent timecards should be easily accessible for review. After a month or two, the timecards can be shifted to longer-term storage.
11. Investigate errors. If there are payroll processing problems, be assured that employees will find them! Investigate all transaction errors encountered, and initiate changes to mitigate their continued occurrence. This may involve the alteration of procedures or the imposition of new controls.

Other Payroll Processes

1. The Finance Manager will review payroll expenditures and allocations monthly.
2. All quarterly federal and state payroll reports will be prepared and filed appropriately.
3. Employees may choose direct deposit in which their paychecks will be deposited directly into the designated account and a verification stub will be available for pick up according to the instructions provided in bulletin number 7. You may visit or email HR or a Fiscal staff member for Direct Deposit forms.
4. All W-2 statements are to be issued to employees prior to January 31st of the following year for the prior calendar year.
5. Contracts with consultants will include rate and schedule of pay, deliverables, time frame, and other information such as workplan, etc. All consultant contracts must first be approved by the CEO and Finance Manager or designee.

Fraudulent Activities

Fraud is generally defined in the law as an intentional misrepresentation of material existing fact made by one person to another with knowledge of its falsity and/or a false representation of a matter of fact—whether by words or by conduct, by false or misleading allegations, or by concealment of what should have been disclosed—that deceives and is intended to deceive another so that the individual will act upon inflicting legal damage or injury. Fraud may also be made by an omission or purposeful failure to state material facts, which nondisclosure makes other statements misleading.

To constitute fraud, a misrepresentation or omission must also relate to an 'existing fact', not a promise to do something in the future, unless the person who made the promise did so without any present intent to perform it or with a positive intent not to perform it. Promises to do something in the future or a mere expression of opinion cannot be the basis of a claim of fraud unless the person stating the opinion has exclusive or superior knowledge of existing facts which are inconsistent with such opinion. The false statement or omission must be material, meaning that it was significant to the decision to be made.

Sometimes, it must be shown that the plaintiff's reliance was justifiable, and that upon reasonable inquiry would not have discovered the truth of the matter. For injury or damage to be the result of fraud, it must be shown that, except for the fraud, the injury or damage would not have occurred.

Further, to constitute fraud the misrepresentation or omission must be made knowingly and intentionally, not as a result of mistake or accident, or in negligent disregard of its truth or falsity. Also, the plaintiff must prove that the defendant intended for the plaintiff to rely upon the misrepresentation and/or omission; that the plaintiff did in fact rely upon the misrepresentation and/or omission; and that the plaintiff suffered injury or damage as a result of the fraud. Damages may include punitive damages as a punishment or public example due to the malicious nature of the fraud

Management staff is responsible for the detection and prevention of fraud, misappropriations, and other irregularities.

Actions Constituting Fraud

The terms defalcation, misappropriation, and other irregularities refer, but are not limited to:

- Any dishonest or fraudulent act
- Intentional misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of company activities
- Disclosing confidential and proprietary information to outside parties
- Disclosing to other persons securities activities engaged in or contemplated by the company
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the employee. Exception: Gifts less than \$50 in value or donations made to for organization wide use.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or

Any similar or related irregularity; irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by departmental management under the direction of the CEO and the Human Resources. If there is any question as to whether an action constitutes fraud, contact management for guidance.

All personnel are expected to comply with the following guidelines if such incidents are suspected:

- Any irregularity that is detected or suspected must be reported immediately to Management or Senior HR staff. If the suspicions involve the aforementioned, the matters should be reported directly to the CEO. In no case should such notification be reported later than three days from the time the information or evidence is received.
- The supervisor/manager shall report such information or evidence in writing to the CEO of the non-profit organization within one day of receipt.
- The director shall report the matter in writing, within one day, of receipt to the governing board's chairperson.
- The chairperson shall report the matter in writing, within five days of receipt, to the director of the funding division within the Department of Health and Human Services.
- Upon receipt of such notification, the division director shall report the matter, within three days, to the Secretary's Office which has ultimate responsibility for notifying other appropriate parties.

Investigation Responsibilities

The Fiscal Department has the primary responsibility for the investigation of all suspected fraudulent acts. If the investigation substantiates that fraudulent activities have occurred with an employee, the Finance Manager will issue correspondence documenting the incident to the CEO for further resolving.

Incidents involving participants may be referred to the Gain / County offices for further investigating and disciplinary action.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Company from potential civil liability.

Reporting Procedures

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity will contact the Finance Manager immediately. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Finance Manager and other applicable staff, including the organizations legal representation. No information concerning the status of an investigation will be given out. The proper response to any inquiries is: "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with any-one unaffiliated with the investigation.

Termination

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the designated legal representative and Human Resources and, if necessary, by outside counsel, before any such action is taken. Management staff does not have the authority to terminate an employee without first acquiring authorization by the CEO. Employees terminated for fraudulent activity will not be entitled to any vacation or other. All terminations will be documented.