REQUIRED RECORDKEEPING

Requirement: *The organization must maintain all of the records described in this section that are considered by the organization to be relevant and material to the proper administration of all of its financial activities. Any deviations or modifications must be justified.*

You will need to maintain four types of records: (1) written policies and procedures such as personnel policies, travel policies, and purchasing policies; (2) supporting documentation such as prenumbered receipts, canceled checks, time sheets, invoices, and contracts, which support the books of account; (3) budgets with supporting documentation such as budget requests and approval notifications; and (4) formal books of account such as journals and general ledgers.

The primary purposes for these records are to assist you with routine internal financial management activities and to assure the reliability and verifiability of your external financial reports. Your independent auditors will review your records annually and provide comments and suggestions in the management report that accompanies the audited financial statements.

Following are suggestions and examples to consider in developing and maintaining your records.

Written Policies and Procedures

Written policies and procedures should express management's position on how certain operational matters should be handled. Such policies and procedures may need to be changed from time to time to adapt to changing needs.

In addition, grants usually contain provisions requiring compliance with additional policies and procedures. For example, most grants from state agencies require compliance with the state's "Comprehensive Travel Regulations." If your organization relies heavily on grant funding, consider patterning policies and procedures after those required by the grantors.

Personnel Procedures

Written personnel policies should be adopted by the governing board, and a copy furnished to every employee. The document should include your organization's policies regarding all matters concerning personnel. It should address the following:

1. Employment (including orientation, grievance, and termination procedures).

2. Salaries (including who can authorize salary increases, how often salaries can be changed, merit raises, overtime, and compensatory time).

3. Benefits:

   a) Group insurance - how much, what kind, the entity's share, employee's share, who authorizes plans, who is included or excluded.

   b) Retirement plan - how much, what kind, entity's share, employee's share, vesting, administration.

   c) Sick leave - how accumulated, rate of accumulation, definition of sick leave upon termination.

   d) Annual leave - how accumulated, rate of accumulation, how small a unit can be taken, notice required before taking, amount paid on termination, maximum amount that can be accumulated.

   e) Administrative leave - military duty, jury duty, emergencies.

   f) Other leave - maternity or paternity, other.

   g) Rights of employee and employer.

4. Travel:

   a) Approval required in region, out of region.

   b) Rate of mileage reimbursement, air fare, per diem, who is reimbursed, how, travel advances, documentation required.

5. Any other policies concerning personnel.

Purchasing Procedures

Purchasing procedures establish the authority and mechanics required in purchasing for your organization's operation. The purpose is to establish guidelines and regulations governing the purchase of supplies, equipment, contractual services, and other items, to ensure that funds are expended in accordance with an approved budget and management's wishes, with consideration of the availability of funds to pay for such purchases, and in compliance with relevant laws and regulations.

Purchasing policies and procedures may encompass, but are not limited to, the following items and policies.

1. Purchasing: The Subgrantees shall utilize their own purchasing procedures provided that the procurement conforms to applicable federal law and the standards identified in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200).

At minimum, CVAD grant recipients and subrecipients must follow the procurement standards as written in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - 200 CFR 318 through 200 CFR 326.

Agencies should have standards and procedures in place for a segregation of duties to ensure no one individual has the authority/responsibility to order, receive purchases, approve invoices for payments, or make payments, sign checks and mail payments. For adequate oversight of all purchases, no matter the dollar limit, subgrantees are required to have two signature on all checks related to grant expenditures

Any staff member authorized by your chief executive or designee may initiate a purchase. When a purchase is initiated, a standard requisition, or a memorandum describing the type of item and quantity desired, is prepared and signed by the staff member initiating the purchase.

2.   Qualification of Vendors: All vendors providing supplies, equipment, or services should be reputable firms having demonstrated capacity to produce or provide supplies, equipment, services, and other items within a reasonable time or within specific time limits established by the purchaser. Vendors should be subject to disqualification if they misrepresent quality, quantity, or price of what is being purchased. Vendors that exceed reasonable time limits should also be disqualified.

3.   Selection of Vendors: Whenever possible, select vendors on the basis of three price quotations or competitive bids. As a subrecipient, you must conduct all procurement transactions in a manner providing full and open competition consistent with the Procurement Standards in the Uniform Guidance(CFR 200.319). This requirement holds whether procurement transactions are negotiated or competitively bid, and without regard to dollar value. In order to avoid unfair competitive advantage, contractors that develop or draft specifications, requirements, statement of work and invitations for bids or requests for proposals, must be excluded from competing for such procurements.

Written procedures for procurement transactions must ensure that all solicitations incorporate a clear and accurate description of the technical requirements of the material, product, or service to be procured. Solicitations should also identify all requirements that must be fulfilled and all other factors to be used in evaluating bids and proposals.

Under certain circumstances, supplies, equipment, services, or other items may be purchased without bids or quotations. Quotations may not be necessary if a qualified vendor is the sole source of the items to be purchased, or, in case of emergency, when immediate delivery is necessary for the entity's continued provision of adequate services.

All sole-source purchases should be reviewed by the Project Director or designee. In any event, the Project Director should be apprised of any sole-source purchase as soon as possible. A written memorandum explaining all emergency purchases and all other sole-

source purchases exceeding an amount determined by management should be attached to the file copy of the purchase order.

To determine what Method of Procurement to be followed, please refer to CFR 200.320 (Methods of Procurement) in the Uniform Guidance.

4. Purchase orders: Make all purchase orders (except when specific exceptions are permitted) by submitting consecutively numbered purchase order forms to vendors. The exceptions include contracts for professional services (where the contracts serve as detailed documentation), bills for utilities and office rental, and emergency telephone orders. Prepare requisitions or memorandums for emergency orders, travel claims, books, subscriptions, postage, proprietary fees and permits, and similar expenses.

    Fill out every purchase order in triplicate. It should show the date, name of vendor, type, quantity, price of supplies and equipment, and other items to be purchased. A staff member officially designated to sign purchase orders should sign each order. Submit the original to the vendor. File the first copy numerically; it constitutes an official authorization for disbursement after the order has been satisfactorily filled.

    a) Receipt of supplies and equipment should be certified by a staff member who has been assigned responsibility for receipt of all purchased items. Deliveries should be compared against the second copy of the purchase order and packing slip or invoice and should be examined for conformance to specifications in the order. The packing slip or invoice and the second copy of the purchase order should be signed if the delivery conforms to the purchase order. (If the invoice does not accompany the delivered goods, the signed packing slip should be compared to the invoice prior to the invoice being approved for payment.) The invoice, requisition, and second copy of the purchase order should be filed in invoice date order, alphabetically by vendor name.

    b) Match billings with the signed invoice, purchase order or requisition. Examine the billing to ensure that the amount requested for payment matches cost, types, and quantities shown on the signed invoice(s).

    c) The chief executive or designee should review the invoice, purchase order, requisition, and billing, and certify as to qualification for payment. No invoice or bill should be paid without such certification.

    d) Purchase orders are not required for utility services (telephone, gas, electricity) or for rental payments. Bills for these services should be reviewed by the appropriate official and paid in accordance with standard procedures for disbursement of funds. However, retain copies of all bills received for rent and utilities and file them chronologically, by vendor, or by expense category for no less than three years.

5. Disbursement of funds: Upon proper certification of invoices and bills, make disbursements in accordance with your standard procedures for the issuance of checks and vouchers.

Supporting Documentation

Present supporting documentation to justify each journal entry. In most cases, staff members should use preprinted sequentially numbered forms, and written policies concerning the use of the forms should be established.

Following are examples of supporting documentation: All

journals and ledgers
Annual financial reports with working papers
Annual program reports, including statistics, with working papers
Bank reconciliations
Bank statements
Board of directors meeting minutes Checks
Contracts
Contributor transmittals
Correspondence Cumulative
leave records Deposit slips
Donor pledges Donor
restrictions
Fixed assets inventory listings In-
kind vouchers
Inventory count sheets
Invoices
Journal vouchers Leave
requests
Petty cash count sheets
Petty cash receipts
Petty cash reimbursement requests
Prenumbered cash receipts Purchase
orders
Support for sole source decisions Telephone
logs
Time sheets Travel
claims Written
policies

Maintain a current roster of grant or contract agreements. Include the following information for each grant:

1. Grantor

2.   Grant number
3.   Title of grant
4.   *Catalog of Federal Domestic Assistance* number
5.   Period covered
6.   Approved budget (latest revision)
    a)   Grantor share
    b)   Matching share
        1)   Cash
        2)   In-kind
7.   Purpose of grant

Keep a file on each grant. The file should contain at least the following items:

1.   Grant agreement, including grant budget
2.   All grant agreement amendments
3.   Copy of periodic financial reports
4.   Copy of close-out report
5.   Other pertinent information (e.g., correspondence, monitoring reports)

Keep information on in-kind contributions and matching requirements by grant in separate file folders, as necessary.

Budgets

Budgets are a basic part of the financial management of a multi-funded entity. Through budgeting, your organization decides in advance how it (a) wants to spend its resources or (b) proposes to spend the resources of others.

Your annual budget is not only vital to proper planning and control but also usually serves as the basis for developing the cost allocation plan.

Comparisons of actual expenses to the approved budget are a routine part of internal and external reporting.

Develop separate budgets for each grant for which application is made. Such budgets often do not have the same fiscal period as your organization's fiscal year. A grantor agency may require that its own form be used when budgets are submitted. This document will not attempt to discuss the various types of grantor budgets, but be sure to provide information within your accounting system to satisfy the reporting requirements of your various funding sources.

In preparing your overall budget, review all actual expenses of the prior year, consider any anticipated changes in allocations for revenues and expenses for the coming year, and develop an annual budget for all anticipated programs.

Develop this total budget by object code (line item) and also by programs, management and general, and fundraising.

For each anticipated grant prepare a line-item budget or follow the grantor's guidelines. Include all locally funded projects.

If you have an indirect cost rate approved by all grantors, you need not list budgeted indirect costs by line item but may list them in total with the applicable approved indirect cost rate. For informational purposes only, enclose a schedule listing applicable indirect costs by individual line item.

When a cost allocation plan is used, allocate all common costs, regardless of whether such costs are allowable under a grant or exceed a grantor's prescribed funding percentages or budgets. The allocation must be done on a reasonable basis and must be supported by adequate documentation.

For grants with a grant period covering two fiscal years, present the budget information pertaining to the current budget year and the next year.

Formal Books of Account

Formal books of account include:

1.   Cash Receipts Journal - This journal should contain a separate entry for each receipt of money. Entry sources for this journal are duplicate prenumbered cash receipts and deposit slips.

2.   Cash Disbursements Journal - This journal should contain a separate entry for each check issued. Costs for each object and functional expense classification should be summarized and posted to the appropriate general ledger account at the end of each month. See 7, below.

3.   General Journal - Use this journal to record transactions such as depreciation, allocations of payroll expense, and indirect costs.

4.   Payroll register - Use this register to record each payroll check and provide the proper distribution of amounts withheld from employees' wages.

5.   In-kind Receipts Journal - Record the receipt of in-kind contributions in this journal. Such contributions must be properly documented to show the basis of valuation and their relation to the program.

6.   General Ledger - Maintain one general ledger to summarize all accounts. You may use any standard ledger form that has debit, credit, and balance columns. An account is a device used to record and summarize increases and decreases in assets, liabilities, net assets, revenue, and expenses.

7.   Subsidiary Ledgers as needed - To avoid an unmanageably large number of general ledger accounts, you can group similar accounts and summarize them in the general

ledger as one account. Such a combined general ledger account is called a "control account." The detailed records on the individual accounts of a control account are maintained in a separate set of records known as **subsidiary ledgers**. Accounts receivable, accounts payable, and payroll are some of the most frequently used subsidiary ledgers.

You should have a deferred revenue control account with a subsidiary ledger for each government contract your organization is awarded. For each donor restricted grant or contribution your organization receives, you will need a separate net asset control account..

Since Generally Accepted Accounting Principles (GAAP) now requires not-for-profit organizations to report expenses functionally for program, management and general, and fundraising, you may want to establish control accounts with subsidiary ledgers for each major function. Note that, for GAAP reporting, voluntary health and welfare organizations are still required to present such functional expenses in a matrix with object expenses in a separate financial statement ([AICPA Audit and Accounting Guide:](#) *Not-for- Profit Organizations*, AAG-NPO 3).