

9.6 SAMPLE FINANCIAL MANAGEMENT SYSTEM

(See MT TX FP Administrative Manual, Policy 3.1, *Financial Management System*)

Policy: These policies have been prepared to document the internal accounting procedures for the family planning clinic. Its purpose is to ensure that assets are safeguarded, that financial statements are in conformity with generally accepted accounting principles, and that finances are managed with responsible stewardship. Accurate, current and complete disclosure of the financial assisted activities must be made in accordance with Title X financial reporting requirements.

All personnel with a role in the management of the family planning clinic, fiscal operations are expected to uphold the policies in this manual. It is the intention of the family planning clinic that this accounting policy serves as our commitment to proper, accurate financial management and reporting.

Procedure:

Internal Controls

The following is a list of personnel who have responsibilities within the accounting department:

Director:

1. Reviews and approves all financial reports.
2. Reviews and approves annual budget.
3. Reviews the payroll summary for the correct payee, hours worked and check amount.
4. Reviews all vouchers and invoices for those checks which require his or her signature.
5. Reviews and approves all contracts for goods and services that will exceed \$_____ over the year.
6. Approves all vouchers, invoices and checks.
7. Receives unopened bank statements.
8. With the Fiscal Manager, and input from the Board of Directors and Program Directors, develops the annual budget.
9. Reviews and approves all financial reports.
10. Reviews and approves list of pending check disbursements.
11. Reviews all vouchers and invoices for those checks which require his or her signature.
12. Reviews all bank reconciliations.
13. Reviews the payroll summary for the correct payee, hours worked and check amount.
14. Approves all reimbursements.
15. Manages the assets accounts.

Fiscal Manager:

1. Processes all receipts and disbursements.
2. Processes the payroll, including payroll tax returns.
3. Maintains and reconciles the general ledger monthly.
4. With the Director, and with input from the Board of Directors and Department Directors, develops the annual budget.
5. Prepares all financial reports, including requests for reimbursements.
6. Manages the petty cash fund.
7. Reconciles the bank accounts.
8. Reconciles the statement of credit card deposits and service charges.
9. Double-checks all reimbursement requests against receipts provided.

Office Assistant/Receptionist:

1. Receives and opens all incoming mail, except the bank statements.
2. Prepares cash receipts log and invoice log.
3. Mails all checks for payments.
4. Processes credit card payments for publications.

Director with Most Seniority: (currently the Director of Programs)

1. Acts as second signator on checks.
2. Reviews all vouchers and invoices for those checks which require his or her signature.

All Department Directors:

1. Develops first draft of department budgets and works with the Director and Director to finalize.
2. Accountability to approved departmental budgets in purchasing decisions and in preparing check request vouchers with the proper account code.

Program Assistant, Membership

1. Processes credit card payments for member dues and conference registration fees.

Designated Board Members (Currently the Chair, Vice Chair, and Treasurer)

1. Check signing authority on all family planning program accounts.
2. Authorizes expenditures in excess of \$____, except preapproved capital expenditures (such as rent) which might exceed \$_____.

Accounting Records

1. The family planning clinic will maintain records which identify the source and use of funds. All revenue must be recorded by source of funds, including in-kind contributions.
2. Revenue categories must include the following, as applicable, and be reported on the WMHS Financial Accountability Statement (FAS) (see MT TX FP Administrative Manual, Policy 3.7 *Financial Accountability Statement*):
 - a. Title X;
 - b. MCH
 - c. MCH county
 - d. Medicaid
 - e. Medicare
 - f. HMK
 - g. Public health insurance
 - h. Private health insurance
 - i. Fees
 - j. Donations
 - k. STD funds
 - l. WMHS travel reimbursement
 - m. Non-Title X funds (Revenue received for non-Title X services.)
 - n. Montana Breast and Cervical Health Program (MBCHP);
 - o. State General Fund;
 - p. Misc:
 - q. In-Kind;
3. In-kind services are documented. The value of in-kind services are based on the estimated fair market value and will be calculated according to the cost which is required to obtain similar services, supplies, equipment or facilities within the immediate area at the time of the donation.

4. Expenditures must be recorded by program and type of expenditure. Expenditure categories (or the ability to identify disbursements in these categories) must include:
 - a. Personnel (salaries);
 - b. Fringe benefits
 - c. Travel
 - d. Equipment;
 - e. Supplies;
 - f. Contraceptive supplies;
 - g. Contractual;
 - h. Other (Facilities purchase or rent/lease; facilities maintenance; utilities; telephone...etc.)
 - i. In-kind

Cash Management

The Office Assistant receives all incoming mail. All checks received by the Office Assistant should be recorded on a cash receipts log which states the department to which the income is attributed, and stamped for deposit. The Office Assistant then makes two copies of the check with one copy forwarded to the Fiscal Manager and the other copy to the responsible department. A copy of the cash receipts log will be given to the Director on a daily basis.

Next, the Fiscal Manager prepares a deposit slip and deposits the funds into the savings account. The validated deposit slip should be attached to the Fiscal Manager's cash receipts log and filed. All check copies should be filed according to month received. No deposit should be locked in the file cabinet for more than 24 hours.

Cash Disbursements Procedures

1. Incoming invoices will be logged in by the Office Assistant (naming the staff person responsible for ordering the product or service) and delivered to the responsible staff person for his/her approval and to prepare a check request voucher prior to disbursement dates.
2. The staff person responsible for ordering the product or service will check the validity of the invoice against proposals/bids, etc. and work accomplished/delivered and prepares a check request voucher prior to disbursement dates.
3. Twice monthly on the 1st and 16th days (or the next business day if the date falls on a weekend or holiday), cash disbursements should be prepared by the Fiscal Manager for signature by authorized family planning clinic officials for expenses, debts and liabilities of family planning clinic.
4. The Fiscal Manager is responsible for the preparation of disbursements. All disbursements are to be made by check unless the item is considered a petty cash item.
5. A check request voucher should then be completed by the purchasing staff person and attached to the original vendor invoice, and/or any other supporting documentation.
6. The voucher should include the account codes to which the expense will be applied.
7. Approval for an expense by the Director must be indicated on the check request voucher.
8. After inputting all the check requests, the Fiscal Manager will prepare a master list of all checks to be paid for approval by the Director or other signatory. If there are any questions or concerns about the amounts, the Fiscal Manager should provide necessary information prior to running any disbursements. If there are any items removed from the batch, the totals on the payment summary form should be corrected, initialed and dated by the Director or other signatory.
9. The Fiscal Manager should then run an aging accounts payable, which is generated by the accounting software. A total of the disbursements to be paid will be recorded on the form and sent to the Director for approval, along with the current balance in any and all cash accounts.
10. Once the amount to be disbursed has been received, the Fiscal Manager should print the checks from the computer system. The checks should be attached to the invoice, and other supporting

documentation, being paid and submitted for signatures. A check register should be run and filed together with the disbursement transmittal form.

11. While the Director, and/or Director signs each check, he/she should double check the check request voucher. This approval is to ensure the account and grant/project is charged to the correct expense and line item. Any checks made to pay invoices in excess of \$_____ must be signed by the Director and authorized for payment in writing by one of the Board of Directors authorized for signature.
12. After the checks have been signed, the second signatory will double check the work, cancel the invoice by stamping PAID on it in red ink, and pass the checks on to the Office Assistant for mailing. In the event that the Office Assistant is out, the administrative assistant will assume these duties.
13. All checks will be mailed as soon as this process is completed.
14. Supporting documentation should be filed by the Fiscal Manager in appropriate vendor files.
15. The Fiscal Manager will utilize the paid invoice files to respond to any discrepancies which arise with vendors or other payees.
16. Once monthly, the fiscal manager will check the invoice log to determine if there are any outstanding invoices which have not yet been paid. If so, the fiscal manager will investigate the nonpayment of these invoices with the responsible staff member.

Budget Control

Contract Allowances:

As a result of insurance contracting third party payers may impose adjustments to gross charges. These adjustments are referred to as contract allowances and will be estimated monthly based upon outstanding accounts receivable and historical adjustments by payer type.

1. The accrual of the contract allowance will be calculated and posted monthly
2. The adjustment for Bad Debt will be detailed monthly to the general ledger. Any adjusting entries are to be written off against the allowance account in accordance with the Billing and Collection Policy.

Program related income:

Gross income earned by providing family planning services to clients, not including any funds awarded through the DPHHS Title X contract, shall be retained by the family planning program and will be used to further the objectives of the Title X program. This includes the use of program income to finance the non-Federal share to the Title X program (*CFR 74.24 (b)*).

Bank Reconciliations:

1. Bank statements are to be received unopened by the Director. The receiving party should review the contents for inconsistent check numbers, signatures, cash balances and payees and endorsements at a minimum. After this cursory review is conducted, the official should initial and date the bottom, right hand corner of the first page of each bank statement reviewed. The reviewed bank statement should then be forwarded to the Fiscal Manager (an individual without check signing rights) to reconcile the bank accounts using the approved reconciliation form.
2. The person charged with this responsibility should reconcile each account promptly upon receipt of the bank statements. All accounts will be reconciled no later than 7 days after receipt of the monthly bank statements. In the event it is not possible to reconcile the bank statements in this period of time, the Director or other signatory should be notified by a written memo from the Fiscal Manager.
3. When reconciling the bank accounts, the following items should be included in the procedures:
 - a. A comparison of dates and amounts of daily deposits as shown on the bank statements with the cash receipts journal.

- b. A comparison of inter-organization bank transfers to be certain that both sides of the transactions have been recorded on the books.
 - c. An investigation of items rejected by the bank, e.g., returned checks or deposits.
 - d. A comparison of wire transfers dates received with dates sent.
 - e. A comparison of canceled checks with the disbursement journal as to check number, payee and amount.
 - f. An accounting for the sequence of checks both from month to month and within month.
 - g. An examination of canceled checks for authorized signatures, irregular endorsements, and alterations.
 - h. A review and proper mutilation of void check.
 - i. Investigate and write off checks which have been outstanding for more than six months.
4. Completed bank reconciliations should be reviewed by the Director and initialed and dated by the reviewer.
 5. The Fiscal Manager upon receipt of the completed bank reconciliations prepares any general ledger adjustments.
 6. Copies of the completed bank reconciliations will be forwarded to the Treasurer for his/her review.

Reconciliations of Other General Ledger Accounts:

1. Each month the Fiscal Manager and Director should review the ending balance shown on balance sheet accounts such as the cash accounts, accounts receivable, accounts payable and deferred revenue. The Fiscal Manager and Director should review the bank reconciliations, schedules of accounts receivable and deferred revenue and the aging of accounts payable to support the balances shown on the balance sheet.
2. Assets - These accounts will include cash, petty cash, prepaids, property, equipment and fixtures, security deposits, and intangible assets.
 - a. Cash - The balances in cash accounts should agree with the balances shown on the bank reconciliations for each month.
 - b. Petty Cash - The balance in this account should always equal the maximum amount of all petty cash funds. The current amount equals \$_____.
 - c. Prepaids - The amounts in these accounts should equal advance payments paid to vendors at the end of the accounting period.
 - d. Property, Equipment & Fixtures - The amounts in this account should equal the totals generated from the audited depreciation schedules. When additional purchases are made during the year, the balances in the accounts may be updated accordingly.
 - e. Security Deposits - The balance in this account should equal amounts paid in escrow to landlords and lessors and should not change frequently, but should be updated as applicable.
3. Liabilities - These accounts are described as accounts payable, payroll tax liabilities, loans and mortgages payable, and amounts due to others.
 - a. Accounts Payable - The balance in this account should equal amounts owed to vendors at the end of the accounting period and the aging report.
 - b. Payroll Tax Liabilities - The amounts in these accounts should equal amounts withheld from employee paychecks as well as the employers' portion of the expense for the period, which has not been remitted to the government authorities.
 - c. Due to Others - If there are any amounts owed to others at the end of the period they should be recorded and the correct balance maintained in the general ledger accounts.
4. Income/Expenses - These accounts are described as income from membership, contributions, publications, and other expense line items such as salaries, consulting fees, etc.
 - a. Income - The amounts charged to the various cash accounts should be reconciled with funding requests, funders reports, draw down schedules, etc.

- b. Gross Salary Accounts - The balances in the gross salary accounts should be added together and reconciled with the amounts reported on quarterly payroll returns.
- c. Consulting - The amounts charged should be reconciled to the contracts.

Source Documents

1. Accounting records must be supported by such source documentation such as cancelled checks, paid bills, payrolls, time and attendance reports, contract and sub-contract documents etc.

Petty Cash Fund

1. The petty cash fund should never exceed \$_____.
2. The Fiscal Manager is the custodian of the petty cash fund.
3. A single disbursement from petty cash shall never exceed \$_____.
4. The petty cash fund shall be operated on an impress basis. This means that when it is time to replenish the petty cash fund, the Fiscal Manager shall total out the expenses made and identify those expenses by general ledger account number. When the check request is submitted for payment it should indicate the total amount needed to bring the fund back up to \$_____. Also, the check request should breakdown the various expense accounts being charged and the amount charged to each.
5. When a request for petty cash reimbursement is made to the Fiscal Manager, the item will be listed on the Petty Cash Fund Reconciliation Sheet. A description of the item charged should be recorded together with the amount. A vendor receipt must be received by the Fiscal Manager for the amount of the request in order for the request to be approved.
6. The recipient of the petty cash funds must sign the sheet to indicate receipt of the funds. The paid receipt should be attached to the sheet. All paid information should remain in the locked petty cash box until it is time to replenish the fund. At that time, the Petty Cash Fund Reconciliation Sheet and associated receipts are attached to the check request voucher.
7. The petty cash box is to be locked at all times when the Fiscal Manager is not disbursing or replenishing the fund. The locked petty cash box is to be kept in the locked file cabinets within the finance office.
8. At least once annually, the Director should conduct a surprise review of the fund. When this is done, he/she should count, while the Fiscal Manager is in attendance, the total monies on hand and the total amount of receipts in the petty cash box. The two amounts should equal exactly \$_____. Any discrepancies should be discussed and resolved immediately.
9. It is a policy of family planning clinic not to cash checks of any kind through the petty cash fund.
10. The family planning clinic postage meter is not to be used for personal mailings under any circumstances. Staff may use the UPS service provided they indicate that the mailing is personal and reimburse family planning clinic at the time the appropriate invoice is paid.

Purchasing**To Prompt a Purchase:**

1. When the normal cash disbursement procedure of invoice, etc., is not appropriate (e.g., postage, petty cash, etc.) a check request should be completed and forwarded with any order form or other documentation to the Director for approval. If the check is made out to either the Director or other signatory, that individual cannot approve the check request voucher.
2. Approved check requests should be sent to the Fiscal Manager for payment.
3. In the absence of backup materials, receipts for the purchase must be provided to the Fiscal Manager for attachment to the check request within two weeks from the check date.

Credit Card Purchases:

1. Only the Director carries corporate credit cards in his or her name. The purchase of airline tickets and other authorized business expenditures may be made by other employees or board members using the corporate credit card. In every case of credit card usage, the individual charging a family planning program account will be held personally responsible in the event that the charge is deemed personal or unauthorized.
2. Authorized uses of the credit card include:
 - a. Airline tickets (at coach class or lower rates) for properly authorized business trips. Family planning programs designated travel agency will require that employees supply the travel agency with an account code in order to charge to the family planning program. The account code will help reconcile the costs of travel with the proper family planning program to be charged. The travel agency will provide family planning monthly report of all travel charged to the credit card.
 - b. Lodging and meal charges that do not exceed the authorized reimbursement rate for persons traveling on official family planning program business
 - c. Car rental charges (for mid-size or smaller vehicles) for properly authorized business trips
 - d. Properly authorized expenditures for which a credit card is the only allowed method of payment (such as monthly internet access)
 - e. Business telephone calls
 - f. Properly authorized entertainment at a rate which is consistent with the employee's level of responsibility within, or on behalf of, family planning program and within the limits of the approved budget.
3. Receipts should be compiled and submitted with an expense report on a weekly basis.
4. Unauthorized use of the credit card includes:
 - a. Personal or non-business expenditures of any kind.
 - b. Expenditures which have not been properly authorized.
 - c. Meals, entertainment, gifts or other expenditures which are prohibited by:
 - i. the family planning program budget and/or policies
 - ii. Federal, state, or local laws or regulations
 - iii. Grant conditions or policies of the entities from which the family planning program receives funds.

Proper Documentation for all Purchases, including the family planning program Credit Card Purchases: Every instance of credit card or other purchase use must be documented with travel authorizations, receipts, individuals paid for, nature of business, etc. before the expense will be considered authorized and will be approved for reimbursement. See details below.

1. Lodging - Provide an itemized receipt from the hotel detailing every charge and the name of the person(s) for whom lodging was provided.
2. Meals/Entertainment - Provide a receipt showing separately the cost for food/beverage and gratuities, and including the names of every person for whom food or beverage was provided and the specific business purpose which was furthered by the expenditure.
3. Other Expenditures - A receipt from the vendor detailing every individual good or service purchased (including class of service for commercial transportation) accompanied by an explanation of the specific business purpose which was furthered by each expenditure. The Fiscal Manager will double check all reimbursement requests against receipts provided and run a calculator tape which will be attached to the reimbursement form.

Capital Expenditures:

For all major expenditures such as computers, furniture, audit services, printing services, etc., three bids must be obtained before a purchasing decision is made. If the annual amount will exceed \$_____, a bidding process and review will be conducted. All bids, including phone quotes, must be recorded and kept on file.

Consultants:

Contracts with consultants will include rate and schedule of pay, deliverables, time frame, and other information such as workplan, etc. Justification for payment should be submitted to file. For example, if the family planning program hired a writer to write a grant, a copy of the final version should be included in the file.

Contracts:

Contracts for purchasing products or services, similar to a purchase order, should be created and maintained for the file whenever appropriate. All contracts to exceed \$_____ over the course of the year should be approved by the Director.

Fixed Asset Management

1. A permanent property log or database is to be maintained by the Fiscal Manager for all fixed assets purchased by family planning program over \$_____.
2. The log must contain the following information:
 - a. Description of property
 - b. Serial or identification number
 - c. Date acquired
 - d. Cost
 - e. Current location
 - f. % of federal share
 - g. Use and condition of the property
 - h. Any disposition data, including the date of disposal and/or sale price of the property
3. At least every two years, a physical inspection and inventory should be taken of all family planning program fixed assets and reconciled to the general ledger balances. Adjustments for dispositions should be made.
4. The Fiscal Manager should be informed, in writing, via an interoffice memorandum of any material changes in the status of property and equipment. This should include changes in location, sale of, scrapping of and/or obsolescence of items and any purchase or sale of real estate.
5. All capital items which have a cost greater than \$250.00 will be capitalized and depreciated.

Payroll

Family planning staff must follow appropriate salary limits as required by Federal laws. Salary Limitation (Section 203) states:

1. *"None of the funds appropriated in this title shall be used to pay the salary of an individual, through a grant or other extramural mechanism, at a rate in excess of Executive Level II."*
2. Effective January 6, 2014, the Salary Limitation is based upon the Executive Level II of the Federal Executive Pay Scale. That amount is \$181,500. For the purposes of the salary limitation, the direct salary is exclusive of fringe benefits and indirect costs. An individual's direct salary is not constrained by the legislative provision for a limitation of salary. The rate limitation simply limits the amount that may be awarded and charged to the grant. A recipient may pay an individual's salary amount in excess of the salary cap with non-federal funds.

Personnel:

1. The Fiscal Manager is charged with the responsibility of maintaining personnel files on staff persons.
2. Each personnel file should contain the following information, at a minimum.
 - a. Employment application or resume
 - b. A record of background investigation
 - c. date of employment
 - d. position, pay rates and changes therein
 - e. authorization of payroll deductions
 - f. earnings records for non-active employees
 - g. W-4 Form, withholding authorization
 - h. I-9 Immigration Form
 - i. Education and training logs or certifications
 - j. termination data, when applicable
3. All personnel records are to be kept locked in a locking file cabinet in the Fiscal Manager's office. Access to these files other than by the Fiscal Manager, Director, or the auditor should be requested in writing to the Director.

Payroll Preparation and Timekeeping:

1. Timesheets are to be prepared by all staff persons and submitted semi-monthly on the 15th and last day of each month. Time should be input on a daily basis and, if in writing, completed in ink. Correction fluid should never be used in preparing timesheets. If an error needs to be corrected, a line should be drawn through the item and the corrected information recorded, and initialed by the person who made the correction.
2. Charges of salaries/wages to the program must reflect Title X activities. Programs must document the actual hours worked by employees by pay source. Title X funds may not be used for non-Title X services or activities.
3. Timesheets are to be signed by the staff person and his/her supervisor.
4. All approved timesheets should be submitted to the Fiscal Manager, who will verify the hours worked against his/her record.
5. The Fiscal Manager should then process the time and report the information to the payroll service bureau. The information reported should include:
 - a. hours worked, by cost center
 - b. changes in pay rates or employment status
 - c. vacation, sick or personal hours used and earned
6. The Director or Director should review the payroll summary page of the payroll service report for inappropriate payees or unusual hours.
7. Paychecks should be distributed by the Fiscal Manager on the designated day and hour, one week after the end of the pay period according to a prearranged schedule distributed by the Fiscal Manager. In the event that a paycheck is picked up by a designated person other than the staff person, a memo should be received in writing from the staff person and proper identification should be requested from the party picking up the pay check.
8. As an employee benefit, the family planning programs offers direct deposit through the employee's own financial institution. Through direct deposit, payroll is deposited as cash into the employee's account on payday.

Financial Reporting

Monthly Reports:

1. The Fiscal Manager should prepare a set of monthly financial reports for distribution to the Director, and the Budget and Finance Committee. The reports should include: a balance sheet and a statement of income and expenses for each department (operating, project); a consolidated balance sheet and consolidated income and expense report which show all departments combined; a budget-to-actual report for all accounts included in the annual operating budget; a list of deferred and receivable funds, and a cash flow projection. In addition, the monthly reports for the quarterly periods (December, March, June, September) will be submitted to the full board for their review and acceptance at the following board meeting.
2. The monthly statements should be reviewed by the Director prior to distribution to the Treasurer for initial comments. After the Treasurer's approval, the statements will be mailed to the Budget and Finance Committee every month and to the full board as stated above. The monthly statements will be finalized by the conclusion of the month following the statement period.

Year-End Report/Audit:

1. At fiscal year-end, and in time for the winter retreat of the Board of Directors, a year end
2. Audit report should be prepared summarizing the total income and expense activity for the year. A balance sheet should be prepared as of September 30 and should be attached to the income and expense report. This report will be initially reviewed by the Director and then by the Treasurer, prior to distribution at the annual meeting.
3. Bids for an independent auditor to conduct this review will be accepted between September 1 and October 15. In accordance with family planning program policy, at least three proposals will be considered. The auditing process will begin on or about November 1.

Grant Compliance

1. When a new grant is received or renewed, a copy of the executed grant must be forwarded to the Fiscal Manager.
2. The Fiscal Manager should set up a permanent file for the grant and maintain the contract along with any other financial correspondence regarding the grant.
3. It is the responsibility of the Fiscal Manager to review the grant contract and extract any fiscal items which must be complied with by the family planning program. Typically, for government grants, reference will be made to various publications put out by the Office of Management and Budget (OMB) and the Comptroller General's Office to which the family planning program is responsible for adhering. Currently, the publications include:
 - a. *OMB Circular A-110 A Grants and Agreements with Institutions of Higher*
 - b. *Learning, Hospitals and Other Non-Profit Organizations*
 - c. *OMB Circular A-122 A Cost Principles for Non-Profit Organizations*
 - d. *OMB Circular A-133 A Audits of Institutions of Higher Learning & Other Non-*
 - e. *Profit Organizations*

Governmental Generally Accepted Accounting Principles:

1. It is a policy of family planning program to adhere to any restrictions imposed by its funders, both governmental and private. Therefore, family planning program employees are expected to bring to the attention of management, any instances of non-compliance.
2. When family planning program is expending federal funds, prior written approval from the funder agency is required for the purchase of:
 - a. Capital expenditures for land or buildings
 - b. Insurance and indemnification expenses
 - c. Preaward costs
 - d. Public information service costs

- e. Publication and printing costs
 - f. Rearrangement and alteration costs
3. The family planning program will never request federal funds to pay for the following costs:
 - a. Bad debt expense
 - b. Contingencies
 - c. Contributions or donations to others
 - d. Entertainment expenses
 - e. Fines and penalties
 - f. Interest, fundraising and other financial costs
4. Federal funds received in advance will be deposited into a separate federally insured bank account. Any interest earned from those monies will be submitted to the funder agency. It is the family planning program's current policy to receive federal funds only on a reimbursement basis.

SAMPLE