

Fiscal Policies



Illinois Association of
Chamber of Commerce
Executives

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About Sikich

Sikich is a dynamic public accounting and consulting firm comprised of more than 400 employees.

- ✓ Accounting & Consulting Services
- ✓ Assurance Services
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- ✓ Business Valuation
- ✓ Dispute Advisory Services
- ✓ Graphic Design & Marketing
- ✓ Human Resource Consulting
- ✓ Investment Banking
- ✓ Performance Measurement
- ✓ Retirement Plan Services
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What are policy manuals?

- Who approves these?
- Who uses them?
- Why should we have them?



What should go in my policy manuals?

- Human Resources Policies
- Financial Policies
- Other important policies



Human Resources Policies

- Employment law continues to change rapidly
- If a handbook hasn't been updated within the last 18 months, it's probably out-of-date
- An employee handbook provides protections for an organization in many areas including:
 - Equal employment,
 - Confidentiality,
 - Harassment prevention,
 - Exempt/non-exempt status and the like.

Human Resources Policies

- An employee handbook also contains expectations for employees such as attendance, dress code, performance, drug/alcohol testing, security, etc.
- Some areas that are typically lacking or missing
 - VESSA (Victim's Economic Security & Safety Act)
 - Updates to harassment prevention and equal opportunity statements
 - Genetic Information Nondiscrimination Act
 - Lack of a confidentiality statement

Human Resources Policies

- More areas that are typically lacking or missing
 - Adequate Disclaimer – This should be the first thing that appears in the handbook and should cover the following key components:
 - At will statement
 - Handbook is not a contract
 - Benefit information is merely a summary and the summary plan description and plan documents rule
 - The company may change the handbook at any time without notice
 - Employees are responsible for reading and understanding the handbook content and should direct all questions to their supervisor.

Financial Policies

- Accounting Operation Policies
 - Fiscal staff positions and responsibilities
 - Accounting software approved for use by the organization
 - Basis of accounting to be used by organization (e.g. cash basis/accrual basis)
 - Account structure/chart of accounts



Financial Policies

- Internal Control Structure defined
 - An adequate system of internal controls must be maintained to so that one employee does not have sole controls over assets, recording transactions, and approving transactions
 - Who is authorized to have access to accounting software and what are those levels of access?
 - Who approves this access?

Financial Policies

- Internal Control Structure defined
 - Other common internal control policies that should be included:
 - Approval of expenses (coding, etc)
 - Check signers (limits, dual signatures, etc.)
 - Bank reconciliations
 - Payroll – wage rate approvals, input or outsource info, timesheet documentation/approvals, etc.
 - Indirect cost calculations
 - Opening mail
 - Deposit responsibilities
 - Lock box

Cash Receipts “Control Grid”

- A. VP of Fiscal Operations/Controller
- B. Accounting Manager/Accounting Assistant
- C. Program Director
- D. Secretary/Receptionist

	A	B	C	D
Produce invoice to bill customer		X	X	
Enter invoice into A/R system		X		
Initial receipt of funds (cash & checks)				X
Restrictively endorse checks				X
Complete cash receipt log				X
Prepare deposit slip	X			
Take deposit to bank				X
Enter receipts into A/R system		X		
Reconcile cash receipts with A/R posting	X			
Authorize credits or adjustments	X			
Post credits/adjustments to A/R system	X			
Review activity to recommend write-off			X	
Authorize write-off of past due accounts	X			
Post write-off of past due accounts		X		
Prepare customer statements		X		
Reconcile A/R system with general ledger	X			
Reconcile bank statements	X			
Review A/R aging	X			
Perform follow-up calls on past due accounts			X	

Cash Disbursements “Control Grid”

	A	B	C	D	E
Inputs data into vendor master file				X	
Obtains necessary certifications from new vendors				X	
Maintains vendor master file				X	
Initiates purchases	X				
Authorizes purchases	X	X	X		
Prepares purchase order/requisition			X		
Prepares request for proposal	X				
Administers collection of proposals	X				
Evaluates proposals	X		X		
Selects vendors	X	X	X		
Receives vendor invoice	X				
Approves vendor invoice	X				
Assigns general ledger coding			X		
Inputs invoice into A/P system				X	
Selects A/P to be paid			X		
Runs A/P checks				X	
Reviews checks			X		
Signs checks		X			
Mails checks					X
Maintains A/P paid files					X
Maintains check stock			X		
Reconciles A/P to general ledger			X		
Performs bank reconciliation			X		
Reviews cancelled checks			X		
Reviews bank reconciliations		X			

- | |
|--|
| <p>A. VP or designee</p> <p>B. CEO</p> <p>C. VP of Fiscal Operations/Controller</p> <p>D. Accounting Assistant</p> <p>E. Secretary/Receptionist</p> |
|--|

Financial Policies

- Sarbanes-Oxley Act – Two provisions apply to all entities
 - Whistle-Blower Protection
 - Record Retention/Document Destruction
- Although not required by Sarbanes-Oxley, conflict of interest policies are extremely important



Sample Record Retention Policy

Policy: It is the policy of Example NPO to retain records as required by law and to destroy them when appropriate. The destruction of records must be approved by the [Director of Finance], and logged into the Organization's [Destroyed Records Log]. The formal records retention policy of Example NPO is as follows:

- Accident reports/claims (settled Cases) 7 Years
- Accounts payable ledgers and schedules 7 Years
- Accounts receivable ledgers and schedules 7 Years
- Audit reports Permanently
- Bank reconciliations 2 Years
- Bank Statements 3 Years
- Chart of Accounts Permanently
- Cancelled Checks 7 Years
- Contracts, mortgages, notes and leases:
 - Expired 7 Years
 - Still in effect Permanently
- Correspondence:
 - General 2 Years
 - Legal and important matters only Permanently
 - Routine with customers/vendors 2 Years

Sample Record Retention Policy - Continued

- Deeds, mortgages and bills of sales Permanently
- Depreciation schedules Permanently
- Duplicate deposit slips 2 Years
- Employment applications 1 Year
- Employment application (affirmative action plan) 2 Years
- Expense analyses/expense distribution schedule 7 Years
- Financial statements:
 - Year end Permanently
 - Other Optional
- Garnishments 7 Years
- General ledgers/year end trial balance Permanently
- I-9 Forms Employment duration or latter of 3 years from DOH or 1 year from termination
- Insurance policies (expired) 3 Years
- Insurance records (policies, claims, etc.) Permanently
- Internal audit reports 3 Years +
- Internal reports 3 Years
- Inventories of products, materials and supplies 7 Years
- Invoices (to customers, from vendors) 7 Years
- Journals Permanently
- Minute books of directors, bylaws and charters Permanently
- Notes receivable ledgers and schedules 7 Years

Sample Record Retention Policy - Continued

- Payroll records and summaries 7 Years
- Personnel records (terminated) 7 Years
- Petty cash vouchers 3 Years
- Physical inventory tags 3 Years
- Property records (incl. depreciation schedules) Permanently
- Purchase orders:
 - Purchasing department copy 7 Years
 - Other copies 1 Year
- Receiving sheets 1 Year
- Retirement and pension records Permanently
- Requisitions 1 Year
- Sales records 7 Years
- Subsidiary ledgers 7 Years
- Tax returns and worksheets, examination reports and other documents relating to determination of income tax liability Permanently
- Time sheets/cards 7 Years
- Trademark registrations and copyrights Permanently
- Training manuals Permanently
- Voucher register and schedules 7 Years
- Withholding tax statements 7 Years

Other Important Policies

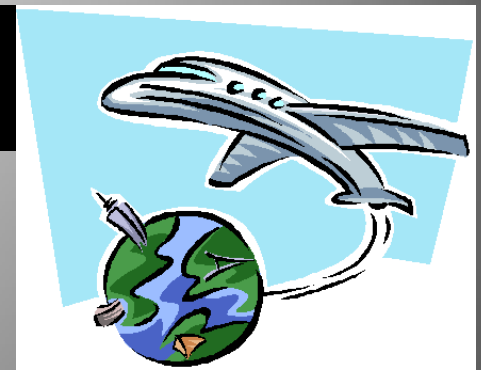
- Contracts/Procurement
 - Who is authorized to act/sign on behalf of the organization?
 - When are bids required?
 - When are verbal vs. sealed required?
 - What are procedures for processing bids?



Other Important Policies

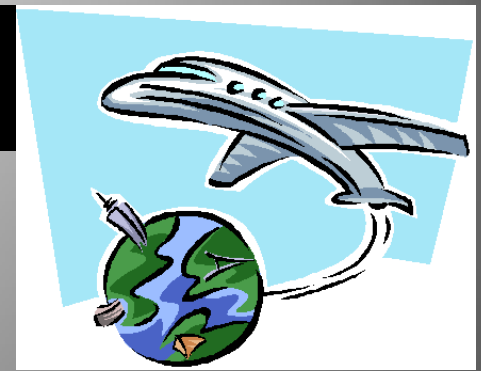
- Capitalization policy
 - Threshold for capitalizing
 - Valuation
 - Method (straight-line, double-declining, etc.)
 - Convention (half-year, quarter-year, etc.)
 - Equipment tags
 - Inventory (annual, biannual)

Other Important Policies



- Travel
 - Does the organization follow per diem or actual expenses?
 - Manual should include a sample reimbursement form or a link to current reimbursement form.
 - When are expense reimbursements due?
This can affect having accurate financial information provided to users of financial statements.
 - When are receipts required?

Other Important Policies



- Travel
 - Reconciling receipts to credit card statement
 - Applicable mileage rate
 - Employee advances
 - Procedures when using organization's car

Other Important Policies

- Vacation/Sick/PTO payout
 - This policy should be consistent with the HR policies
 - Can days be carried forward to next year?
 - What are procedures for payouts at termination?
 - If so, procedures should be in place to calculate accrual to record in the financial statements



Other Important Policies

- Cell phones
 - Who approves assignment of organization cell phones?
 - What positions should be assigned cell phones?
 - Policy should address personal use and how organization will be reimbursed, in necessary

Other Important Policies

- Credit Cards
 - Who approves assignment of credit cards?
 - If credit cards are check in/out, what is policy?
 - Who maintains credit cards at office?
 - Who is monitoring credit card usage?



Other Important Policies

- Credit Cards
 - Is business purpose evident?
 - Manual should address how credit card charges are posted to correct expense accounts in the accounting software.
 - Personal use



Other Important Policies

- Investments
 - Who is authorized to purchase/sell investments on organization's behalf?
 - Is there an asset allocation policy?
 - Does a certain percentage have to be invested in a certain type of security?
 - Who is responsible for posting monthly activity to the accounting software?
 - Who reviews?

Other Important Policies

- Government Filings
 - Policy Manual should detail out what government filings apply and the due dates of these filings.
 - Federal Form 990
 - 5500
 - 941's
 - W-2's
 - 1099's

Form **990** Return of Organization Exempt from Income Tax
Under section 501(c),

Department of the Treasury
Internal Revenue Service (77)

► The organization may

A For the 2008 calendar year, or tax year beginning on

B Check if applicable:

- Address change
- Name change
- Initial return
- Termination
- Amended return
- Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization
Doing Business As
Number and street (or P.O. box) and city or town, state or ZIP code

F Name and address of Principal Officer

I Tax-exempt status: 501(c)(1) 501(c)(2) 501(c)(3) 501(c)(4) 501(c)(6) 501(c)(29)

J Website: Corporation trust 55000

Other Important Policies

- Electronic recordkeeping
 - Should any procedures be modified if going paperless?
 - What are back-up procedures? Off-site storage?
 - How often are back-up tapes tested to determine that back-ups are working properly?

ANY QUESTIONS?



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