

III. Fiscal Affairs

A. Compliance

1. Policy

Family Outreach, Inc. will comply with all state and federal rules and regulations as a corporation organized under IR Code Section 501(c)(3).

Family Outreach, Inc. will comply with all contractual requirements and program components expressly stated and agreed to in all contracts entered into.

2. Procedures

a. Family Outreach, Inc. will maintain or ensure access to all applicable reference guides of state and federal laws; as well as a policies and procedures manual for contract performance, program specifications, and reporting requirements.

b. Family Outreach, Inc. will ensure that all employees are properly trained and knowledgeable in their positions.

B. Internal Control

1. Policy

Family Outreach, Inc. will maintain a system of internal controls for the purpose of reducing the risk of fraud, theft, larceny, misappropriation, or errors by employees and/or other individuals and businesses.

2. Procedures

a. Agency expenditures and receipts are monitored through segregation of duties.

Different individuals shall perform processing of expenditure claims, check signing, and cash reconciliation, with tasks separated as staff structure allows.

Different individuals shall perform the logging in of receipts, making deposits, recording deposits, and verifying deposits against the bank statement, with tasks separated as staff structure allows.

b. All budgets and forms must be approved with an authorized signature as follows:

| FORM | MANAGERS | | DIRECTOR | | BOARD |
|--|----------|----|----------|----|-------|
| ----- | | | | | |
| BUDGETS* | | | | | |
| FES-I, SL | X | or | X | or | X |
| FES-GF, FES-C | X | or | X | or | X |
| BUDGET AMENDMENTS* | | | | | |
| For transfer of funds | X | | | or | X |
| For additional funds | X | | X | or | X |
| * See Section V (FES) and Section VI (SL) for budget procedures. | | | | | |
| CONTRACT FOR SERVICES | X | | | | |
| MATERIAL & SUPPLY REQUISITIONS | | | | | |
| Equipment | X | or | X | | |
| All other operating | X | | | | |

| FORM | MANAGERS | DIRECTOR | BOARD |
|---------------------|----------|----------|-------|
| REQUESTS FOR LEAVE | | | |
| Staff | X | | |
| Managers | | X | |
| PAYROLL TIME SHEETS | | | |
| Staff | X | | |
| Managers | | X | |
| SERVICE INVOICES | X | | |
| SUPPORT REQUESTS | X | | or X |
| TRAINING REQUESTS | | | |
| Staff | X | | |
| Managers | | X | |
| TRAVEL VOUCHER | | | |
| Staff | X | | |
| Managers | | X | |

c. Two signatures are required on all disbursement checks, except payee accounts.

AUTHORIZED SIGNATURE COMBINATIONS

- 1) Director and Business Manager
- 2) Business Manager and Program Manager
- 3) Director and Program Manager
- 4) Either Director, Business Manager, or Program Manager and one Board Member

d. With direction of the Business Manager, the designee or Assistant Business Manager shall administer accounting and computer system security.

- (1) Employees will have limited access into financial and certain client census information as needed by their positions.
- (2) The designee or Assistant Business Manager shall maintain record of all agency positions and level of security prescribed to each. Where applicable, user passwords will be maintained and updated by the designee or Assistant Business Manager on an annual basis.

- e. All blank checks, incoming receipts, signature stamps or plates, and vital documents must be stored in a locking, fireproof location. Access to the safe or file cabinet is limited to Administration personnel only. The safe combination or location of keys shall remain confidential and in the possession of these personnel. The safe shall remain locked when access is not required. Each night, the last administrative employee to leave must verify that the safe and file cabinet are locked.
- f. A reconciling inventory of equipment on hand to the inventory lists shall be conducted periodically to verify existence and condition of corporation property. For this purpose, equipment is defined as all items with a value of \$5000 or greater. Items valued at less than \$5000 and needing tracking shall be inventoried as deemed necessary.
- g. An independent financial audit shall be completed annually or as requested by contracting agencies. Corporation records and documents shall be made available to the auditor and to all authorized individuals and representatives of state and federal agencies.

C. Budgeting

1. Policy

Family Outreach, Inc. will prepare and maintain a fiscal budget that is within available resources, reflects the program needs of the clients served, and ensures the financial solvency of the corporation.

A method of cost allocation amongst funding sources shall be maintained which complies with all contract specifications and restrictions. This method should remain consistent throughout each fiscal year, but may be reevaluated at each budgeting cycle as changes in contracts/funding sources occur.

2. Procedures

a. Agency Budget Preparation

- (1) Initial budget preparation shall begin by evaluating the state contract and allocating the total budget according to funding source.
- (2) Fixed corporation operating costs, such as, but not limited to, current-level personal services, and mortgage and lease agreements, shall be allocated second.
- (3) Variable corporation operating costs shall be allocated based on management objectives and the priorities established by the Annual Objectives Plan.

Either method of historical expenditure analysis, or zero-based annual estimates, as determined most appropriate by management, may be used to calculate direct and indirect operating costs.

- (4) Budget categories and line item descriptions must be established which best reflect the nature of the expenditure.

- (5) As a non-profit corporation, at no time may the sum total of all budget categories exceed the revenue estimated for the contract and program budgeting period.

Should estimated funding sources not meet the program or corporation needs, the Director shall notify the Board of Directors to develop a plan of action.

- (6) The Business Manager shall maintain all budget documentation that demonstrates the current method of cost allocation for all operating costs, case management calculations, contracts and relevant information and correspondence.

b. Consumer Budget Allocation

- (1) The remaining unallocated funding is to be applied towards consumer budgets, otherwise known as their "Wrap" budget. The total wrap budget for each funding source should be compared to the prior year's wrap and analyzed to ensure reasonableness.
- (2) Initial budget preparation shall begin with an assessment of direct client needs based on estimated budgets derived from the IFSP process.
- (3) Employees and consumers of corporation services may make recommendations and budget requests which may be utilized in the planning process.
- (4) Supported Living, Community Supports, and FESI budgets must reconcile to cost plans submitted to DDP.
- (5) For further detail of the consumer budgeting process, see Section V (FE&S) and Section VI (Supported Living).

c. Budget Maintenance

- (1) Each month the Director and Board of Directors shall receive financial statements, including an income, budget, and variance statement and balance sheet, for review of the previous month's financial activity. The Program Managers will each receive an operating summary for their respective office for review.
- (2) The Business Manager shall note any areas of concern, change, or extraordinary expenditure made during the statement period.
- (3) Should analysis of line-item expenditures note areas of concern by under/over spending, the Director, Managers, or Board of Directors may develop a plan of action to correct the spending or adjust the budget.
- (4) The budget for a fiscal year may be modified by amendments, additional grants or contracts received, and to meet the program needs according to the provisions of the contracts. Budget modifications must follow the cost allocation method established for the fiscal year.

D. Accounting

1. Policy

Family Outreach, Inc. shall utilize the modified accrual method of accounting throughout the year: revenues will be recognized when earned and invoiced for reimbursement; expenditures will be recorded when paid. Unlike the full accrual method, liabilities are not accrued on a monthly basis but only at year-end. The financial statements for the fiscal year ending June 30 shall be prepared in accordance with generally accepted accounting principles as applied to not-for-profit organizations.

In order to maintain necessary flexibility and control, and to ensure sufficient operating cash balances, Family Outreach, Inc. retains the right to make cash disbursements based on prioritized claims subject to available cash-on-hand within 30 working days of receipt by the agency staff.

MONTHLY PRIORITY OF CASH DISBURSEMENTS SUBJECT TO CASH-ON-HAND:

- 1) Employee payroll
- 2) Employee travel reimbursement
- 3) Family and Provider invoices and claims
- 4) Business and Supplier invoices and claims

Accounting procedures shall follow the policy for internal control, including segregation of duties where administration staff structure allows.

A computerized accounting system shall be utilized with enhancements and customizations for Family Outreach, Inc. An agency Accounting Instructions Manual shall be maintained for the operating procedures of this system.

2. Procedures

The procedures stated are generalized practices of the accounting system.

a. General Ledger

- (1) An agency chart of accounts shall be maintained for all account codes utilized in the processing of financial transactions. Family Outreach, Inc. uses a system of sub-accounts for the designation and separation of contract funds.
- (2) All General Ledger entries and adjustments must be approved by the Business Manager.
- (3) A month-end reconciliation of cash G/L balance to ending cash-in-the-bank balance will be performed to ensure correct transactions processing during the month.
- (4) Client expenditure tracking shall be reconciled to the General Ledger detail report each month. This reconciliation may include adjustments and recognition of mass supply expenditures, which do not post to individual clients.
- (5) Following reconciliation and adjustments, the Business Manager shall compile financial statements and reports for the period ending and forward to the Director, Managers, and Board of Directors in a timely manner to ensure receipt prior to the monthly Board meeting.

b. Accounts Payable

(1) Claims processing.

- (a) A designated employee will stamp each invoice or claim with the date of receipt.
- (b) Each invoice or claim shall be pre-approved for payment by the authorized personnel according to the corresponding program receipt, contract, or requisition.
- (c) Each claim shall be coded according to the chart of accounts and entered as a voucher payable to provide an audit trail.
- (d) Vendor information shall be maintained for current vendors utilized and according to Form 1099 Miscellaneous income-reporting requirements.
- (e) Client detail and expenditure detail shall be entered for actual amounts paid by the voucher.
- (f) All relevant payable reports shall be printed and filed as an audit trail.

(2) Check processing.

- (a) Check writing shall occur as necessary for the due dates of invoices received and vouchers prepared.
- (b) The Business Manager will monitor available cash on hand and determine if all payables can be paid or if they need prioritization according to the disbursements policy. Any unpaid voucher shall be selected and prioritized in the next check writing process.
- (c) Each batch of checks will be signed

with an authorized signature stamp.
Two authorized signers may sign
individual checks written, except
for payee accounts payable.

The check stub shall be matched
with the voucher and retained in an
Accounts Payable file by vendor.

c. Accounts Receivable

(1) Invoicing

Family Outreach, Inc. will follow the invoicing guidelines described in current contracts and grants.

- (a) Following completion of staff contact reports for the previous month ending, invoices shall be prepared for all state programs within the first week of each month.
- (b) Where necessary, completion of State's invoices will reflect monthly contacts, consumer expenditure detail, and changes in service information, as well as any other information that may be requested.
- (c) Invoicing shall be completed using the Montana State online billings system and submitted as a batch.. Consumer Job Cost detail reports and detailed billing spreadsheets shall be retained for agency files.
- (d) All billed invoices shall then be entered as an invoice outstanding in accounts receivable.
- (e) Other contracts and grants may call for differing invoicing procedures and shall be prepared in a timely manner and complying with invoicing procedures to seek agency remuneration at the earliest possible date.
- (f) All billed invoices will be reconciled with payments received and the reconciliations submitted to the Business Manager on a monthly basis. Unpaid and re-billed services will be noted for follow-up.

d. Receipts

- (1) All incoming receipts shall be dated and recorded in the check receipt log and forwarded to either the Business Manager or the Assistant Business Manager. Should neither employee be available, the Administrative Assistant will lock the cash or check in the safe and inform the fiscal staff upon return.
- (2) All incoming receipts will be deposited each working week or when total cash receipts exceed \$100.
- (3) All check receipts shall be stamped on the back with "For Deposit in the Account of Region IV Family Outreach, Inc." A deposit slip shall be completed in duplicate with the original accompanying the checks for deposit.
- (4) Cash receipts shall be coded according to the current chart of accounts and entered through the General Ledger process.
- (5) Deposits shall be verified each month against the bank statement.
- (6) Electronic Funds Transfer (EFT) Deposits
 - (a) When receipts, or notification of deposit through wire transfer arrive, the amounts will be verified against the invoice with remittance stubs/statements attached to the invoice copy.
 - (b) Payments for invoices shall be entered as cash credits against the outstanding receivable.

e. Payroll for Office-Based Employees

- (1) Newly hired office-based employees shall be notified in writing of their rate of pay, and benefit options. The employee and their supervisor shall sign this form and each will receive a copy.
- (2) All necessary employee information such as W-4 withholdings and benefit elections shall be completed, and entered into the payroll system. The Assistant Business Manager will retain hardcopies in individual files.
- (3) Office-based employees shall be paid on a semi-monthly, salaried basis. Pay dates shall occur on the 15th and the last day of each month, with adjustments for weekends and holidays when necessary.
- (4) Each employee will complete a time sheet for actual hours worked during each workweek of the month and submit it to his or her supervisor for review and approval.
- (5) After the last workweek of each month, approved time sheets shall be forwarded to the Assistant Business Manager for processing of time and leave accrual updates and reports. All completed time sheets shall be retained by the Assistant Business Manager and filed with the appropriate payroll reports.
- (6) Each supervisor shall receive appropriate employees' leave balances as of the end of the previous month.

See Personnel Policies, Hours of Work; and Leave Policies.

- (7) Processing.
 - (a) Payroll processing for regular employees must occur at least three days prior to the pay date in order to facilitate automatic payroll deposit.

- (b) Payroll shall be calculated for the pay period ending date. The Assistant Business Manager must be notified in advance of month-end payroll processing by the supervisor if an employee has been approved to work overtime. Any overtime earned during the last workweek of the month shall be paid on the 15th of the following month (see Personnel Policies, Overtime).
- (c) Any adjustments or changes to an employee's payroll, hours, withholding, rate of pay, or leave balances must be input prior to the calculation process.
- (d) On the payroll pay date, pay notifications shall be distributed to program managers for them to distribute to employees.
- (e) Each pay period, required reports shall be printed and distributed to the bank and appropriate supervisors. These reports shall include: 1) Payroll Transmittal- Faxed to the bank, 2) Benefit Accrual Reports -Distributed to the program supervisors, and 3) FIT and FICA form 941 deposits 4) other payroll related reports as needed for quarterly payments of Pension Plan, SIT withholding, Worker's Compensation and Employment Security.

f. Payroll for Field-based Employees

- (1) Field-based employees shall sign an agreement indicating length of employment, number of hours, and rate to be paid. The employee and his or her supervisor shall sign this form and each will receive a copy.
- (2) The completed agreement will be forwarded to the business office to update the accounting system. Then forwarded to the Administrative Assistant to be filed in the corresponding consumer file.
- (3) All necessary employee information such as W-4 withholdings shall be completed, and entered into the payroll system. The Local Employment Coordinator (LEC) will retain hardcopies in individual files.
- (4) After approved timesheets are submitted, field-based employees shall be paid on the next scheduled payroll cycle, or within ten business days of the end of the pay period.
- (5) Each field-based employee will complete a time sheet for actual hours worked during each pay period and submit it to their supervisor for review and approval.
- (7) The authorized personnel will review and approve each timesheet and forward to the Fiscal office for processing in a timely manner according to the processing schedule established by the Fiscal office.
- (8) Processing
 - (a) All timesheets will be reviewed to ensure proper funding source, rate of pay, and that they are signed by an authorized signer.
 - (b) Timesheets will be sorted by employee and reviewed for any possible overtime.

- (c) The LEC or staff members will be contacted if the timesheets are not completed correctly, signed, or if any questions arise.
- (d) Approved timesheets will be inputted into the accounting system and all necessary reports generated.
- (e) Reports will be reviewed for any possible data entry errors. After correction of any errors, final reports will be printed and filed for documentation.
- (f) Checks will be printed and mailed to employee. Check stubs will be matched with timesheets and filed by employee name.
- (g) Pay advices will be printed for field-based employees using direct bank deposit and will be mailed to the field-based employees.

g. Disbursements

- (1) Payment obligations are deemed to be fulfilled when checks with the proper postage and mailing requirements are tendered to authorized postal personnel or locations.
- (2) In emergency situations, an individual may request to pick a check up at the Family Outreach fiscal office by submitting a written request to the appropriate manager for approval. The manager then forwards the request on to Fiscal. Upon pickup, the payee must sign for the check in the Check Disbursement Log.
- (3) If an individual requests the check to be delivered to, or picked up by any person other than the payee, a signed written release must be obtained from the payee prior to delivery of any check. The person taking possession of the check must sign the Check Disbursement Log. All releases will be kept with the Check Disbursement Log. These logs shall be maintained separately for each fiscal year and forwarded at the end of each fiscal year to the fiscal office for records retention.

h. Cash Reconciliation

Family Outreach, Inc. shall maintain one general ledger cash account and co-mingle funds and resources in order to maximize investment earnings.

A reconciliation of the bank account statement to the general ledger shall be performed on a monthly basis for each month's ending balance.

- (1) Upon receipt of the bank statement, all deposits and disbursements shall be verified against the cash receipts log and the General Ledger detail report for the cash account.
- (2) The bank statement ending balance shall be adjusted for outstanding transactions and reconciled to the general ledger cash account for the balance at month end. Upon completion, the statement shall be forwarded to the Business Manager for verification.
- (3) Any discrepancies or non-reconciliation of the bank statement shall be brought to the attention of the Business Manager for resolution or investigation.

E. Reporting

1. Policy

The fiscal staff of Family Outreach, Inc. shall compile and prepare all financial information and reports as required by state and federal laws and contracting agencies in a timely manner according to instructions and due dates stated.

Copies of all completed reports shall be retained in the fiscal files for documentation.

2. Procedures

a. State and Federal

(1) Quarterly and Annual Reports

- (a) Employee's Quarterly Federal Tax Return Form 941: Gross wages, federal income tax withheld, and Social security and Medicare Taxes paid and deposited on behalf of employees each pay period shall be totaled and reported. Total taxes computed must equal the total quarter's deposits.

The FIT report for the quarter ending December 31st serves as the annual report. The total of all quarterly reports must equal the total of W-2 forms submitted.

- (b) Montana Department of Revenue, Employee's Quarterly Withholding Tax Report Form MW-5: Gross wages for the period shall be reported and state income taxes withheld shall be reported and paid with the report.

At the end of each calendar year, the Annual Reconciliation of the Quarterly Withholding Tax Report shall be completed with Employee Wage and Tax Statements Form MW-10. The total quarterly tax payments shall be combined and must equal the total of the W-2 forms submitted.

- (c) Employer's Quarterly Wage Report for Unemployment Insurance: Gross wages paid for the period for employees and contracted persons, up to the annual taxable wage base, shall be reported with tax computation and payment accompanying the report.

The Unemployment Insurance report for quarter ending December 31st serves as the annual report.

- (d) Employer's Payroll Report for Worker's Compensation. Gross wages paid for the period for employees and contracted persons, by class code, shall be reported with tax and premium computations reported. The State Fund will figure the premium amount due and send an invoice for payment.

The Worker's Compensation report for quarter ending December 31st serves as the annual report.

- (e) Wage and Tax Statement Form W-2 shall be completed for each person employed during the previous calendar year and submitted to the Federal, State and each employee no later than February 28th of the following calendar year.

One copy of each employee's W-2 is sent to the Internal Revenue Service with a transmittal form W-3. One copy shall be sent to the Montana Department of Revenue with the form MW-10, and three copies will be sent to each employee. One copy is retained for filing.

If W-2's have been submitted and corrections are needed, the W-2's will be reprocessed and a Statement of Corrected Income and Tax Amounts Form will be completed and resubmitted to each agency.

- (f) Form 1099, Miscellaneous Income: A form 1099 shall be completed for each contracted person earning more than the minimum required for reporting purposes. These forms shall be submitted to each individual no later than January 31, and to the Internal Revenue Service with form 1096-Annual Summary and Transmittal of U.S. Information Returns by February 28. One copy is retained for filing.
- (g) State of Montana Corporation Annual Report Form C-4: This report is filed with the Secretary of State by April 15th for updating the corporation Board of Directors and agency status. This report must be accompanied with payment of the filing fee.
- (h) Return of Organization Exempt from Income Tax, Form 990 shall be filed with the Internal Revenue Service by November 15, or by the due date of an approved extension period. It shall be completed according to form's instructions using the final fiscal year-end financial statement balances and information.
- (i) Report of Employee Benefit Plans, Form 5500 C/R shall be completed for the cafeteria and pension plans sponsored by Family Outreach, Inc. The cafeteria plan report shall be compiled with information furnished by the plan administrators for the plan year ending June 30th and is due to the Internal Revenue Service by the following January 30th. The pension plan report shall be completed and returned for agency review and signature by the pension plan administrator for the plan year ending June 30th. This 5500 C/R report is due to the Internal Revenue Service by January 30th of the following year.

- (j) Other reports shall be completed as requested, or when a change in organization, contracts, or funding sources mandate the filing of other reporting requirements.

b. Contract Reports

Contract reports shall be prepared according to program specifications and submitted in a timely manner.

- (a) Financial summaries for discretionary grants, nursing grants, and other specified grants shall be submitted to the state contracting agency no later than August 31. Return of excess funds, if applicable, shall accompany the final statements.
- (b) Annual Fiscal Year-End Financial Statements and required reports for the fiscal year ending June 30th shall be submitted to the state contracting agency no later than the due date. These statements shall reflect all financial transactions for the period beginning July 1st and accrued through June 30th.
- (c) Other reports as requested or as required in contract provisions shall be completed and submitted as instructed.

F. Purchasing/Fixed Assets

a. Purchasing

(1) Policy

Purchasing requests shall be categorized for line-item descriptions, which best reflect the nature of the expenditure.

Equipment purchases are items capitalized and depreciated and which have an individual cost of five thousand dollars (\$5000) or more and an estimated useful life of one year or more.

Supply purchases are items expensed in budget category III, which have an individual cost of less than five thousand dollars (\$4999.99).

Professional and educational supplies include, but are not limited to, items for the book, toy, and equipment loan library; the professional library; and professional equipment and supplies needed to administer services or to provide family education and support. Professional and educational supplies are accounted for based upon the criteria described in equipment and supply purchases.

Postage purchases are expenditures for either postage meter replenishment; the purchase of stamps; or the lease of equipment necessary to facilitate the mail. Postage purchases are accounted for in budget category III.

Parent support purchases are items bought solely for use by clients and their families. Parent support purchases are subject to contract restrictions. These items are accounted for in budget category III.

Other line-item descriptions may be included in budget category II or III whichever best reflects the nature of the expenditure request.

(2) Procedures

- (a) Employees requesting the purchase of equipment or supplies should submit a Material and Supply Requisition form. Client purchases shall be requested on the Support Request form. These forms must be submitted to their supervisor in a timely manner prior to purchasing.
- (b) Requisition forms must be filled out completely, and must be signed and dated by staff and supervisor.

Managers must submit equipment requests for major items (i.e. computers, copiers, etc) or building repairs/maintenance/remodeling (i.e. new carpet, additions, etc) to the Business Manager for approval. The Business Manager will prioritize these equipment requests against available funds and budgets.

The requisition form must state how the item is to be acquired (i.e. to be ordered, paid by visa, petty cash), and who is to be paid or reimbursed. Separate requisitions must be submitted for each payee and for each consumer.

- (c) Invoices or receipts must be attached to the approved and completed requisition for documentation and authorization for payment.

Upon ordering items by using the company Visa, a copy of the completed support request is to be immediately forwarded to Fiscal. When the item and receipt is received, the original support request is submitted with the receipt attached.

- (d) Approved requests will be processed bi-weekly in the most efficient and appropriate manner.
- (e) Equipment or professional and educational supplies costing over \$5000 will be posted to the inventory list.

b. Fixed Assets

(1) Policy

Family Outreach, Inc. shall maintain a list of capitalized assets costing five thousand dollars (\$5000) or more and which have a useful life of one year or more. A reconciliation of these assets to property on-hand shall be conducted periodically. Capital assets may be designated as either office equipment or professional and educational equipment.

Other property that is deemed valuable or suitable for tracking may be designated on the inventory listing.

Fixed asset accounting shall follow the applicable contract guidelines of program funding sources.

(2) Procedures

(a) When an item is purchased that is deemed to be either a capital asset, as described in policy, or an item that would be listed as minor equipment suitable for tracking it is added to the inventory/depreciation list.

(b) Periodically the fiscal staff shall conduct a physical inventory to physically locate and document the condition of all property listed on inventory records.

(c) A reconciliation shall be performed to update the financial records of asset valuation.

G. Records Management

1. Policy

Family Outreach, Inc. shall maintain a system of records management that enables historical research and complies with statutory and contractual requirements for retaining documentation of prior years' fiscal and financial records.

2. Procedures

- a. Records shall be stored and maintained in a location that is easily accessible and retrievable.
- b. Each fiscal year's documents shall be maintained together in one location with proper storage identification as to the file and its contents.
- c. A records-retention schedule and records-retained inventory shall be maintained for all fiscal and financial documentation placed in storage.
- d. A database backup shall be completed daily using a five-day tape rotation schedule. Once per week an archive backup tape shall be updated and stored in a fireproof location. This tape must remain in this location until the next week's tape update is completed.