



**PENINSULA SYMPHONY ASSOCIATION OF
NORTHERN CALIFORNIA**

**FINANCIAL CONTROLS,
POLICIES AND PROCEDURES
MANUAL**

**Revision B
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I. INTRODUCTION

The purpose of this manual is to describe fiscal accounting policies and procedures currently in use by the Peninsula Symphony Association of Northern California and to ensure that the financial activities and 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 staff, contractors and volunteers with a role in the management of fiscal and accounting operations are expected to familiarize themselves the policies and procedures in this manual and to comply with them.

These policies will be reviewed annually and revised as needed by the staff, the Treasurer, and Finance Committee of the Board of Directors, and approved by the full Board. The Board of Directors is committed to maintaining and adhering to best practices in managing its finances.

II. DIVISION OF RESPONSIBILITIES

Board of Directors

The Board is responsible for the governance and policy decisions of the Peninsula Symphony Association of Northern California (PSA). The Board:

- ✓ Reviews and approves the annual budget
- ✓ Establishes the committee structure necessary to operations
- ✓ Reviews annual and periodic financial statements and information
- ✓ Establishes employment practices and codes of operation
- ✓ Reviews Business Manager's performance annually
- ✓ Appoints authorized signatories for the bank accounts
- ✓ Approves check signing procedures
- ✓ Approves major expenditures as part of setting its annual organizational budget
- ✓ Reviews and approves all contracts not covered through approval of annual budget

Administration and Finance Committee

The Board Charter establishes an Administration and Finance Committee (A&FC) responsible for: finance, investments, capital, human resources, facilities, and budget. Per its charter from the Board, the A&FC:

- ✓ Ensures transparency in financial reporting: Budget to Actual reporting; cash flow reporting
- ✓ Ensures that the Business Manager and Treasurer work effectively together
- ✓ Ensures that the Business Manager reports on Budget to Actual at board meetings
- ✓ Ensures that the Treasurer and/or Committee Chair reports on the work of the Administration and Finance Committee
- ✓ Reviews and recommends Annual Budget
- ✓ Reviews, reports and recommends action on the Endowment Investment Policy on a regular basis
- ✓ Develops human resource policies and actions (as detailed in Peninsula Symphony Employee Handbook)

In addition the Administration and Finance Committee:

- ✓ Reviews and approves all non-budgeted expenditures

- ✓ Reviews and advises staff on internal controls and accounting policies and procedures
- ✓ Reviews and approves all financial reports including cash flow projections
- ✓ Sees that an appropriate budget is developed annually
- ✓ Approves in advance inter-account bank transfers
- ✓ Oversees the adherence to all internal controls

Board Chair or Treasurer

- ✓ Reviews monthly and year-end financial reports
- ✓ Ensures independent bank reconciliations are conducted
- ✓ Reviews and signs all issued checks except those requiring two signatures

Business Manager

- ✓ Approves all program expenditures subject to the budget approved by the Board
- ✓ Monitors program budgets
- ✓ Reviews and approves all reimbursements and fund requests
- ✓ Processes all inter-account bank transfers
- ✓ Serves as secondary signer on checks in absence of Board Chair
- ✓ Develops annual and program budgets with support from Board Chair and/or Treasurer
- ✓ Monitors and manages all expenses to ensure most effective use of assets
- ✓ Monitors grant reporting and appropriate release of temporarily restricted funds
- ✓ Oversees expense allocations
- ✓ Reviews, revises, and maintains internal accounting controls and procedures
- ✓ Reviews all financial reports

Bookkeeper

- ✓ Co-ordinates with service provider for processing payroll
- ✓ Reviews all payrolls
- ✓ Enters payroll data into the books
- ✓ Reviews and manages cash flow
- ✓ Prepares monthly and year-end financial reports for review by the Finance Committee
- ✓ Overall responsibility for data entry into accounting system and integrity of accounting system data
- ✓ Reviews monthly bank statement for any irregularities, conducts monthly bank reconciliations and provides results with unopened bank statement to Board Treasurer for review and sign-off.
- ✓ Work with Auditor/Independent Accounting Firm or Consultant for yearly review and/or audit

Administrative Assistant

- ✓ Processes invoices and prepares checks for signature
- ✓ Mails vendor checks
- ✓ Manages Accounts Receivable
- ✓ Receives unopened bank statements
- ✓ Receives and opens all incoming mail
- ✓ Makes bank deposits

Independent Accounting Firm or Consultant

- ✓ Conducts Annual Financial Review

III. GENERAL PRACTICES

Review of Policies and Procedures

The Governance Committee and the Administration and Finance Committee shall review these policies yearly to evaluate their effectiveness and consider modifications if required. The Governance Committee shall report the results of the review process to the Board. Any modifications of these policies shall be approved by the full board.

IV. ACCESS TO ACCOUNTING LEGER

Access to the account leger (QuickBooks) shall be limited to the Board Chair, Treasurer and staff as approved by the Board. The approved list shall be approved at least annually by the Board.

V. RECEIPT AND DEPOSIT OF FUNDS

A. Checks

Upon receipt all checks shall be endorsed using an endorsement stamp that states the check is "For Deposit Only" and includes the PSA name and account number.

Checks received at an outside event such as a fundraiser or ticket sales at a concert will be received without issuing a receipt unless a receipt is requested and shall be totaled by two people, if possible. Checks received from an outside event shall be delivered to the office on the next office working day after the event.

B. Credit Cards

A staff member shall enter credit card purchases into a database with the cardholder's name, address, phone number, and card number with expiration date. Email addresses will be entered if known.

On-line purchases shall be automatically entered into the database. Our bank shall be required to deposit all credit card purchases into our checking account at the end of each day. A batch number will be assigned and logged.

C. Cash

The office shall maintain a pre-numbered cash receipt book with an automatic duplicate copy. The receipt shall include the person's name, the date, the amount and the purpose of the payment. No pages may be removed from the receipt book. Cash received at outside events shall be counted and the total verified in writing by two people if possible and shall be signed off by staff or Board member. The cash shall be delivered to the office on the next office working day after the event.

Bank Deposit Procedure

A deposit slip shall be prepared listing checks and/or cash. Two people shall total cash for each deposit. Each check shall be copied along with its backup material.

Deposit slips with their checks will be placed in bank deposit bags and sealed for deposit. Daily bank deposits shall be made if the accumulated funds exceed \$2,500.

Carbon copy of each deposit slip will be attached to corresponding copies of checks and their backup material, and assigned a batch number. A separate log will be kept of the consecutive batch numbers, deposit and date and assigned a batch number in preparation for entry into the accounting program.

Safeguarding of Receipts and Sensitive Financial Information

Cash, Checks and Credit Card Vouchers shall be stored in a locked, secure location, preferably a fireproof safe, until deposited in the bank.

Records containing donor or subscriber financial information shall be protected.

Computers shall require passwords and use only encrypted storage medium.

The PSA Office shall remain locked at all times, except during normal business hours.

VI DISBURSEMENT OF FUNDS/USE OF CORPORATE PROPERTY/ TRANSFER OF FUNDS

Opening Bank Accounts and Credit Facilities

Bank accounts and Credit Facilities (e.g. Credit/Debit Cards) may be opened only upon authorization by the Board of Directors. All bank accounts shall be opened using the PSA employer identification number (EIN).

A. PAYMENTS BY CHECK

Checks

Only pre-printed checks with "Peninsula Symphony", bank routing and account number and numbered consecutively shall be used. The check format shall have two lines for co-signers for checks over \$1,500. Computer generated checks shall not be used.

The Business Manager, Treasurer and Board Chair are authorized check-signers on all bank accounts. Additions to the signer list required during the year shall be approved by the Board. The Board shall annually review and approve the authorized check-signers list.

The Business Manager, the Treasurer and the Board Chair are the only persons authorized to have access to unused blank checks. The checks shall be stored in a locked location.

Voided checks shall be marked "VOID", filed and kept in the office. In the event that it is necessary to issue a duplicate check for checks in an amount over \$100, the Business Manager shall order a stop payment at the bank on the original check.

Invoice Authorization

Upon receipt, the Business Manager or staff member shall stamp invoices showing date received. The Business Manager will assign the appropriate accounting number and shall approve payment for invoices.

Payables From Checking Account

Only the Business Manager or his/her designee will generate checks. Checks up to \$1,500 and consistent with the budget approved by the Board shall be signed by the Business Manager. Checks over \$1,500 shall have two designated signers. Checks in payment of signed contracts (e.g., artist or CONCERT venue fees) previously approved by the Board will not require a second signature. All checks shall be sent or given to the payee with part two of the check page indicating the purpose and accounting category of

the check. Part three shall be attached to the original invoice and filed in "Bills Paid" appropriately.

For recurring monthly bills and repetitive or frequent bills, the Business Manager may establish automatic payment from the checking account to increase efficiency in the daily operation of the office after one-time approval by the Treasurer. The maximum amount for automatic payment shall not exceed \$1,500 per invoice. An exception to this may be made for the monthly office rent and payroll.

Duties of Second Check Signers

Prior to signing a check, a second check signer shall do the following:

- Compare the check to the original invoice or the Business Manager's note to pay the expense
- Compare the amount on the check to the amount on the invoice or note
- Ensure that the Business Manager has initialed approval of the invoice
- Check the date on the invoice or the Business Manager's note against the date of signing the check. If the difference is more than 60 days, get written approval from the Treasurer before signing the check

Prohibited Practices

In no event will:

- Invoices be paid unless approved by the Business Manager
- Blank checks be signed in advance
- Checks be made out to "cash," "bearer," etc.
- Checks be signed by the payee

B. ENDOWMENT FUNDS POLICY

PSA will establish and use endowment funds to assist in the long-term financial stability of the organization and for special purposes as designated by funding sources. Unless otherwise specified, only endowment fund earnings will be used and generally only a portion of the earnings. The establishment and use of endowment funds shall be in compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

PROCEDURES

The Executive Committee, with input from the Administration and Finance Committee, shall develop policies for using endowment funds, taking into consideration the intention of the funding source and needs of the organization. The Board shall approve any withdrawals from the funds.

The Administration and Finance Committee will review these policies annually prior to budget development and present any changes to the Board for approval.

Withdrawals or transfers of endowment funds between accounts shall require two authorizations. At least one must be a Board member who is an authorized signer for the account. This restriction applies to both paper and electronic withdrawals/transfers.

C. EXPENSE REIMBURSEMENT POLICY

Board members, employees and volunteers may be reimbursed for expenses incurred on behalf of the organization. The expense must meet the following requirements:

- Have been authorized by the Board, the Business Manager or the Treasurer
- Have been incurred for goods or services purchased for the organization

- Travel must be for work related to the organization. Reimbursement will be no more than the standard mileage IRS rate for business use of a car. The organization may reimburse reasonable meal expenses

PROCEDURES

To be reimbursed for expenses:

- Reasonable documentation showing the date, amount and what the expense was for must be provided. Credit card receipts and store receipts that do not describe the purchase are not reasonable documentation. The receipts must describe the purchase
- Request for reimbursement with required documentation must be submitted within 60 days

D. PURCHASING

POLICY

All purchases made on behalf of the organization shall be made pursuant to the Board-approved budget or Board rules.

PROCEDURES

The Business Manager may authorize purchases of \$1,500 or less which conform to the Board's budget. The Treasurer may approve purchases greater than \$1,500 and less than \$5,000. The Board must approve purchases greater than \$5,000 and not conforming to the Board's budget.

E. USE OF PSA PROPERTY

POLICY

Property and equipment owned by PSA may only be used for PSA activities or activities approved by the Business Manager. They may not be used for personal purposes.

PROCEDURES

If a Board member, officer, employee or volunteer wants to use PSA property or equipment for any purpose other than a PSA purpose, that individual shall obtain permission from the Board. An exception can be made for the loan of our music library to other music organizations, as it has been the custom for us to both loan and borrow music reciprocally.

VII CREATION OF CORPORATE OBLIGATIONS

A. CREDIT AND DEBIT CARDS POLICY

The Board shall authorize the application for any corporate credit cards. A PSA cardholder may use the credit card only for official purposes directly related to the need of the organization. All credit card accounts shall require duplicate hard-copy monthly statements to both the Business Manager and the Treasurer of the PSA.

The cardholder may not use a corporate credit card for personal purposes, even if he/she plans to reimburse the organization.

The following purchases are not allowed on corporate credit cards:

- Personal purchases
- Cash advances or loans
- Payroll advances
- Purchases for other organizations
- Personal entertainment
- Fuel for personal vehicles
- Purchases from a business owned or operated by the card-holder unless pre-

approved by the Board Chair

The use of debit cards is prohibited.

PROCEDURES

In order to use the card, the cardholder shall follow these procedures:

Cardholder Agreement

Upon issuing a corporate card to a cardholder, the cardholder must sign a statement that the cardholder has read and understands this Credit Card policy.

Purchase Limits

An individual purchase shall not exceed \$500. Aggregate monthly purchases shall not exceed \$1,500 without approval by the Board Chair or Treasurer.

Original Receipts

The cardholder shall submit to the office the original receipt that describes each purchase made on the card. The credit receipt is not sufficient.

B. BORROWING AND LINES OF CREDIT POLICY

The Board shall approve application for and acceptance of any Lines of Credit. Once the Line-of-Credit is authorized by the Board, the Business Manager may authorize borrowing within the limit of the line of credit up to \$2,000. The Treasurer shall approve all borrowing against the line of credit up to \$10,000. The Board shall approve amounts greater than \$10,000.

The full Board shall approve any other borrowing of funds in the name of the corporation, including the use of any promissory notes.

VIII BANK RECONCILIATION

POLICY

The Treasurer shall appoint a person who is not part of the staff or Board to conduct a monthly reconciliation of bank accounts. This person shall prepare a written reconciliation report of all bank accounts that proves that the balances presented on our financial reports agree with the records of the financial institution(s).

PROCEDURES

Bank Reconciliation

Bank account reconciliation will be done monthly. The Business Manager will provide unopened copies of bank statements for reconciliation. The reconciliation report will include a list of adjustments needed to balance the database with the statements. Questionable entries will be investigated by the person doing the reconciliation. The reconciliation report shall be submitted to the Treasurer and the Business Manager after the issues have been resolved. The Treasurer shall confirm receipt and acceptance of the reconciliation reports at Board meetings.

If a bank has internet on-line access to bank statements, these may be accessed on a read-only basis by the Board Chair, the Treasurer (or other Finance Committee member designated by the Treasurer), and the Business Manager. On-line fund transfers between bank accounts is prohibited.

IX. BOARD OVERSIGHT

POLICY

The Board shall provide ongoing oversight of all financial activities.

PROCEDURES

Financial Reports to the Board

Financial statements shall be produced by the Bookkeeper and presented at Board meetings. The balances on the Balance Sheet will be reviewed and reconciled with the bank statement by the Administration and Finance Committee.

Bank and Investment Accounts Reviews

The Treasurer or a Board member of the Administration and Finance Committee shall review bank statements and reconciliation reports monthly. At this time all automatic payments exceeding \$2,000 should be verified. Payroll debits from bank statements shall be reconciled with the payroll statements.

Credit Card Statement Reviews

The Treasurer or Board member of the Administration and Finance Committee shall review credit card statements monthly.

Discrepancies in any of the reviews will be discussed with the Business Manager and called to the attention of the Treasurer if not readily resolved. The Treasurer shall report the results of these reviews at the next Board meeting.

A log will be kept of these above reviews showing the reviewer's name, date and documents reviewed.

X. FINANCIAL REVIEWS

POLICY

An annual financial review shall be performed by an outside, certified accountant/accounting firm. They will sample and verify that accounts are in good order and in agreement with our bank and credit card statements and "Bills Paid" files. There will be no conflict of interest between the accounting firm and any employee or board member of PSA.

PROCEDURES

Obtaining an Accountant/Accounting Firm

The Business Manager shall obtain the services of outside reviewer. Prior to final commitment, the Treasurer and Finance Committee shall concur in the selection.

Preparation

The Bookkeeper will provide all documents required by the accountant.

Reporting

Copies of review reports shall be provided to the Treasurer, the Finance Committee, and Business Manager upon completion, and to the Board no later than the first Board meeting after receipt of the report. The Business Manager shall provide an action plan for correcting any deficiencies/recommendations in the audit report.

Corrective Action Program

In the event of deviations from the financial policy, a corrective action (CA) program will be initiated. The purpose of the CA program is to monitor discrepancies, and thereby improve financial operations. Since this is not intended to be a punitive program, self-reporting of failure to follow procedures is encouraged.

Upon discovery of a failure to follow the financial policy, the treasurer will prepare a corrective report, detailing the deviation. The Business Manager will prepare a response within 30 days, with proposed corrective action(s). The CAR will be placed in the files and periodically reviewed for compliance.

XI RECORD RETENTION

Record retention shall be seven years for all accounting records including donations, invoices, bank and credit card statements, and payroll records.

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