



**SouthEastern Arizona  
Governments Organization**

## **ACCOUNTING PROCEDURES**

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## **I. Introduction**

The purpose of this manual is to describe accounting procedures currently in use at SEAGO and to ensure the financial statements conform to generally accepted accounting principles; assets are safeguarded; guidelines of grantors and donors are complied with; and finances are managed with accuracy, efficiency, and transparency.

All SEAGO staff with a role in the management of fiscal and accounting operations are expected to comply with the procedures in this manual.

These procedures will be reviewed annually and revised as needed by the Accounting Manager.

## **II. Division of Responsibilities**

The following is a list of personnel who have fiscal and accounting responsibilities:

### ***Board of Directors***

1. Reviews and approves the annual budget
2. Reviews annual and periodic financial statements and information
3. Reviews Executive Director's performance annually and establishes the salary
4. Reviews and approves all purchases over \$10,000

### ***Executive Director***

1. Reviews monthly and annual financial reports
2. Sees that an appropriate budget is developed annually
3. Reviews and approves all A/P vouchers
4. Reviews and approves all purchases over \$500
5. Reviews and approves all grant submissions
6. Approves inter-account bank transfers
7. Is on-site signatory for all bank accounts
8. Reviews completed monthly bank reconciliations
9. Makes bank deposits
10. Oversees the adherence to all internal controls

### ***Program Manager***

1. Approves program expenditures
2. Monitors program budget
3. Reviews and approves employee timesheets
4. Reviews and approves employee reimbursements
5. Assists Accounts Manager with the development of annual program budget
6. Monitors and makes recommendations for asset retirement and replacement

### ***Accounting Manager***

1. Overall responsibility for data entry into accounting system and integrity of accounting system data
2. Processes invoices and prepares checks
3. Processes payroll
4. Maintains general ledger
5. Prepares monthly and year-end financial reports
6. Reconciles all bank accounts

7. Mails vendor checks
8. Manages Accounts Receivable
9. Reviews and manages cash flow
10. Processes all inter-account bank transfers
11. Reviews all incoming and outgoing invoices
12. Monitors all expenses to ensure most effective use of assets
13. Oversees expense allocations
14. Reviews, revises, and maintains internal accounting controls and procedures

### **III. Chart of Accounts and General Ledger**

SEAGO has a Chart of Accounts specific to its operational needs and the needs of its financial statements. The Chart of Accounts is structured so financial statements can be shown by expense type as well as by program. The Accounting Manager is responsible for maintaining the Chart of Accounts and revising as necessary.

The general ledger is automated and maintained using our accounting software. All input and balancing is the responsibility of the Accounting Manager.

## **IV. Cash Receipts**

Cash receipts generally arise from:

1. Contracts and Grants
2. Direct donor contributions
3. Membership Assessments

The principal steps in the cash receipts process are:

The mail is opened daily and date stamped by the office assistant. All checks are recorded on a daily cash receipts log, stamped "for deposit only," and kept in a locked cabinet until deposited. The cash receipts log is given to accounting at the end of the business day. The deposit is prepared weekly by the office assistant. All checks are copied and the check copies given to accounting prior to the deposit.. Deposits are made weekly by the Executive Director.

## **V. Inter-Account Bank Transfers**

The Accounting Manager monitors the balance in the bank account to determine when there is a shortage or excess in the checking account. The Accounting Manager recommends to the Executive Director when a transfer should be made to maximize the potential for earning interest or to meet upcoming obligations.



## VI. Cash Disbursements & Expense Allocations

Cash disbursements are generally made for:

1. Payments to vendors for goods and services
2. Taxes/license fees
3. Employee training and development
4. Memberships and subscriptions
5. Meeting expenses
6. Employee reimbursements
7. Subrecipient payment requests

Checks are processed based on due date. Invoices submitted to the Accounting Manager by Wednesday noon will be processed in the current week A/P batch. Checks can be prepared manually within one day, but this should be limited to emergency situations.

Requests for cash disbursements are submitted to Accounting in three ways:

1. Original invoice
2. Check request (containing payee name and address, amount, due date and supporting documentation)
3. Employee mileage and expense reimbursement request

All invoices and check requests must have the program accounting code written on them and be approved by the Program Manager prior to being submitted to accounting.

All employee mileage and reimbursement requests must also be on the approved form with nature of business, program accounting code and receipts as follows:

**Lodging** - an itemized receipt from the lodging vendor detailing all charges, the person(s) for whom the lodging was provided, and the specific business purpose. Also attach a copy of the applicable page from the State of Arizona Accounting Manual Topic 50 Section 95 if the authorized lodging rate exceeds \$95 per night.

**Meals** – an itemized receipt from the food vendor detailing the cost of food, beverage, and gratuities, the names of every person for whom food or beverage was provided, and the specific business purpose. Also attach a copy of the applicable page from the State of Arizona Accounting Manual Topic 50 Section 95 if the authorized meal rate exceeds \$45 per day.

**Other Expenditures** – an itemized receipt from the vendor detailing all goods or services purchased and the specific business purpose.

The Program Manager reviews all requests for payment and:

1. Verifies expenditure and amount
2. Approves for payment if in accordance with budget
3. Provides or verifies appropriate program accounting information

4. Submits to the Accounting Manager for processing

The Accounting Manager processes all payment requests and:

1. Enters them into Accounts Payable
2. Submits vouchers, with attached backup documentation for approval. All vouchers require two approval signatures. Approval signatories are the same as the SEAGO checking account signatories.
3. Prints checks based on due date and availability of funds
4. Mails checks
5. Files all backup documentation in the appropriate file

### **Expense Allocations**

Expenses that benefit more than one program are spread across programs using an indirect cost allocation method. Under this method, the labor hours worked within a program are divided by the total labor hours worked at the organization to determine the percentage of shared costs they should bear. This is done on a monthly basis by the Accounting Manager. Occupancy expenses may be split between programs based on the percentage of square footage that is occupied by each program.

### **IRS Form W-9 and IRS Form 1099**

In order to issue annual IRS Form 1099s and comply with the IRS backup withholding laws, a completed IRS Form W-9 must be on file in accounting prior to a cash disbursement to the vendor or subrecipient.

All IRS Form 1099s are issued to vendors or subrecipients, when required, prior to January 31 of the following year for the prior calendar year.

## **VII. Credit Cards**

All employees who are authorized to carry a SEAGO credit card will be held personally responsible in the event any charge is deemed personal or unauthorized. Unauthorized use of the credit card includes: personal expenditures of any kind; expenditures which have not been properly authorized; meals, entertainment, gifts, or other expenditures which are prohibited by budgets, laws, and regulations, and the entities from which SEAGO receives funds.

The employee will verify all credit card activity on the monthly statement and attach detailed receipts for all activity with applicable program accounting code information for posting. The monthly credit card statement with all receipts is submitted to the Executive Director for approval.

## **VIII. Accruals**

To ensure a timely close of the General Ledger, SEAGO may book accrual entries. Some accruals may be made as recurring entries.

Accruals to consider:

1. Monthly interest earned on money market accounts, certificates of deposits, etc.
2. Recurring expenses, including employee vacation accrual, prepaid corporate insurance, depreciation, etc.

## **IX. Bank Account Reconciliations**

1. The Accounting Manager will perform a timely bank account reconciliation as follows: a comparison of dates and amounts of deposits as shown in the accounting system and on the statement, a comparison of inter-account transfers, an investigation of any rejected items, a comparison of cleared checks with the accounting record including amount, payee, and sequential check numbers.
2. The Accounting Manager will verify voided checks are appropriately defaced and filed.
3. The Accounting Manager will attach the completed bank reconciliation to the applicable bank statement, along with all documentation.
4. The reconciliation report will be reviewed, signed and dated by the Executive Director.

## **X. Petty Cash Fund**

SEAGO maintains a \$100 petty cash fund, for inner-office use only, which is reconciled monthly by the Accounting Manager.

## **XI. Property and Equipment**

Property and equipment includes items such as:

1. Office furniture and equipment
2. Computer hardware
3. Computer software
4. Leasehold improvements

It is SEAGO's policy to capitalize all items which have a unit cost greater than five thousand dollars (\$5,000) with a useful life of greater than one year. Items purchased with a value or cost less than five thousand dollars (\$5,000) or a useful life of less than one year will be expensed.

The depreciation period for capitalized assets is as follows:

Computer Hardware	36 months
Computer Software	60 months
Parking Lot	120 months
Office Furniture	120 months
Building	360 months
Leasehold improvements	Length of lease

1. A Fixed Asset Log is maintained by the Accounting Manager including date of purchase, asset description, purchase information, cost, funding source, identification number, useful life of asset.
2. Annually, a physical inspection and inventory will be taken of all fixed assets and reconciled to the general ledger balances.
3. The Accounting Manager shall be informed in writing of any change in status or condition of any property or equipment.
4. Depreciation is recorded monthly. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Any impaired assets discovered during the inventory will be written down to their actual value.

### **XIII. Payroll Processing**

1. Timesheets are to be prepared by all employees on the approved form and submitted according to the payroll schedule distributed at the beginning of each calendar year. Exceptions to the submittal date may occur and will be communicated accordingly.
2. Timesheets are to be kept on a daily basis and completed in ink – unless prepared electronically.
3. Any corrections to timesheets are to be made by making a single line through the error and writing in the correction. The correction should be initialed. Correction fluid and/or tape are not allowable.
4. Timesheets are to be signed and dated by the employee and the employee's supervisor before submission to the Accounting Manager.
5. Any changes to the standing information of the payroll register from the prior period including addition of new employees, deletion of employees, or changes in base pay rate must be accompanied by a Personnel Action Form and signed by the Executive Director before the change can be made.
6. The Accounting Manager will process payroll in a timely manner and record vacation time, holiday hours, sick time, and any other information deemed necessary to properly reflect time worked.
7. SEAGO uses direct deposit instead of issuing paychecks. Employees' pay is deposited directly into the designated account on the payroll date. An electronic verification stub is placed in the employees' file on a shared computer drive.
8. The Executive Director will review payroll expenditures and allocations each pay period.
9. All quarterly and annual federal and state payroll reports will be prepared and filed appropriately.
10. All IRS Form W-2 statements are issued to employees prior to January 31<sup>st</sup> of the following year for the prior calendar year.



## **XIV. End of Month and Fiscal Year-End Close**

1. At the end of each month and at fiscal year end, the Accounting Manager will review all balance sheet accounts including verification of the following balances: cash accounts match the bank reconciliations; fixed assets accounts reflect all purchases, write-downs and retirements; accounts receivable and payable accounts match outstanding amounts due and owed.
2. The income and expense accounts review will include reconciliation to amounts received and expended and verification that payroll expenses match the payroll reports including federal and state payroll tax filings.

## **XV. Financial Reports**

The Accounting Manager will prepare monthly and annual financial reports for distribution to the Program Managers and the Executive Director. The reports will include: statement of income and expenditures and budget versus actual report for each program, a budget versus actual report for the organization, accounts receivable aging, accounts payable register and aging, and any other requested reports.

Periodic and annual financial reports will be submitted to the Board of Directors for review.