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I. DEFINITIONS

- Bookkeeper The staff person responsible for the preparation of accounting reports that are used to complete UCS fiscal reconciliation reports.
- Contract The document defining the relationship between UCS and the contract agency. The contract outlines the respective responsibilities of each. Some agencies may have more than one ADR contract with UCS, each with its own grant award and defined scope of services.
- The most common type of ADR contract is for Community Dispute Resolution Center (CDRC) services. CDRC contracts have specific requirements, including a matching funds requirement. Some of these requirements are legislatively mandated. The Office of ADR Programs administers CDRC contracts, and is responsible for making grant allocation recommendations to the Deputy Chief Administrative Judge for Management Support and for processing payments. In addition to the CDRC program, UCS contracts with both CDRC and non-CDRC organizations to provide additional ADR services. These contracts are generally subject to the same rules and regulations as the CDRC contracts but may not be subject to the local matching funding requirement. Funds received through the adjunctive contracts cannot be used towards satisfaction of the matching requirement. The Office of ADR Programs provides contract administration services for these contracts, but in most cases grant allocation amounts, program budget and service plan must meet the approval of the local Administrative Judge. In most cases, the local Judicial administrative office processes payments for these contracts.
- Contract Agency The not-for-profit corporate entity that contracts with UCS to provide ADR services.
- Contract Amount An estimate of the total amount that might be allocated during the multi-year contract term. The contract amount may not reflect amount actually allocated. The actual allocation will depend on the availability of yearly appropriations and possible changes in the scope of services. The estimated contract amount generally anticipates, but does not guarantee, year-to-year inflationary increases.

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Contract Term /
Contract Period

Contracts are generally entered into for multi-year terms. Within the term, the contract may be renewed for specific periods (usually corresponding to a fiscal year). Each period will have a distinct grant award, budget and description of the services to be provided.

Executive
Director

The chief executive of the contract agency who is responsible for the fiscal management of the program under the direction of the organization's Board of Directors.

Grant Award

For each contract period, UCS will allocate a maximum amount of compensation that is available for the period. To qualify for this amount, the program must incur approved programmatic expenses and, in the case of CDRC contracts, an additional amount as necessary to satisfy the matching funds requirement set forth in Article 21-A of the Judicial Law.

Matching
Requirement

The CDRCP base grant contracts require a local match in accordance with Article 21(a) of the NY State Judicial Law. A center is provided the first \$20,000 per county served of the CDRCP grant as a match free grant. Any amount above this level, however, must be matched on a dollar-for-dollar basis. Thus, if a center receives a grant of \$45,000 to provide dispute resolution services to two counties, it must generate and spend a minimum of \$5,000 of local match. This \$5,000 amount is calculated by subtracting the match free amount of \$40,000 (\$20,000 per county) from the total grant award of \$45,000. Thus the total amount that must be expended is \$50,000 to qualify for the entire \$45,000 grant. If a center expends only \$48,350 (\$3,500 in local revenue + the \$45,000 paid in advance), it would be required to pay back \$1,500 of the total \$45,000 grant.

Program Budget

The ADR program includes all activities funded directly by UCS or funded using revenues that are included in the ADR program budget and expended in satisfaction of the matching requirement. The program shall operate under a budget of anticipated revenues and expenses that UCS approves in advance. This approved budget becomes part of the contract. UCS must approve both the program budget and the proposed program plan. The program shall not deviate significantly from the approved budget without a budget amendment approved by UCS. Specific rules for required budget amendments are outlined below.

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Program Director The staff person designated by the contract agency to act as the liaison to UCS for the ADR contract. The program director must be involved in the budget planning process and must be privy to ongoing expenses and revenues through review of reconciliation submissions.

Reconciliation Report Reconciliation of the program's revenues and expenses shall be documented and submitted to UCS on a periodic basis. Specific rules for reconciliation reports are outlined below.

II. GENERAL ACCOUNTING INFORMATION

A. Introduction

This section provides general information that may be helpful in developing fiscal policies for your agency. For specific ADR contract requirements, please consult your agency's contract(s) with the Unified Court System, Office of ADR Programs.

Much of the following was adapted from Price Waterhouse's booklet, Effective Internal Accounting Control for Nonprofit Organizations: A Guide for Directors and Management,

An accounting system is composed of accounting records (checkbooks, journals, ledgers, etc.) and a series of processes and procedures assigned to staff, volunteers, and/or outside professionals. The goals of the accounting system are to ensure that financial data and transactions are properly entered into the accounting records and that financial reports necessary for management are prepared accurately and in a timely fashion.

B. Accounting System Components

1. *Chart of Accounts*

The chart of accounts is a list of each item that the accounting system tracks. Accounts are usually divided into five categories:

- Assets
- Liabilities
- Net Assets or Fund Balances
- Revenues
- Expenses

Each account is assigned an identifying number for use within the accounting system.

2. *General Ledger*

The general ledger organizes information by account. The chart of accounts acts as the table of contents to the general ledger. In a manual system, summary totals from

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all of the journals are entered into the general ledger each month, which maintains a year-to-date balance for each account.

In a computerized system, data is typically entered into the system only once. Once the user has approved the entry, the software includes the information in all reports in which the relevant account number appears. Many software packages allow the user to produce a general ledger which shows each transaction included in the balance of each account.

3. *Journals*

Journals, also called books of original entry, are used to systematically record all accounting transactions before they are entered into the general ledger. Journals organize information chronologically and by transaction type (receipts, disbursements, other). There are three primary journals:

- a) The Cash Disbursement Journal is a chronological record of checks that are written, categorized using the chart of accounts.
- b) The Cash Receipts Journal is a chronological record of all deposits that are made, categorized using the chart of accounts.
- c) The General Journal is a record of all transactions that do not pass through the checkbook, including non-cash transactions (such as accrual entries and depreciation) and corrections to previous journal entries.

As organizations mature and handle greater numbers of financial transactions, they may develop subsidiary journals to break out certain kinds of activity from the primary journals noted above. The most common examples of subsidiary journals include:

- a) The Payroll Journal, which records all payroll-related transactions. This may be useful as the number of payroll transactions grows and becomes too large to handle reasonably within the cash disbursements journal.
- b) The Accounts Payable Journal and Accounts Receivable Journal.

C. Internal Controls Over Disbursements

1. *Introduction*

The objective of internal controls for cash disbursements is to ensure that cash is disbursed only upon proper authorization of management, for valid programmatic purposes, and that all disbursements are properly recorded.

While it is impossible to guarantee that these objectives will be met at all times for all transactions, the following practices provide reasonable assurance that they will usually be accomplished.

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2. *Segregation of Duties*

Segregation of duties means that more than one person handles each financial transaction. For cash disbursements, this might mean that different people authorize payments, sign checks, record payments in the books, and reconcile the bank statements. If your organization is small, this principle can be hard to put into practice. You might consider having one person, such as a paid staff member, sign checks and assign a different person, such as the board treasurer, to review disbursements, bank statements, and canceled checks on a monthly basis.

3. *Authorization and Processing of Disbursements*

Agencies should develop a written policy regarding who in the organization can authorize payments. Some organizations designate this function solely to the executive director to ensure that a single person is paying attention to monies going out of the organization. In other cases, a department head might authorize purchases for that department, as long as they are within the department's budget. In most organizations, once the board approves the budget, it does not need to authorize individual purchases within that budget, although it would be required to approve unbudgeted purchases. In addition, in very small organizations, the board treasurer or board president may be asked to authorize all purchases. Even larger organizations have policies requiring the board to authorize significant expenditures, such as purchases for computers or other assets. It is important that each agency formally define what constitutes a significant expenditure and delineate how the agency will handle these purchases.

4. *Check Signing*

In many cases, it is useful to require two signatures on checks, especially for purchases over a certain amount. This amount will vary with the organization's budget; your accountant may be able to help you determine an appropriate policy. Even though checks require two signatures, three or four people might have check signing authority to ensure that two signers are available to make disbursements. The number of authorized signers should be kept to a minimum, while ensuring that daily business is not unnecessarily hampered.

The purpose of this internal control is to make sure that there are deliberate decisions made about whom to pay, how much to pay, and when to pay bills. If you habitually have one or more checks that are pre-signed by one of the required signatories, it defeats that purpose, as would a signature stamp. If more than one signer is not regularly available, and this inhibits your ability to meet your obligations, you might consider having an imprest checking account. This means that the board establishes a policy regarding the amount of money that can be available in the checking account at any one time, for example \$500. All other money is kept in a separate account to which the check signer does not have access. The check signer is allowed to pay bills until that amount is substantially depleted. At that time, the treasurer or other board

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members may review the disbursements and make sure that they are within the guidelines established by the board. Once these disbursements have been reviewed and accepted, the authorized board representative then transfers enough money to bring the imprest account back to its \$500 maximum balance.

Seek to balance your internal accounting control in such a way as to maintain the integrity of your financial systems and assets without unduly inhibiting your ability to function.

D. Internal Accounting Controls Checklist

The following questions reflect common internal accounting controls related to paying bills. You may wish to review your own internal accounting controls and determine which areas require further action.

1. Are all disbursements, except those from petty cash, made by pre-numbered checks?
2. Are voided checks preserved and filed after appropriate mutilation?
3. Is there a written prohibition against drawing checks payable to Cash?
4. Is there a written prohibition against signing checks in advance?
5. Is a cash disbursement voucher prepared for each invoice or request for reimbursement that details the date of check, check number, payee, amount of check, description of expense account (and restricted fund) to be charged, authorization signature, and accompanying receipts?
6. Do authorized persons approve all expenditures in advance?
7. Are signed checks mailed promptly?
8. Does the check signer review the cash disbursement voucher for the proper approved authorization and supporting documentation of expenses?
9. Are invoices marked Paid with the date and amount of the check?
10. Are requests for reimbursement and other invoices checked for mathematical accuracy and reasonableness before approval?
11. Is a cash disbursement journal prepared monthly that details the date of check, check number, payee, amount of check, and columnar description of expense account (and restricted fund) to be charged?
12. Is check-signing authority vested in persons at appropriately high levels in the organization?
13. Is the number of authorized signatures limited to the minimum practical number?
14. Do larger checks require two signatures?
15. Are bank statements and canceled checks received and reconciled by a person independent of the authorization and check signing function?

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16. Are bank statements reconciled on a regular and timely basis?
17. Are unpaid invoices maintained in an unpaid invoice file?
18. Is a list of unpaid invoices regularly prepared and periodically reviewed?
19. Are invoices from unfamiliar or unusual vendors reviewed and approved for payment by authorized personnel who are independent of the invoice processing function?
20. If the organization keeps an account payable register, are payments promptly recorded in the register to avoid double payment?
21. If purchase orders are used, does each purchase transaction correspond to a pre-approved purchase order?
22. Are employees required to submit expense reports for all travel related expenses on a timely basis?

E. Internal Control Over Payroll

The objective of internal controls for payroll is to ensure that there is proper authorization for payroll disbursements that are made only to bona fide employees, that payroll disbursements are properly recorded, and that the payments comply with related legal requirements (such as payroll tax deposits).

Each employee should have a payroll/personnel file that contains updated salary, benefits, employment status, and withholding information, as well as beginning date of employment and termination date, when applicable. A personnel manual should describe the organization's policies—established by the board—regarding vacations, holidays and sick leave. Records should be kept for each employee to ensure that these policies are being followed. Accountants recommend that the organization retain these records for six years after the employee has been terminated (and possibly longer if that employee participates in a pension plan.)

The time sheet is the most common tool used to document employee hours (including overtime) and authorize payments to employees. Time sheets can be designed to incorporate information regarding vacation, sick leave, and holidays. Funders often require time sheets to document employee effort for their grants or contracts and all other duties they perform. Time sheets are usually submitted by the employee to his or her immediate supervisor for signature and may also be reviewed periodically by senior management. Ideally, the person authorizing an employee's hours does not also prepare the paychecks.

Payroll checks should be written in keeping with the procedures for all other cash disbursements. Additional segregation of duties related to the payroll function include having someone other than the payroll check signer:

1. Hold unclaimed paychecks.
2. Review the payroll register and post payroll to the general ledger.

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3. Review payroll-related tax withholding, deposits, and reporting. This is an especially important function for the board, since board members may have personal liability for payroll taxes that have not been properly deposited with the appropriate government agencies.
4. Distribute year-end tax summaries (W-2s) to employees and respond to inquiries regarding W-2s.
5. Many organizations use a separate checking account for payroll expenses, including paychecks as well as government withholding and other taxes related to payroll. A payroll register that lists who was paid, the amount of payment, the withholding amount, and the check number is maintained either as a subsidiary journal if there is a separate payroll account or as part of the cash disbursements journal when payroll is integrated with other cash disbursements in a manual system. Some organizations require employees to sign the employee register to acknowledge receipt of their paycheck.

F. Payroll Services Bureau

Because of the number of transactions involved with the payroll function, many nonprofits choose to take advantage of the many low-cost payroll service bureaus available to manage payroll activities. These service bureaus prepare payroll checks for salaried and hourly employees, quarterly reports of payroll, FICA and Medicaid liabilities and withholding, and year-end W-2 and W-3 reports of annual salaries. In addition, you may choose to have them deposit taxes with the appropriate government agencies. Since payroll service bureaus offer a range of services—from providing advice on payroll issues to providing the full range of payroll activities—you can select those services you need and can afford. Payroll service bureaus are able to offer their services relatively inexpensively due to the large number of clients they serve. Even nonprofit organizations with fewer than five employees may find it worthwhile to have these specialized professionals handle the significant paperwork and compliance with regulations associated with the payroll functions.

It is important to note that your organization retains final responsibility for accurate and timely reporting and depositing of taxes when using a service bureau. Therefore, it is important to review each payroll check and report.

The service bureaus are also exposed to liability, and they will work with you to resolve any problems with government agencies resulting from incorrect or late filing and deposits due to their error. Errors are not uncommon with payroll services, and they do take staff time and attention to resolve. In addition, a payroll service bureau cannot perform the internal control functions related to time sheets and the review of payroll records. However, many nonprofits with limited staff resources find that using a service bureau saves time and reduces errors, late fees, and late-night worries about IRS confrontations.

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G. Payroll Internal Controls Checklist

The following questions reflect common internal accounting controls related to payroll. You may wish to use this list to review your own internal accounting controls and determine which areas require further action.

1. Are detailed time sheets required to document employee hours, including overtime?
2. Does the employee's immediate supervisor authorize payment for work by signing time sheets?
3. Are employment records maintained for each employee that detail wage rates, benefits, taxes withheld each pay period, and any changes in employment status?
4. Are payroll-related taxes (federal income tax, state income tax, employee and employer share of social security, and other taxes) withheld and paid to federal and state agencies on a timely basis?
5. Do the executive director and board treasurer review all the payroll tax returns?
6. Do written policies and procedures exist for accounting for vacations, holidays, sick leave, and other benefits?
7. Is a list of all payroll checks written, with appropriate withheld taxes, maintained either through the cash disbursement journal or a separate payroll register?
8. Is a separate payroll bank account maintained?

H. Petty Cash

Petty cash allows you to make small purchases or reimbursements, in cash, for items such as stamps, office supplies, parking, etc. The board or senior management should develop a policy of how much money should be available in cash and a maximum expenditure that can be paid with petty cash. For example, you may establish a petty cash fund of \$100, and have a policy that requires payments for items costing more than \$15 be made by check rather than reimbursed through petty cash. The fund should include enough money to cover petty cash expenditures for about a month. If the amount is too small, you will have to constantly replenish the funds, and if it is too large, you have cash on hand that could be more safely kept in your bank account.

The petty cash fund must be kept in a locked box or drawer. Auditors recommend that only one person (called the custodian) should have access to this cash, and that person should be solely responsible for disbursing all petty cash. Auditors also recommend that agencies determine who in the organization can approve petty cash payments. In some cases, this will be the director; in others, department heads or the petty cash custodian, within guidelines established by the board, may also approve petty cash purchases.

To disburse petty cash funds, the organization will need to buy or develop petty cash vouchers to document each transaction. Most stationery stores sell pads of petty cash vouchers.

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1. Establishing a Petty Cash Fund

Once the board has determined (with staff input) how large a fund is needed, write a check to the petty cash custodian (not to cash) to establish the petty cash fund. For example, if you have a \$100 petty cash fund and Mary Robinson is the petty cash custodian, write a check for \$100 payable to Mary Robinson, Petty Cash Custodian. Mary then cashes the check and places the monies in a locked box or drawer.

To reimburse someone (in this example, Roberto Diaz) for a small purchase, Mary must obtain proof of purchase from Roberto, usually a receipt from the store, post office, etc. Roberto must complete a petty cash voucher, detailing the nature and reason for the purchase. Roberto presents the petty cash voucher to an authorized person in the agency (perhaps the executive director, department head, or Mary) for approval. After the appropriate person has approved the voucher, Mary disburses funds from the petty cash drawer to Roberto to reimburse him for his expenditure.

In some cases, the organization may permit an advance from petty cash to cover an upcoming purchase. For example, if the office manager is going to the post office to mail an overnight package, he or she may be authorized to take \$20 from the petty cash fund with the stipulation that he or she return with a receipt and change. In this case, the office manager should complete a voucher for a \$20 advance, approved by a designated staff person. When the office manager returns, he or she should complete an accurate voucher for the final postage amount, attach the receipt, and return the change to the custodian.

Once the fund is substantially depleted, the petty cash custodian adds up the vouchers and assigns them to appropriate categories (e.g., postage, printing and copying, office supplies, etc.). The total of receipts plus cash available must equal \$100 in order to prove that all money has been accounted for. When the account has been balanced, a check is written (in accordance with the check authorization procedure established for all disbursements) again payable to the petty cash custodian, for the exact amount of the vouchers/receipts, bringing the fund back to its original balance of \$100.

Note that you do not post the expenses to an account called petty cash. This way, at the end of the year, you have a true picture of your expenses, which is more helpful for future planning than a lump sum in a petty cash line. When reporting petty cash expenditures on reconciliation reports, each petty cash disbursement must be listed under its appropriate expense category.

III. ADR CONTRACT FISCAL REQUIREMENTS

Organizations that adhere to the recommendations in the section above will have gone a long way towards full compliance with ADR fiscal requirements. In addition to the general requirement that a contract agency maintain bookkeeping practices that comply

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with generally accepted accounting principals, the following section discusses requirements specific to ADR contracts.

A. The contract agency must maintain an accounting procedures manual.

The accounting procedures manual is a record of the policies and procedures for handling financial transactions. The manual can simply contain a description of how financial functions are handled (e.g., paying bills, depositing cash and transferring money between funds) and who is responsible for each duty. The accounting procedures manual is also useful when there is a change in financial management staff.

The manual must include the following:

1. Internal control policy regarding disbursements including a check signing policy
2. Purchasing procedures (Integrating bidding requirements for major purchases as outlined below)
3. Petty cash policy
4. Equipment inventory procedures

B. The Contract Agency must maintain records consistent with good accounting principals and sufficient to account for all financial activity for each period covered under the contract. Records must be maintained for at least six years from end of the contract period.

At a minimum, the following records must be maintained:

1. An accounting of all funds reported as revenue in an ADR program reconciliation report, including a description of the source and the amounts (Cash Receipts Journal);
2. An accounting of all funds disbursed and reported as expenses in an ADR program reconciliation report, including payee and amount (Cash Disbursements Journal);
3. Receipts or backup for all expenditures reported (receipts for purchases, time sheets, invoices, etc.);
4. Accurate and complete documentation to support revenues (e.g., bank deposit slips);
5. All bank statements and account reconciliation reports;
6. Accurate and complete time records for all employees paid under the contract including time records for in-kind volunteers. Records should indicate which individual or individuals were paid from particular salary lines on the ADR program budget;
7. All source documents. Source documents are a business form containing data about a transaction. For every entry in the journal there must be a source document on file. The most common source documents are invoices, receipt stubs, canceled checks, and personnel time cards. Although you may adopt any reasonable filing system, the

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source documents must be easily retrieved upon demand in the case of a site visit or audit.

C. The contract agency must obtain bids or quotes for major purchases as follows:

Programs must adhere to the following bidding requirements before issuing a Purchase Order:

1. *Item Per Unit Cost Less than \$500*

No special procedures other than as outlined above.

2. *Item Per Unit Cost Between \$500 and \$2,500: Quotes Required*

Any purchase request for goods or services in this range must have three (3) quotes. These quotes must be attached to the Purchase Request. A Purchase Order may then be issued.

A quote is the stated price for which a vendor will sell an item. A purchaser may solicit quotes over the telephone, review printed advertisements or shop for advertised prices on the Internet. The purchaser must record the following information for each quote:

- a) Date
- b) Type of quote (telephone inquiry, advertised price, in person, written)
- c) Name of vendor
- d) Full description of item
- e) Proposed cost of the item or service

3. *Item Per Unit Cost More Than \$2,500: Bids Required*

Any purchase for goods or services in this range must have a minimum of three (3) written bids. These bids must be attached to the Purchase Request. After receipt of the bids and selection of a vendor, a purchase order may be issued. A bid is the stated price for which a vendor will sell an item. However, unlike a quote, a bid must be in writing and must contain the following information:

- a) Date
- b) Name of vendor
- c) Full description of item
- c) The proposed cost of the item or service

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D. The contract agency must maintain an inventory of assets purchased in full or in part under the ADR contract.

A permanent, numbered label must be affixed to each piece of equipment or furniture. Each label must have a unique number.

An equipment inventory file must be maintained containing the following information:

1. Inventory number (same as on numbered label)
2. Name of item
3. Description of item
4. Date of purchase
5. Cost
6. Physical location of item

Should equipment disappear or be vandalized, the contract agency should immediately contact the local police and obtain a copy of the police report. Retain one copy of the report as an attachment to the inventory records.

If the loss is compensated by insurance, the funds must be recorded as revenue and any replacement purchases must be recorded as expenses in the appropriate period.

When equipment becomes obsolete, the inventory record should indicate the date of retirement and how the program disposed of the equipment.

Assets purchased under the ADR contract may not be sold without the written authorization of the Office of ADR Programs.

E. The Contract Agency must use interest earned from the deposit of state funds only for programmatic purposes.

If state funds are deposited in an interest-bearing account, the interest earned must be recorded as revenue and used for program expenses.

F. The contract agency must maintain proper control over financial stationery.

To provide proper control over financial stationery, all receipt forms and checks should be press-numbered and used sequentially. In addition, a perpetual inventory of receipt forms and checks should be maintained. The inventory should be supported by a printer's certification. Financial stationery should be locked away when not in use.

G. The contract agency must contract with an independent certified public accounting firm to annually review fiscal practices. A copy of the final report, including any management letters, shall be delivered to the Office of ADR Programs not more than 30 days after the report is received by the agency.

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A financial review is a process for testing the accuracy and completeness of information presented in an organization's financial statements. This testing process enables an independent certified public accountant (CPA) to issue what is referred to as an opinion on how fairly the agency's financial statements represent its financial position and whether they comply with generally accepted accounting principles (GAAP). The American Institute of Certified Public Accountants (AICPA) determines generally accepted accounting principles.

Board members, staff, and their relatives cannot perform financial reviews because their relationship with the organization compromises their independence.

The financial review is addressed to the board of directors as the trustees of the organization. The report usually includes the following:

1. A cover letter, signed by the CPA, stating the opinion, as described above.
2. The financial statements, including the statement of financial position (balance sheet), statement of financial activity (income statement), and statement of cash flows. Social service organizations also have a statement of functional expenses. Many audits show comparative information between fiscal years.
3. Notes to the financial statements, as required by GAAP, which might include information about functional expenses, a depreciation schedule, further information about contributions, volunteer services, and other significant information not obvious in the financial statements.

In addition to the materials included in the report, the CPA often prepares what is called a management letter or report to the board of directors. This letter cites areas in the organization's internal accounting control system that the CPA evaluates as weak. The contract agency must provide to UCS copies of any management letters that are included as part of the financial review.

IV. ANNUAL BUDGET SUBMISSIONS

A. Introduction

Prior to the beginning of each Contract Period, contract agencies must submit a budget plan for review and approval to the Office of ADR Programs. Failure to comply with the following requirements may result in delayed payment or a reduction in the maximum grant award.

Budgets must:

1. Be submitted by the established due date;
2. Be complete, with all the required information included;
3. Provide adequate explanation and justification for revenue and expense projections as requested by the Office of ADR Programs;

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4. Be submitted in a format approved by the Office of ADR Programs;
5. Balance (projected expenses must equal projected revenue); and
6. Project sufficient matching revenue to qualify for the amount of CDRCP funding requested.

B. Indirect and Shared Costs: Cost Allocation Methodology

Where a contract agency's total operating budget is greater than the ADR program budget, the portion of shared costs allocated to the ADR program budget must be based on some logical criteria. If the ADR program budget is part of a larger agency budget, it is important that shared expenses be distributed equitably between the ADR program and any other programs that share the expense. For example, if the ABC agency administers three programs, one of which is an ADR program, and the agency employs one bookkeeper for the entire agency, then that employee's salary must be shared equitably between programs based on some logical rationale. Similarly, if this bookkeeper were to attend a seminar on general bookkeeping practices, the expenses incurred as a result of this seminar must be shared in the same equitable manner.

Personnel costs must be calculated as a percentage of time that the position is allocated to the ADR program. For example if a person spends 75% of his or her time on the ADR program, no more than 75% of that person's salary and fringe costs can be charged to the ADR program. Non-personnel costs must also be allocated on a logical basis.

For all shared costs, the method of allocation must be documented. Records of the method of calculation should be maintained in the files for each contract period.

Agencies that have multiple program components must maintain documentation to illustrate how it allocates funds to each component and how the ADR program budget fits within the overall agency budget.

On the following pages is a summary of allowable and non-reimbursable expenses in each category. If a question regarding a particular expense arises, please contact the Office of ADR Programs.

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| Summary of Budget Categories | | |
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| Category | Allowable Expense | Non- Reimbursable Expenses |
| Personnel | <ul style="list-style-type: none"> • Wages and salary expenses • Overtime | <ul style="list-style-type: none"> • Payments to current members of the Board of Directors, Officers or Incorporators • Payments to immediate family of current officers, directors or incorporators • Retroactive salary increases without written approval by the Unified Court System • Bonus payments • Honorarium to staff |
| Fringe Benefits | <ul style="list-style-type: none"> • Payroll Taxes • Social Security Taxes • Medicare • Disability Insurance • State Unemployment Insurance • Health/Dental Benefits • Pension/Retirement Contributions | <ul style="list-style-type: none"> • Amounts in excess of the current state fringe benefit rate • Federal Unemployment Insurance. Not-for-profit Corporations are exempt under Section 501(c)(3) of the Internal Revenue Code. • Direct payments for medical services |
| Supplies | <ul style="list-style-type: none"> • Any consumable supply necessary for program operations | <ul style="list-style-type: none"> • Taxes from which a non-profit organization is exempt |
| Travel | <ul style="list-style-type: none"> • Staff and volunteer travel for programmatic purposes | <ul style="list-style-type: none"> • Taxes from which a non-profit organization is exempt • Parking expenses at a person's regular workplace • Alcoholic beverages |
| Equipment | <ul style="list-style-type: none"> • Equipment and furniture necessary for program operations that is purchased | <ul style="list-style-type: none"> • Taxes from which a non-profit organization is exempt |

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| Summary of Budget Categories | | |
|-------------------------------------|---|---|
| Category | Allowable Expense | Non- Reimbursable Expenses |
| Rental and Repair of Equipment | <ul style="list-style-type: none"> • Equipment and furniture necessary for program operations that is leased • Maintenance agreements or repair costs | <ul style="list-style-type: none"> • Taxes from which a non-profit organization is exempt • Automobile lease without prior approval of UCS |
| Real Estate Rentals | <ul style="list-style-type: none"> • Rental of office space | <ul style="list-style-type: none"> • Utilities and/or maintenance when such costs are included as part of the rent |
| Postage and Shipping | <ul style="list-style-type: none"> • As necessary for program operations | |
| Printing | <ul style="list-style-type: none"> • As necessary for program operations | |
| Telephone and communication charges | <ul style="list-style-type: none"> • Telephone service charges • Program-related phone calls • Internet access | <ul style="list-style-type: none"> • Expenses related to unauthorized telephone calls • Personal cell phone calls can only be reimbursed if the individual incurs a cash expense. Cell phone calls that result in used program “minutes” cannot be reimbursed |

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| Summary of Budget Categories | | |
|-------------------------------------|--|--|
| Category | Allowable Expense | Non- Reimbursable Expenses |
| Miscellaneous Services | <ul style="list-style-type: none"> • Office Cleaning services • Records storage • Bank fees • Snow plowing | <ul style="list-style-type: none"> • Contributions and donations • Fines and Penalties • Reserve and/or Escrow Funds. Amounts set aside for an anticipated bill are not reimbursable. Reimbursement will be made when the bill is actually paid. (e.g., amount transferred to a reserve fund for employer's share of F.I.C.A. funds). • Security deposits (these are not expenses since the monies will be refunded at some future date) |
| Professional Services | <ul style="list-style-type: none"> • Non-Employee Consultants • Legal Services • Accounting Services • Financial Review and Audit Services • Computer Consulting services | <ul style="list-style-type: none"> • Services provided by salaried employees unless outside their regular duties |
| Insurance | <ul style="list-style-type: none"> • General Liability • Board and Officers Liability • Professional Liability | |
| Training | <ul style="list-style-type: none"> • Trainer fees • Refreshments • Room rental fees • Honorarium | <ul style="list-style-type: none"> • Alcoholic beverages |

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| Summary of Budget Categories | | |
|-------------------------------------|--|---|
| Category | Allowable Expense | Non- Reimbursable Expenses |
| Seminars and Meetings | <ul style="list-style-type: none"> • This category is designated primarily for conference fees related to staff or volunteer attendance at professional conferences, trainings, and meetings not hosted by the agency. Travel expenses related to attendance at these functions should be recorded under the Travel category. | <ul style="list-style-type: none"> • Alcoholic beverages |
| Cash payments to neutrals | <ul style="list-style-type: none"> • Payments to neutrals for mediation, arbitration, facilitation work or mentoring | <ul style="list-style-type: none"> • Additional payments to salaried staff |

C. Budget Amendments

During the fiscal year, a program may need to amend its budget because of changes in anticipated revenue or expenditures. Each program should submit a budget amendment request whenever it anticipates a significant change in either revenue or expenditures. A budget amendment request must be made prior to:

1. Expending an amount in excess of the budgeted amount on any personnel line
2. Expending an amount in excess of twenty percent (20%) over the approved budgeted amount on any of the five major non-personnel service categories (fringe benefits, supplies, travel, equipment and contractual services).

In order to change the budget, a program must submit a budget amendment request to the Office of ADR Programs for consideration and approval. Budget amendments must be submitted in a format approved by the Office of ADR Programs and must be signed by the Program Director. A budget is not officially amended until the Office of ADR Programs approves in writing the request to amend the budget.

The amended budget must meet the same requirements as the original budget submission, e.g., anticipated expenses must equal anticipated revenues and the matching rule must be satisfied, etc. The effective date of a budget amendment is the initial date of the contract

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period unless otherwise specified by UCS. Programs that incur expenditures in excess of the limits outlined above prior to obtaining written approval of their amendment request will be reimbursed for such expenditures at the discretion of the Office of ADR Programs.

V. RECONCILIATION REPORTS

A. Introduction

The reconciliation report is the mechanism for programs to report actual expenditures and revenues to the UCS. An individual authorized by the agency's board of directors must sign the reconciliation report, which must be in a format that the Office of ADR Programs approves. Copies of the reconciliation report must be shared with the Executive Director, the Program Director and the Board of Directors. The reconciliation report is due no later than sixty days after the end of the period.

B. Documentation and Special Considerations for Particular Line Item Categories

1. Payroll

Personnel lines on the reconciliation report must match the lines on the approved budget. The figures reported on the reconciliation report must tie back to the organization's payroll records. For example, if more than one person is paid under a particular line then the organization should maintain a record that enables those figures to be audited.

2. Travel

Complete receipts should be kept for all travel expenses including meal expenses, unless the agency has a written policy that provides for a per diem meal expense amount. Travelers should complete a voucher that states the purpose and of the travel and outlines each expense for which reimbursement is sought.

3. Training Expenses

Attendance records must be maintained for expenses incurred for large gatherings (e.g., trainings, seminars, etc.). If a program conducts a training session for which it incurs refreshment expenses, the program must maintain an attendance record that indicates the date of the training and contains each attendee's signature. The program can use this record as additional support for the payment of fees for the training program.

4. Professional Services

Contractual arrangements with organizations or people must be signed in writing. The agreement should specify the nature of the services, the duration of the contract, and the rate and method of payment. The same purchasing guidelines that apply to goods apply to services.

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B. Non-Employee Consultants

Non-employee consultant expenses should be listed in the professional services section of the Program Budget. Contract Agencies that use non-employee consultants should be careful that such consultants are not considered employees under applicable law. If non-employee consultants are subsequently determined to be employees, the agency could be liable for retroactive taxes. Such retroactive expenses, fees, and penalties cannot be paid using UCS grant funds.

Factors used to determine if a consultant is an employee are discussed in the Social Security On-Line Handbook which can be accessed on the Social Security Administration's web site: http://www.ssa.gov/OP_Home/handbook/ssa-hbk.htm.

C. Surpluses

If at the end of a contract period the total amount of expenditures is less than the minimum amount required by the matching rule, the contract agency owes back to the State the difference between the actual amount spent and the minimum match amount. In the case of an ADR contract that is exempt from the matching rule, if total expenditures are less than the sum of advance payments, the difference is owed back to the state.

State funds must be spent during the contract period for which they were allocated or the program will owe those funds back to the State. If, however, a program has reported a surplus of unspent non-UCS matching revenue and has incurred expenses sufficient to meet the matching requirement, the contract agency will owe the surplus back to the state, unless the program receives written approval from UCS to "roll over" the local revenue into the next fiscal year. A request to roll over funds must be made in writing and include the following:

1. The source of the funds to be rolled over;
2. The fiscal quarter(s) during which the revenue was received or accrued;
3. The amount of money, delineated by quarter, to be rolled over; and
4. A statement asserting that the funds are unrestricted, which means that there is no reason—contractual or otherwise—that the program is prohibited from spending the money in the new period. For example, if a program receives “fee for service” funds, it would be free spend those funds in the new period.

UCS will review each request on a case-by-case basis. A program must receive written authorization from UCS before it may actually roll over any funds into a new State fiscal year.

Money that is rolled over must be included as revenue in the 1st quarter of the subsequent period.

D. Deficits

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If at the end of the period the program has incurred expenses in excess of revenues, the contract agency must submit to UCS a written plan that describes how the agency will pay those expenses. The agency may not pay expenses incurred in a prior period with UCS funds allocated for a subsequent period. Non-UCS funds used to pay expenses incurred in a prior period cannot be included as anticipated revenue in a proposed budget for a subsequent period.

E. In-Kind Contributions

1. General

The Office of ADR Programs discourages agencies from including in-kind contributions as part of the ADR program budget unless it is necessary to meet the matching funds requirement. An in-kind contribution is an item or service that a program would incur as an expense, but because the item or service is donated, no cash is expended. In-kind contributions are listed on budgets and reconciliation reports both as revenue (the value of the donated item or service) and as an equivalent expense (the cost that would have been expended had the item or service not been donated). Hence, the donation increases the total program budget, but the budget remains balanced. The following criteria will be used by the UCS for approving in-kind expenditures as credit towards the required match:

- a) The in-kind item is an expense that the program would normally incur if the item or service were not donated.
- b) The in-kind item is consistent in both nature and cost with the operations of other similar CDRC programs.
- c) The dollar value ascribed to the item or service is consistent with fair market value of the item or service.
- d) There is clear documentation of all in-kind items.

2. In-Kind Personnel Time

In-kind personnel time must be documented by a time sheet that contains the person's name, dates and number of hours for which work was performed, as well as the individual's signature. Documentation of time should be similar to that submitted by paid staff.

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| Allowable In-Kind Pay Rates for Volunteer Time | | |
|---|---|---------------------|
| Position | Responsibilities | Rate |
| Clerical | Any support positions such as administrative assistant, file clerk or receptionist. | \$15.00 per hour |
| Case Management | Any position that provides case intake, statistical compilation or promotion/outreach. | \$15.00 per hour |
| Neutral | Any person who actually mediates or arbitrates for the center or who attends required training for such a position. | \$50.00 per hour |
| Trainer | Time spent providing ADR training. | \$75.00 per hour |

Time spent in the following types of training sessions can be credited as in-kind contributions for both pro-bono trainers and volunteer training participants:

- a) Initial training conducted by a UCS certified trainer(s) according to approved training curriculum guidelines. The trainee must be participating with the intent of becoming a certified mediator on the program's roster; and
- b) In-service training given to certified mediators.

3. *Real Estate Rental*

The contribution of office space may be credited as in-kind with two distinctions:

- a) Donated space is to be used as office space. In these instances, the price of the in-kind donation should be calculated by estimating the current market value of the space; or
- b) The donated space is to be used to conduct mediation (or other dispute resolution processes) or to provide other direct services. In these instances, a \$50 per-hearing fee may be credited as an in-kind donation.

4. *Other In-Kind Donations*

All other in-kind donations should be determined based on the actual value of the donated item. For example, if a host site provides a telephone, an estimate of the amount that it would cost the contract agency to provide equivalent service can be credited as an in-kind donation.