

EAST MULTNOMAH
SOIL AND WATER CONSERVATION DISTRICT
Fiscal Policies and Procedures Manual

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I. Introduction

East Multnomah Soil and Water Conservation District (District) board, employees, and volunteers are skilled and dedicated to providing the best information and assistance available to help conserve the natural resources of the area. As a unit of government, we are stewards of taxpayer money and are mandated to comply with standards and principles that are dictated by the government and the people we serve. The intent of the following policies is to assist us in fully utilizing our skills and knowledge for the benefit of the organization.

System of Internal Controls

Internal controls are procedures designed to promote and protect sound management practices. Effective internal controls increase the likelihood that financial information is reliable, that the assets of the District are protected from theft, misuse or accidental destruction, the District's policies are followed, and that governmental regulations are met.

Control Environment: All board members, employees, and volunteers are expected to demonstrate ethical behavior, which includes following organizational policies and procedures. Because the East Multnomah Soil and Water Conservation District is a unit of government, the Oregon Revised Statutes and Administrative Rules on ethics also apply. These expectations apply to everyone, especially those in management positions who must set the example of ethical behavior for all.

Policies and Procedures: It is the policy of the District to create and maintain accounting policies, procedures and records which are consistent with Generally Accepted Accounting Principles and which meet the requirements of state and federal statutes and regulations. District accounting, audit and financial management policies are designed to protect and secure the assets of the District, ensure the maintenance of accurate records of the District's financial activities, and ensure compliance with governmental reporting requirements. To be useful, policies and procedures must be available to the individuals who implement them. Reference copies of this manual will be available at each work site. Updated pages will be provided when changes are made. (When changes are made be sure to date new pages.)

Segregation of Accounting Duties: Segregation of duties reduces the opportunities for losses, and protects employees and volunteers from unwarranted suspicion. To achieve the objectives of internal control and separation of duties, the District maintains accounting procedures in which, to the extent possible and practicable, no financial transaction is handled by one person from beginning to end.

Signature Authority: To safeguard the cash assets of the organization, individuals who process cash transactions and/or have access to blank check stock do not have signature authority for the bank account(s). Because the number of employees is too small to achieve an ideal segregation of duties, the check signers are board members.

Purchasing strategy: All employees have an obligation to use the resources of the organization (personnel, supplies, equipment, and facilities) in an effective and efficient manner, by monitoring budgets, shopping for the best buys, soliciting bids, negotiating contracts, and requiring review and authorization for major purchases.

The District also has an obligation to reduce waste/unnecessary resource usage, and to favor local and more sustainable products, services and methods where cost and additional time necessary are not prohibitive.

Chart of Accounts and Account Structure

The District's accounts are set up in QuickBooks Pro. The system includes a number of lists.

The Chart of Accounts lists all account names and numbers used in the District's general ledger.

The Class List is a list of codes for programs (classes): The Class number refers to the program, activity, functional area, or legal entity to which a transaction relates.

The Item List is a list of activity codes for tracking staff time: Activities are broken down into major activities, followed by detailed information as applicable. The time spent on specific activities will be further divided into "In District," "Out of District," and "Portland, Out of District.", defined as activities focused outside the District and without sufficient benefit to the District to justify use of District tax funding to support. These activities will be funded with appropriate revenue sources other than the District's property tax.

The Payroll Item List indicates how staff time is to be paid out (e.g., salary, hourly wage, holiday, vacation) and lists taxes and benefits.

The Customer/Job List is a list of funding sources for use in paying staff payroll, payroll liabilities, and other District expenses. The customer/job list is also used for tracking the funds used and funds remaining for each source and for providing reports on how the funds of a given source are used.

II. Receipts and Deposits

All funds received need to be documented, kept secure, and deposited in the bank account as soon as practical. Funds will be delivered or mailed to the Bank by an employee or other representative of the District within three (3) working days of receiving them. If this is not possible, the employee or representative of the District will notify the Executive Director of the details of the received funds, including: the amount received, who the funds are from, and method of ensuring that the check/cash is secured in a safe place.

A. Funds received by mail or in person at office:

1. Administrative Assistant (*may be delegated*) will open the mail, date stamp the first page of each item, and separate checks from other mail. A receipt is written for all funds received in person.
 - a. Immediately stamp checks with a restrictive endorsement.
 - b. Total checks and cash, using an adding machine with a paper tape printout.
 - c. Copy the checks.
 - d. Paper clip the checks and cash to the adding machine tape.
 - e. Clip the check copies to any memo, correspondence, or advice that came with them.
 - f. Enter the date, source, and total in the cash receipts log
 - g. Lock checks in Executive Director's filing cabinet, put copies in Bookkeeper's In Box.(When the above tasks are delegated: give the two packets, cash and checks, and the copies, to the Administrative Assistant.)
2. The Bookkeeper prepares the bank deposit slip, in duplicate, from the packet of cash and checks.
 - a. The original deposit slip is taken to the bank with the cash and checks. If possible, an employee other than the Bookkeeper should take the deposit to the bank.
 - b. The copy remains in the bound book of deposit slips.
 - c. From the check copies and related documents the Bookkeeper enters deposit into the accounting system listing each check separately and identifying revenue source and type. For occasional events that produce a high volume of small checks from the public (e.g. Native Plant Sale) the checks may be aggregated in recording the deposit.
 - d. When the deposit receipt is returned from the bank it is attached to the adding machine tape and the check copies and filed in the monthly transactions file.
- B. Interest and dividend income should be entered into the accounting system from the bank, money market, and investment statements at the end of each month by the Bookkeeper as soon as the information is available.
- C. Overall controls for revenue: The total in the cash receipts log for the day, week, or month should equal the bank deposits recorded in the accounting system during the same time period (keep in mind that deposits made after a certain time each day will be recorded the following day.) The Finance Manager will compare the cash receipts log to the general ledger monthly.
- D. Special Contributions: Certain types of contributions require special treatment by accountants preparing audited financial statements. Recording such transactions in the organization's books will reduce differences between any audited financial statements and the monthly (unaudited) statements reviewed by the Board.
 1. The Board's gift acceptance policy for certain contributions is as follows:
 - a. Stocks, bonds, and other securities should be liquidated as quickly as possible and the proceeds treated as a cash contribution and invested in the Local Government Investment Pool. (Technically gifts of stock should be recorded at fair market value on the date

- received, and if the sale price is different, a gain or loss should be recorded. The goal of this policy is to liquidate stocks quickly enough that there is little or no gain or loss.)
- b. There are gifts that the organization may not wish to receive. These might include items with no fair market value, gifts with dubious restrictions, or gifts that will require more time and effort to prepare for sale than they are worth.
 - c. Gifts of real property will be assessed and received in compliance with relevant state and federal statute.
2. Restricted Contributions are those where restrictions are placed on the use of the contribution by the donor. Restrictions can be for special purposes, such as to pay for plantings in a specific location, or funds may be restricted to a specific period of time, such as FY 06-07, or both time and purpose restrictions may be placed on a contribution. Grants and contracts with governments are generally not considered contributions.
- a. The organization may not accept contributions that will benefit a specific individual or other organization without risking a penalty from the IRS. Examples would be a contribution of \$5,000 to hire the donor's nephew for the summer or a contribution for a marketing study to be performed by a specified market research firm.
 - b. Restricted contributions must be reported separately on the financial statements, and therefore must be identified in the accounting system, so that the organization can accurately report that the restrictions were met.
 - c. Whenever possible the restrictions should be received in writing, and should always be restated in the "thank you" letter acknowledging the gift.
3. Contributions of supplies, furnishings, or equipment are recorded at their fair market value on the date they are received.
- a. It is often necessary to estimate fair market value,
 - b. Items that would be capitalized if purchased should be capitalized if received by gift,
 - c. Non-cash contributions over \$250 must be acknowledged by the recipient to be tax deductible. However, not all gifts to nonprofit organizations are deductible by the donors, and it is not the responsibility of the receiving organization to provide tax advice to donors! The District will provide the donor with a form acknowledging the donation as potentially a tax deductible contribution.
4. Contributions of services, if provided by professionals, should be recorded at fair market value at the time the services are provided. For example, lawyers providing legal services or electricians doing wiring without charging should be recorded as contributed services. An architect volunteering to lead nature walks would not meet the formal accounting definition of "contributed services."

III. Cash Disbursements

Cash disbursements are made by check (with the exception of petty cash.) The Executive Director approves all invoices for payment. All District employees, officers, or volunteers processing accounting transactions are responsible for accurately coding each transaction using the established Chart of Accounts.

A. Petty Cash: An impress petty cash fund is used for purchases under \$50.00

1. Petty cash box is kept locked in the Financial Records Cabinet in the Bookkeepers office. The total in the petty cash box will not exceed \$50 and is used for items like postage and other small, time-sensitive items requiring cash. Employees and volunteers who need access to petty cash will obtain permission from the Executive Director, record the expense in a petty cash log and place a receipt in the file accompanying the log.
2. The petty cash fund is reconciled and replenishment is requested by the Administrative Assistant using a Petty Cash Reconciliation form. All petty cash requests and supporting invoices and receipts are attached to the Petty Cash Reconciliation form.

B. Check Requests: Checks are prepared only on the basis of a properly authorized written instrument. The District requires both a check requisition and supporting documentation from the payee (e.g. invoice, bill statement, travel document).

1. Invoices received at the District office will be stamped with the authorization form stamp and routed to the employee responsible for authorizing payment. The employee will review, code and initial the invoice using the spaces provided by the stamp. The invoice will then be routed to the Executive Director for approval.
2. Check Request forms are completed by the individual requiring the check, and approved by their direct supervisor. Completed Check Request forms are sent to the Executive Director, along with the supporting documentation. After the check request has been approved, the form goes into the "Bills to Be Paid" file and is processed by the Bookkeeper.
 - a. The Executive Director approves normal and customary purchases which are within the budget for the line item and program they are to be charged to up to a cost of \$5,000. Unusual purchases, items over \$5,000 or charges which are over budget will be forwarded to the Board of Directors for approval.
 - b. Employee reimbursement requests must be submitted at least once a month, and no more than twice a month. The deadline for employee reimbursement requests is the fifth working day after the end of the month in which the expense was incurred.
 - c. Expenses are posted to the system weekly by the Bookkeeper.
 - d. Checks are prepared weekly, except for unusual circumstances or emergency situations.
 - e. All checks are pre-printed and serially numbered. Blank check stock is kept in a locked file cabinet. Voided checks will have "VOID" written boldly in ink on the face and have the signature portion of the check torn out. Voided checks are entered into the general ledger and kept on file.
 - f. Prepared checks are submitted to the Finance Manager for review and then to authorized signers.
 - g. The employee responsible for mailing checks will not be responsible for recording cash disbursements in the general ledger.
 - h. No checks will be issued payable to "Cash", "Bearer" or any other unidentifiable person or entity.

C. Credit Accounts: Some businesses will issue a credit or charge card to businesses to be used only in their stores. Other businesses will establish accounts for regular customers.

1. Applications for credit cards or charge accounts must be approved by the Board.
2. Each of the organization's vendors with charge accounts will be provided with a list of authorized signers for purchases. These lists should be updated periodically as personnel and their duties change.
3. The processes and dollar limits described under "B. Check Request" should be used for all credit purchases; only the form of payment is different.
4. Each card issued should be assigned to an individual as custodian, who will be responsible for the safekeeping of the card. The District's credit card limit will not exceed \$3,000.
5. Cardholder's will be limited to the following three positions: Executive Director, Conservation Technical Assistance Supervisor and Sustainable Urban Landscapes Supervisor. All credit card purchase requests must be approved by one of the above cardholders.
6. Receipts, invoices, and charge slips must be delivered to the business office within 10 days of the purchase.
7. Credit card statements are delivered, unopened, to the Finance Manager, who reviews the statements and gives to Bookkeeper for entry into the general ledger (note that Finance Manager is not an authorized cardholder).

D. Bank Reconciliations:

1. Bank statements are delivered, unopened, to the Executive Director, who reviews cancelled checks and gives statements and cancelled checks to the Bookkeeper to be reconciled.
2. Monthly bank reconciliations are prepared by the Bookkeeper and submitted to the Finance Manager for approval prior to month end closing.
3. The Finance Manager reviews all disbursements and deposits monthly and appropriate action is taken on outstanding items in excess of 90 days. After a six-month period has elapsed, outstanding checks will be voided.
4. Bank charges and similar transactions are entered into the accounting system from bank, money market, and investment statements at the end of each month by the Bookkeeper as soon as the information is available.

E. Cash Transfers between Bank Accounts: the Bookkeeper notifies the Finance Manager and prepares a Transfer of Funds Form if funds need to be transferred in order to cover the total amount of payroll, taxes and expenses. The Bookkeeper then submits this form to the Executive Director who will make the transfer, initial the form and return to the Bookkeeper for recording in the accounting system.

E. Professional Services Contracts: Individuals or firms providing contract services to the District must complete and sign the Professional Services Contract form and attachments, which are kept by the Finance Manager. Policies and procedures governing contracting are found in the District's "Public Contracting Rules and Procedures" document and are not repeated here.

G. Allocation of costs: some expenses incurred by the organization benefit all, or most, of the functional activities, and the costs should therefore be divided up between the programs benefiting. Examples include telephone, rent, and bookkeeping services. If an allocation of shared expenses is requested by the board, it may be done for the whole year as a part of the audit. The allocation method needs to be supported by adequate documentation, needs to be applied equitably to all activities, and needs to be applied consistently over time.

1. Expenses that benefit the entire organization will be allocated among the programs or activities according to the number of employee hours (not dollars) spent in each program or activity. Such an allocation methodology presumes that, for example, the proportion of telephone use by a program will be almost the same as the proportion of employee hours worked on that program.

2. The “hierarchy” of expenses should be:
 - a. Any expense that directly benefits an activity should be charged to that activity. The individual requesting the payment is responsible for accurately coding the request.
 - b. Any expense that benefits more than one activity, but not all, should be equitably divided between those activities. The individual requesting the payment is responsible for accurately coding these requests.
 - c. Expenses that benefit all activities should be divided (allocated) between all activities. Expenses commonly allocated include:
 - Time of the Executive Director and Administrative Assistant charged to “District Operations & Administration” (not directly to other activities)
 - Telephone
 - Rent
 - Bookkeeping, accounting, and audit fees
 - Office supplies (general, available to everyone)

IV. Personnel & Payroll

Every employee will have a personnel file containing information specific to payroll, payroll taxes, and deductions; and job specific information such as resumes, job descriptions, and performance evaluations. Payroll records will be used to record salaries and wages, earned time off and employer/employee contributions and withholdings.

A. New Employees

1. **Payroll Information: Each new employee completes the following forms:**
 - a. New Employee Information (partly filled out by supervisor)
 - b. IRS form W-4
 - c. Deduction Authorization Form
 - d. Direct Deposit Authorization Form
 - e. Health Insurance Enrollment form
 - f. Life Insurance Form

g. Retirement Form

2. The Executive Director and employee together complete the Immigration and Naturalization Service form I-9, which is filed in a separate notebook in alphabetical order by employees' last names. The separate notebook for I-9's prevents INS representatives from seeing other items in the personnel files. The identification presented by the employee should be photocopied and attached to the form I-9.
3. **Whenever an employee changes positions or pay rate a "Change of Status" form is completed by the Executive Director. Changes in rate of pay must be approved by the Board of Directors and reflected in the minutes.**
4. The employee must complete a new Deduction Authorization form whenever they wish to change payroll deductions. The form is kept in the Personnel file.
5. Whenever an employee wishes to start, end, or change direct deposit of their pay, a new Direct Deposit Authorization form is completed and kept in the Personnel File.
6. Whenever tax allowance information is changed, the employee must complete a new W-4, which is kept in the employee's personnel file.

B. Payroll Processing:

1. The Bookkeeper inputs new employee and updated employee information into the accounting system each pay period.
2. Each employee completes her/his own timesheet using the QuickBooks Pro Timer program. Timesheets for the entire monthly pay period are due by 5pm two business days prior to the payroll processing date of the current pay period. Employees will estimate their hours for days not yet worked. Employees need to keep track of the time they work on each program, project, or activity on the timesheet.
3. Supervisors review their employees' timesheets and discuss any changes needed with the employee. Bookkeeper exports the data from the employee's ProTimer timesheet into the employee's timesheet file on the computer network Shared drive.
4. The Bookkeeper checks to make sure that all timesheets have been received and notifies supervisors of any missing timesheets.
5. Two business days prior to the end of the monthly pay period the Bookkeeper enters payroll information, creates paychecks and tax deposits and transmits the Direct Deposit information via the accounting system.
6. If the Direct Deposit option is not used by an employee, a live check will be printed and delivered to an authorized signer. The bottom stub of the live checks will be removed and filed in the employees personnel file. The Bookkeeper emails non-negotiable check stubs for all employees who are receiving Direct Deposit payments.

7. Throughout the payroll process, the Bookkeeper checks off each task in the process on the Monthly Payroll Checklist. At the end of the process, the Finance Manager reviews the Monthly Payroll Checklist with the Bookkeeper and notes approval by initialing each step. The purpose of the Monthly Payroll Checklist review process is to catch errors, if possible, before payroll is processed and to ensure all steps in the payroll process are completed in a timely manner and all deadlines are met, particularly with regard to the payment of payroll taxes.
8. On the pay date, the Executive Director *distributes* any live paychecks or pay stubs to employees and mails checks to employees who do not pick up their paychecks.
9. Upon completion of payroll, the Bookkeeper prints out and distributes monthly timesheet reports to each employee. Employees then review their timesheets and note any changes to projected time on the last few days of the month (those hours which were projected at the time of payroll in step 2 above), or any other changes. After reviewing and noting changes, the employee initials the report and passes it on to their supervisor. The supervisor then reviews the report and notes their approval by initialing and passing the report to the Executive Director. Once the Executive Director has reviewed all reports, they are passed back to the Bookkeeper. The Bookkeeper then notes any changes to be made during the next payroll and files all timesheets with the payroll records. The purpose of the timesheet review process is to ensure employee hours are recorded accurately and a paper audit trail exists.
10. The Bookkeeper will prepare and transmit the payroll tax reports, W-2 forms and 1099 forms as needed and meeting deadline requirements.
11. The Finance Manager will verify payroll tax preparation on a monthly basis, and W-2/1099 preparation on an annual basis.
12. Payroll will be prepared in accordance with the personnel policies.

V. Budgeting

A. The budgetary process shall comply with applicable state and federal laws, and with the guidelines set forth by the board of directors. An annual budget is prepared based on historical costs, environmental scanning and future directions as established by the board of directors. Budgets will be prepared and monitored at the program or functional activity level.

1. Budget Monitoring: The bookkeeping service will be provided with the FY budget and all subsequent budget adjustments as soon as they are approved by the Board. The Bookkeeper will input detail budget data into QuickBooks so that “budget to actual” reports can be produced. This will allow management to monitor revenues and expenditures by program, to keep abreast of any issues that arise, and to communicate progress or adjustments to the board for review.

VI. Financial Reporting

The District will utilize a double entry system for accounting for all funds. Adequate documentation will be maintained to support all general entries. The Finance Manager will be responsible for compiling monthly and year-to-date reports on all programs.

A. Monthly Report Processing:

1. As soon as practical after the end of each month the Bookkeeper should gather:
 - Statements and Adjustment notices from the bank(s),
 - Accounts receivable/payable information – as well as copies of any invoices to or bills from other entities that have not been input into the accounting system.
 - Any new information about programs, funding sources, regulations, or reporting requirements that might require new classes or categories, or that might require a change in the format or appearance of the financial statements, and
 - Any other adjustments or changes needed for the monthly financial statements.
2. Copies of all materials provided to the Bookkeeper should be kept in the financial file, one file for each month. **Because entries can be changed and backdated in the accounting system, it is very important to keep printed copies of the end of month reports on file.**

B. Financial Reports: the Executive Director, Program Coordinators, and the Board will decide exactly what reports will be most useful, as well as the timing and format. Monthly reports which analyze the District's financial position and programs will be presented to the Board of Directors and included in board packets. The following reports will be produced:

1. Statement of Financial Position (Balance Sheet), accrual basis,
2. Statement of Activities (Income Statement), year-to-date, year-to-date budget, difference in dollars, and/or percentage difference, accrual basis,
3. Statement of Activities (Income Statement), accrual basis, by Class (for each functional area)

Any adjustment to financial reports should be submitted to the Finance Manager, who will make adjustments in the accounting system and reissue reports if requested. The Bookkeeper will make a back up of the accounting system on a weekly basis, and create an external backup copy on a monthly basis.

VII. Non-Cash Assets

Capital or Fixed Assets are items that cost \$2500 or more and that will be used for more than a year. All employees share responsibility for maintaining an accurate and up-to-date inventory of furniture and equipment.

1. Whenever capital purchases are made, an additional copy of the Invoice and check are made to place in the fixed assets file.

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2. Acquisitions are added to the fixed assets inventory, which lists the name of the item, make and model number, serial number, date of purchase, vendor, original cost, date placed in service, service location, and assigned inventory number.
3. The assigned inventory number is attached to and/or written on each item.
4. A depreciation schedule will be developed from the inventory listing, and depreciation will be expensed annually.
5. Whenever furniture or equipment is disposed of, the employee initiating the disposal must notify the Executive Director in writing.
6. A physical inventory should be taken periodically and compared to the inventory management records. Inventory and accounting records will need to be adjusted accordingly.