

Financial Policies and Procedures Of the Danville Business Alliance

Introduction

The sound financial operation of the Danville Business Alliance (DBA) requires that it follow professional business practices and maintain a system of efficient internal controls that minimize risk, provide accurate records, current financial reports, and accountability of all assets and liabilities.

Internal controls can be divided into two areas: accounting controls and administrative controls. Administrative controls deal with the operations of the organization, whereas accounting controls deal with accounting for such operations. These guidelines focus on the administrative controls.

Objectives

DBA's financial controls are designed to achieve the following five objectives: validity, accuracy, completeness, maintenance, and physical security.

1. Validation is the examination of evidence that recorded transactions actually took place in accordance with prescribed procedures. This examination should be performed by someone with an understanding of the accounting system and who is not directly involved with the transactions.
2. Accuracy of amounts and account classifications is achieved by establishing control tasks to check calculations and classifications. The objective is to ensure each transaction is recorded in the correct amount, in the appropriate account, in the appropriate classification and in the correct time period.
3. Completeness ensures all transactions are initially recorded on a control document and accepted for processing only once. These controls are needed to confirm proper summarization of information and preparation of financial reports.
4. Maintenance controls monitor accounting records after the entry of transactions to ensure they continue to reflect accurately the operations of the organization. They should provide systemic responses to errors when they occur, to changed conditions and to new types of transactions.
5. Physical security means that the assets of the DBA are properly protected. This requires that access to certain assets be limited to authorized personnel through use of physical controls.

Annual Budget

It is the policy of the DBA to maintain an annual budget. An accurate budget where expenses are reconciled on a quarterly basis provides DBA management an invaluable tool for fundraising, planning and carrying out the organization's mission. Before amounts for revenue and expenses can be determined, the organization needs to establish and approve goals for the coming year.

The process of preparing the budget for the coming year should begin no later than the beginning of the fourth quarter of each fiscal year. Ideally, the following items should be used when drafting the figures for the new budget:

1. Current budget
2. Budget variance report
3. Year-to-date general ledger transaction report
4. Cash flow report
5. Monthly contributors report (funding history & projections)

After reviewing the organization's goals for the coming year and the historical data the DBA Treasurer and the DBA Executive Director (ED) will prepare a DRAFT budget for review by the DBA Executive Committee. After changes and recommendations made by the Executive Committee have been included in the DRAFT it will then be presented to the DBA Board of Directors with a recommendation for approval.

Financial Reports

In order to make informed decisions, the DBA Board of Directors and Executive Committee need to have the organization's current financial status readily available to them. This is accomplished with a variety of reports. These include:

- Profit & Loss: This report is prepared jointly by the Treasurer and ED.
- Balance Sheet: This report is prepared jointly by the Treasurer and ED.
- General Ledger Transactions: This report is prepared jointly by the Treasurer and ED.
- Budget Variance Report: The Treasurer and ED jointly prepare this report with information from the Balance Sheet provided by the Treasurer. It shows where DBA's expenses and revenue stand in regard to the budget.
- Contributor's Report: The Treasurer and ED jointly prepare this report on all members and donors who have paid dues or given money or in-kind contributions to DBA.

Reports of the preceding month's activity must be ready by the last Wednesday of the month before the regularly scheduled Executive Committee meeting.

Accounts Payable

Check requests/payment authorizations are handled under the supervision of the Treasurer or ED. All expenses and invoices require the review and approval of the DBA Executive Committee before payment is made. When an invoice comes into the office, the invoice is dated, a check is written, and it is signed by two signatories (see **Check Signers**). Invoices are normally paid within 30 days of receipt. The date the check is mailed is written on a copy of the invoice along with a copy of that check and is placed in the appropriate file.

Accounts Receivable

Accounts receivable are funds owed to the DBA either through awards of government contracts, obligations of special events vendors, dues from DBA members or by pledges from individual or corporate donors who have committed to contribute a specific amount during a fund raising campaign. Generally, all receivable accounts are handled by the Treasurer or ED.

Annual Audits

DBA is required to conduct a periodic audit under its contracts with the Commonwealth of

Pennsylvania. Audits must be handled by an independent certified public accounting firm and follow generally accepted accounting practices. The auditor should be selected on the basis of experience, service, cost, and accessibility.

It is the policy of the DBA to contract with the CPA firm selected to audit the organization for a period not to exceed four years. At the end of the contract period, the DBA Treasurer, with the assistance of the ED and such other individuals as the Treasurer designates, will interview a minimum of three CPA firms specializing in auditing not-for-profit organizations and make a recommendation to the Board of Directors for final selection. Re-awarding the contract for auditing services to the existing auditing firm is acceptable as long as the interview and selection criteria clearly indicate the firm is the most qualified and cost effective. Additionally, the contract awarding the audit to the CPA firm for a multi-year period will have a clause allowing the organization to renew the contract annually within the multi-year period, and to contract with another firm before the end of the contract period, if the current firm provides unsatisfactory service or if the financial condition of the organization prohibits the expense of a full audit.

The terms and conditions of the audit will be memorialized in an engagement letter to the CPA firm before an audit commences. The engagement letter will be reviewed by the Board of Directors immediately before the audit commences. Board approval is required before the President, Treasurer or ED is given authority to sign the document.

The DBA will direct the ED to distribute the audited financial statements to the Board of Directors and to organizations entitled to receive a copy because of contractual agreements or statutory requirements. The decision to publish the statements or otherwise make them available to the membership will be made by the Board at its meeting following the issuance of the statements. The authority to distribute the statements to other individuals or firms requesting them will be left to the discretion of the ED or the Treasurer.

It is the policy of the DBA Board of Directors to discuss the CPA management letter with representatives of the auditing firm, and to direct the ED and staff to take the appropriate action required to correct issues documented in the management letter, and to follow up accordingly. Distribution of the management letter to individuals or firms other than those entitled to a copy by contractual obligation or statutory requirement is left to the discretion of the Treasurer or ED. A log will be maintained as a record of those receiving a copy of the management letter.

Annual Leave Accrual

In the last month of the fiscal year, it is the policy of the DBA to budget for and accrue the value of the annual leave liability due employees.

Bank Accounts

DBA maintains checking accounts (account # 2995-91739 Promotional & account # 2995-91738 General) and a CD (account # 001-3003201) with FNB Bank, and an account with Service First Credit Union (account # 573391).

The Treasurer, ED, and at least one additional member of the DBA Executive Committee will be authorized users of the accounts.

Bank Reconciliations

It is the policy of the Danville Business Alliance to address bank statements to the Treasurer, who will do an initial review of checks that cleared during the prior month.

Within 5 business days, the Treasurer will forward the bank statement to the DBA executive assistant, who is responsible for bank reconciliations. This individual cannot be a check signer. The DBA executive assistant will answer any questions posed by the Treasurer and prepare the bank reconciliation within 5 business days.

The bank reconciliation will be distributed to the Treasurer with the internal financial statements and will include documentation of voided checks. The Treasurer will review the legitimacy of all deposits and withdrawals in transit on the monthly bank reconciliation. The ED will review and sign off on the bank reconciliation quarterly. The supportive documentation for bank reconciliation will be retained for seven fiscal years after the documentation is created.

At least once a year, either the ED or his or her designee shall receive the bank statement unopened and perform the bank reconciliation.

All bank reconciliations should be stored in a secured area for audit validation purposes. If the bank reconciliations are stored on a computer, access should be limited to the Treasurer and his or her designee(s), and password protected with a user login.

Check Security

It is the policy of the Danville Business Alliance to keep unused check supplies safeguarded under lock and key. All check disbursements will require approved invoices or expense vouchers which will be annotated with the date the check was mailed. A copy of the check will be attached. The invoice and check will be placed in the appropriate file. The resulting checks will be signed by two persons not requesting the check. The identity of the payor should match the name of the individual or organization which has submitted the invoice, expense voucher or other written demand for payment.

Signed checks that have not been mailed or distributed will be put under lock and key at the end of each day.

Check Endorsement/Stamp

It is the policy of the Danville Business Alliance to endorse checks with a stamp(s) as follows:

FOR DEPOSIT ONLY
Danville Business Alliance
_____ Bank/Credit Union
Account # _____

Check Presentation and Mailing

It is the policy of the Danville Business Alliance to prepare and mail checks for vendor payments, employee expense reimbursements, and so forth 30 days after the invoice or request for payment has been marked with the organization's date and time received stamp. (See Date and Time Received Stamp Policy.) All vendors and employees will be notified of this policy.

Check Signers

It is the policy of the Danville Business Alliance to give check-signing authority to the following persons:

- Treasurer and at least one additional member of the DBA Executive Committee
- Executive Director

Checks issued for payment of the organization's debts will require two signatures of individuals not associated with incurring the debt, and are reviewed monthly by the Executive Committee.

Additionally, individuals involved with bank reconciliation are prohibited from having check-signing authority.

Check Stock

It is the policy of the organization to use the type of check stock that cannot be scanned.

Check Supply

It is the policy of the Danville Business Alliance to protect the organization's check supply by keeping checks secured under lock and key at all times.

Committees

- Executive
- Promotions
- Design
- Economic Restructuring

Contributions

It is the policy of the Danville Business Alliance to send thank-you letters on the organization's letterhead acknowledging all contributions, regardless of the amount. The letters will indicate the dollar amount contributed. Copies of the letters will be retained in the files of the Danville Business Alliance.

Control over Checks and Cash

It is the policy of the Danville Business Alliance that all incoming mail will be imprinted with a date and time received stamp, on which the person stamping the mail will also place their initials.

Mail will be opened by a DBA employee or agent. Checks received will be recorded by the Treasurer on the Monthly Checks Received Log Form, which will include the date, the name of the payer, the date of check, and the invoice number if applicable. Checks will be endorsed immediately. The original Monthly Checks Received Log Form will be retained with bank reconciliations until the annual

audit. All checks and cash received will be deposited within 5 banking days.

Date and Time Received Stamp

It is the policy of DBA to stamp the back of all invoices and other demands for payment received in the mail with a date and time received stamp and the initials of the DBA employee or agent who stamped it.

Deposits

All deposit receipts will be reviewed and annotated by two of the authorized account signatories, to include an itemization of the cash and checks represented by the deposit, or a copy of the checks. All deposit receipts should be retained to complete bank reconciliations and annual audits.

Emergency Expense Check Requests

On rare occasion, it may be necessary to generate an expense check. This may be authorized by the Treasurer or ED and issued over the signatures of the appropriate signatories. The request will be reviewed at the next regularly scheduled Executive Committee meeting.

In all other requests, the transaction must follow the procedures outlined in **Accounts Payable**.

Financial Statement Preparation and Distribution

It is the policy of DBA to prepare and distribute monthly financial statements that will include a review of the organization's current month and year-to-date revenue and expenses, current bank account balances, and budget variance. The statements will be distributed by the Treasurer to the executive committee, the ED, and the Board of Directors.

Investment Policy

The DBA will invest excess cash in conservative investments approved by the executive committee. Investments will be chosen after an analysis is performed of the cash flow projection budget for the length of time the monies will be obligated. The analysis will insure that cash will be available for that length of time to meet routine, ongoing cash obligations.

Nondistribution of Earnings

It is the policy of the Danville Business Alliance to prohibit any distributions of earnings to members in general, members of the board of directors, committee members and chairs, and the like. These individuals can be reimbursed for reasonable travel expenses as noted in **Reimbursement of Board, Committee and ED Expenses**, *infra*.

Nonsufficient Funds Checks

It is the policy of the Danville Business Alliance to include checks in the collectibles account in the

accounting records, if they are returned by the bank because of nonsufficient funds. A reasonable attempt will be made to contact the originator of the check to arrange clearance of the check and payment.

If the checks in question are eligible for redeposit, the subsequent deposit will reduce the collectibles account accordingly.

If the checks in question are prohibited from redeposit, the Danville Business Alliance's **Write-Off of Old Checks** Policy will be implemented.

A Nonsufficient Funds Check Log will be maintained and made available for the annual audit.

Organization's Assets

Physical security is ensured in a number of ways. These include: all checks require two signatories; the office door is locked when no one is present; there are locks on financial records files. Office computers are password protected with user logins. There is a separate login for Treasurer to access the QuickBooks program. Passwords will be periodically changed.

The assets of the DBA will be inventoried on an annual basis.

The DBA Officers, directors, and employees are covered under the following policies issued to the DBA:

- Directors & Officers Liability Insurance
- Workers Compensation
- General Liability Coverage

DBA employees and volunteers are covered under the General Liability policy up to two million dollars as long as they are performing duties related to the conduct of the DBA.

PAID Stamp

It is the policy of the Danville Business Alliance to annotate each invoice or other demand for payment with the following information:

PAID
Check # _____
Account Name _____
Check Amt. \$ _____
Date Mailed _____

Payment Terms

It is the DBA policy to pay vendors and creditors within 30 days after receipt of an invoice or other demand for payment.

Payroll Processing

It is the policy of the Danville Business Alliance that the Treasurer and the ED will be involved in

payroll processing. The Treasurer will compute the payroll and the ED will check it. Both individuals will sign the payroll detail attesting accuracy.

Petty Cash

A supply of petty cash will be maintained at the DBA office in an amount no larger than \$100.00 and secured under the control of the ED. Disbursements from the petty cash fund may only be made for approved expenditures of the DBA. A receipt must accompany every disbursement. The receipt must be signed by the person receiving the cash and the person disbursing the cash. Receipts and expenses will be reviewed monthly by the Treasurer. The Treasurer will replenish the petty cash fund as needed at the end of every month by issuing a check to the ED with the word "agent" following his or her name, and the check will be signed by two other authorized signatories.

Records Management

Financial records are maintained by the Treasurer and the ED in the DBA office. Invoices, checkbooks, tax returns, audits and all other financial documentation are kept for a period of seven years. It is within the discretion of the Treasurer or the ED to retain important financial records for a longer period of time than legally required, or even permanently. When appropriate, financial records may be destroyed, and when they are, their destruction must be approved and documented by the ED and the Treasurer.

Reimbursement of Board, Committee and ED Expenses

The DBA will reimburse individuals serving on the Board of Directors, committee members, and the ED for Board-approved travel in connection with attendance at certain meetings. Travel reimbursements will be limited to reasonable and actual expenses incurred, except for travel by private automobile, which will be reimbursed according to the standard mileage rate for business travel allowed by the U.S. Internal Revenue Service at the time the travel occurred. Meals, lodging and incidental expenses will be reimbursed in an amount no greater than that allowed for official travel by the U.S. General Services Administration for the area of Pennsylvania or other geographic area in which the travel expense was incurred. Individuals should submit a Travel Expense Reimbursement Request Form to the Treasurer, supplemented by original receipts and other appropriate documentation. All requests for reimbursement will be reviewed by the Executive Committee. The reimbursement check should not be signed by a payee.

Taxes

The DBA Treasurer will be responsible for ensuring the preparation and accuracy of all documentation to support the various tax returns that are required to be filed.

Violations

Staff members violating this policy will be subject to disciplinary action as outlined in the Employee Handbook.

Voided Checks

It is the policy of the Danville Business Alliance to maintain a Voided Checks Log and document every check that has been voided, regardless of the reason.

If voided checks are physically available, they will be stamped VOID and filed in the organization's voided checks file, and the signature line will be torn off. The voided check will be kept in the voided checks file for 7 years.

If voided checks are not physically available, the DBA's copy of the bank's stop-payment order will be filed in a stop-payment order file. The stop-payment order will be kept in the stop-payment order file for 7 years.

Write-Off of Old Checks

It is the policy of the Danville Business Alliance to make every attempt possible to contact the payees of outstanding checks that have failed to clear the bank. If a check is outstanding more than 30 days, the ED or his designee, but in no event the person who performs the bank reconciliations, should contact the payee and verify receipt of the check. If the payee is unresponsive after more than six months from the date of issuance of the check, the check will be written off at that time. If the payee is responsive, and it is established the payee has never received and negotiated the check, it should be voided and a new check issued.

Checks that have been outstanding in excess of 5 years will be handled in accordance with the Pennsylvania Disposition of Abandoned and Unclaimed Property Act, as amended. A log of checks that have been turned over to the state will be completed and made available for the annual audit.