



**Metropolitan Denver Homeless Initiative, Inc.
Financial Policies and Operational Procedures**

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Section 1 - Financial Records and Reporting

Policies:

- a) The fiscal period begins July 1 and ends June 30.
- b) The financial records of the organization shall be maintained on an accrual basis of accounting in accordance with generally accepted accounting principles.
- c) All financial records of the organization must be properly maintained for a minimum of seven (7) years.
- d) The purpose of the accounting system is to systematically record, summarize, and report all financial transactions of the organization. The system shall be designed so that all aspects of operations are included in the system.
- e) Effective control and accountability must be maintained for all assets of the organization, including cash, investments, fixed assets, and other assets. Management must adequately safeguard all assets of the organization and assure that all assets are used for authorized purposes.
- f) Financial statements will be produced by an off-site accounting firm approved by the Board on a monthly basis. Statements will be reviewed by the Finance Committee with a report to the full Board at a regularly scheduled meeting.
- g) Designated staff will send a copy of the check register to the accounting firm within 3 working days of the end of each month. The check register should indicate a general ledger code for each check written. The accounting firm will reconcile the checking account and all other accounts.

Section 2 - Cash Disbursements/Purchases/Payments

Policies:

- a) All disbursements are to be made by issuing checks drawn on the established agency cash accounts.
- b) No checks may be made out to "cash."
- c) The request for disbursement must be supported by backup documentation that justifies the purpose of the disbursement and is attached to the request.
- d) The Executive Director approves all invoices for payment.
- e) Checks will be written by staff person and then submitted to Executive Director or designated Board officer with supporting documents (invoice) for review, approval and signature. In the memo section of the check, the general ledger code will be written.
- f) Payroll will be processed through a contracted payroll company.

- g) Supporting documentation is noted as check number, date paid, amount paid and general ledger code.
- h) Authorized check signers should include Board President and Board Treasurer and must be re-affirmed annually by the Board of Directors.
- i) Checks over \$10,000 must be signed by two authorized check signers.
- j) No payee may be an authorized signer on that check.
- k) The authorized check signer(s) may not have any responsibilities related to the recording of financial transactions or the maintenance of financial records of the organization.
- l) The organization should carry a fidelity bond or appropriate insurance coverage for any director, officer, or employee who handles agency funds.
- m) The Executive Director must approve expense reports from staff. An officer of the Board of Directors must approve expense reports from Executive Director.
- n) Cash advances are not permitted.
- o) The organization will reimburse Board members and staff for reasonable business expenses incurred in connection with the business of the organization that have been properly approved and are submitted for payment with proper documentation.
- p) A petty cash account up to \$150 may be maintained by staff and reconciled monthly.
- q) Receipts or itemized slips are required for every disbursement. The Executive Director or his/her designee will be responsible for verification of receipts and cash.
- r) Petty cash should be used for such things as small and odd jobs, local travel, and sundry items. It is not intended for purchases that can be made with designated suppliers. Activities or needs should be planned ahead so necessary funds will be available in the petty cash account.
- s) Whenever petty cash is used, a pre-numbered "Receipt of Petty Cash" slip must be filled out. A completed slip will include date, the amount taken and returned, the cash category and the total spent. When a staff person receives cash, he/she will sign on the "Received By" line of the petty cash log. Items purchased should also be listed on the log, unless the receipt that must always be clipped to the log lists items purchased. The Executive Director will sign on the "Approve BY" line of the petty cash log.
- t) The Executive Director will be responsible for the reconciliation and replenishment of the petty cash account.

- u) Mileage reimbursement will be paid at the prevailing IRS rate.

Section 3 - Purchases and Contracts

Policies:

- a) Unbudgeted purchases over \$1,000 require written authorization by the Finance Committee of the Board of Directors.
- b) All contracts may only be entered into by the Executive Director in accordance to the approved budget when authorized by the Finance committee.
- c) Contracts entered into or purchases contemplated to exceed \$10,000 will require a competitive bid solicitation. Written proposals must be received by a minimum of three qualified firms/vendors offering such services or goods. The Board of Directors may waive this requirement when an insufficient pool of candidates is available.

Section 4 - Payments to Board of Directors

Policies:

- a) No compensation will be paid to any member of the Board of Directors for services as a member of the Board.
- b) Board members will be reimbursed for reasonable travel expenses for out-of-town travel when representing MDHI. Reasonable travel expenses may include airfare* (not first class), airport shuttle, taxi, and/or mileage reimbursement and meals. (**Airfare will be reimbursed only for trips exceeding a two-hour, one-way driving time.*)
- c) No loans will be made to any member of the Board of Directors.

Section 5 - Cash Receipts and Deposits

Policies:

- a) Funds received by the organization will be deposited in a timely manner to a financial institution that the Board of Directors has authorized, and where organizational accounts are insured by an agency of the federal government.
- b) Procedures are to be in place to identify, evaluate, and to determine the acceptance of restricted contributions. Acceptance of unusual non-cash donations, such as charitable land trusts, perpetual trusts held by third parties, charitable remainder trusts, charitable gift annuities, pooled income funds and donations of land, property, partnership interests, assets subject to lien, etc. need prior approval by the Board of Directors.

- c) Staff shall be authorized to receive and deposit all funds. An accounting of all funds received will be provided by the accounting firm and reported to the Finance Committee on a monthly basis.
- d) The accounting firm shall be responsible for reconciling the checking account with the reconciliation report submitted to Finance Committee on a monthly basis.
- e) All contributions should be acknowledged in writing within ten (10) business days of the receipt.
- f) Establish a check log to be used by staff, other than the Executive Director, when opening agency mail to document incoming checks. The log should be sent to the accounting firm on a monthly basis.

Section 6 - Annual Audit Requirement

Policies:

- a) The financial statements of the organization will be audited annually when revenues exceed \$200,000. It will be at the discretion of the Board of Directors to order audited financial statements any time revenues are less than \$200,000.
- b) The Finance Committee will provide recommendations to the Board of Directors for approval of an auditing firm.
- c) The audit will go out for bid at least every three years, though a change in auditors every three years is not required. Approval of the audited financial statement takes a vote of the full Board.
- d) The Finance Committee will review the audited financial statements and recommendations of the auditor, as well as management's response to the recommendations. The Finance Committee will provide recommendations for the Board to take appropriate action or accept the audit as submitted.
- e) Monthly bank statements shall be made available to the accounting firm.

Section 7 - Budget

Policies:

- a) An annual operating budget shall be developed by the Executive Director in collaboration with the Finance and Executive Committees and submitted for approval to the Board of Directors at its June Board meeting.
- b) The actual operating results of the organization will be compared to the budget on not less than a monthly basis and significant variances (more than 15% variance) explained by the Treasurer or a Finance Committee member to the Board of Directors.

- c) The Executive Director may approve changes to the operating budget and/or contracts without Board approval provided that the change in any category of the budget does not change more than 10% (plus or minus) and that the changes can be made without changing the bottom line (total expenditures). Any changes to the budget which would exceed 10% variance will be submitted to the Finance Committee of the Board of Directors for approval.

Section 8 – Depreciation

Policies:

- a) Capital and depreciation costs will be captured in the annual budget and on-going financial reports. Capital expenses shall comprise of furniture, fixtures, equipment, leasehold improvements that meet the following criteria:
 - A useful life of more than one year, and
 - Cost more than \$1,000.00

Section 9 - Borrowing

Policies:

- a) Any action by and on behalf of the organization in borrowing money, establishing or canceling lines of credit, and or mortgaging, pledging, or authorizing liens on the property of the organization must be reviewed by the Finance committee and authorized by the Board of Directors.
- b) The organization may maintain a line of credit agreement with a financial institution.
- c) The Finance committee must approve any borrowing against the line of credit through formal resolution, which must include a plan for repayment.
- d) The Executive Director may access the agency line of credit up to the limit as set by the Board of Directors.

Section 10 – Agency Credit Card

Policies:

- a) MDHI may assign agency credit cards to employees whose job responsibilities require purchasing.
- b) The employee responsible for the safe keeping of their assigned credit card. If the credit card is lost or stolen, it is the employee's responsibility to immediately report the loss to the credit card company as well as their immediate supervisor.
- c) The credit card is to be used for agency purposes only. The use of the credit card for personal expenditures will result in disciplinary action up to and including termination of employment.

- d) Each month all employees assigned a credit card will receive the statement for their card. It is the employees' responsibility to label all receipts with purpose and match the receipts to the statement and then turn them in to the Executive Director. The only exception is payment for parking. If the employee is unable to obtain a receipt from the parking facility/meter, they are to prepare a receipt on letterhead which states the meeting attended, with the date and time, and cost of parking.
- e) If an employee is expecting to be out of the office during usual time to reconcile the credit card charges, then it is the employee's responsibility to make sure all receipts for the time period are submitted prior to being out of the office.
- f) If an employee is missing a receipt for a purchase they have two days to resolve the credit card issue with the vendor or the credit card company, if unable to do so they may request a time extension from the Executive Director. If all of these actions fail, or at the employee's request, the purchase will be considered personal and the employee will be requested to submit reimbursement to the agency within a week of bill payment. If an employee continually fails to turn in their receipts within the specified time period, their actions will result in the credit card being taken away from the employee, or disciplinary action up to and including termination of employment.

Section 11 - Conflict of Interest

Policies:

Any Board or Committee member who is aware of a potential conflict of interest involving any matter under consideration by the Board or Committee, shall not be present for any discussion of the matter and shall not be permitted to vote on any matter in which he/she has an interest. When MDHI's staff is aware of a potential conflict of interest affecting a Board or Committee member, that Board or Committee member shall not receive related documents in advance of the discussion, under no circumstances shall a Board or Committee member be present for discussion of or vote on matters directly affecting their own interests, or attempt to advocate in their own behalf through private contact, communication, or discussion. Such matters of self-interest include but are not limited to grant or contractual arrangements with Board members own organization or a related party.

A Board or Committee member with a conflict of interest is expected to:

- 1) Immediately, by written communication, inform the President, the Executive Director, and the members of the Board or committee of the Board charged with approving the transaction on behalf of MDHI of such person's interest or position;
- 2) Disclose any material facts within such person's knowledge that bear on the advisability of such transaction from the standpoint of MDHI, any contacts with other Board of Director members;
- 3) Shall recuse themselves from any discussion of the matter; and,
- 4) Not be entitled to vote on the decision to enter into such transaction.

The minutes of the Board or Committee meeting shall reflect that:

- Any interested persons fully disclosed potential conflicts of interest;
- The Board or Committee discussed and determined whether an actual conflict of interest exists;
- The interested person(s) abstained from discussion and voting; and,
- The outcome of the Board vote.

In order to avoid even the appearance of impropriety, Board members may not accept any gifts valued at \$50 or more from, or on behalf of, a Member or potential Member, a Grantee or potential Grantee, MDHI's staff, or other members of the Board of Directors, if the gift is clearly intended as an enticement to influence the Board member's behavior, position on an issue, or vote on a Board decision. "Gifts" do not include reimbursement from MDHI for meals, lodging, and transportation as covered under MDHI's approved Reimbursement Policy. Board members should immediately report to the Executive Committee any threat, bribe, gift, or other enticement tied directly or indirectly to a vote on a grant, contract or membership status.

Section 12 - Organization Documents

Policy:

Staff shall maintain and update organizational list of documents, contracts, insurance records

Section 13 – Separation of Duties

Policy:

The organization's financial duties are distributed among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the organization's assets while also considering efficiency of operations. In the event of an absence, the Executive Director will assign temporary roles as needed to ensure timely handling of all procedures.

Procedures:

Mail Intake – Daily

- Two staff will open, review, and sort all mail for appropriate delivery to the designated area. All mail will be initialed by those persons opening the mail. Currently, the Executive Director will be one of the persons opening and reviewing the mail. The ED will choose another to assist and delegate this function to staff as needed. Upon completion of the opening process, all mail will be routed to the appropriate staff.
- Bank statements will not be opened by the ED. Unopened bank statements will be given to the Deputy Director every month to reconcile within 20 days of the close of the month before handing off to the Operations Coordinator.

Depositing Checks – Daily

- Once reviewed by the Executive Director, all checks are submitted to the Deputy Director to log and deposit.
- The Deputy Director will give a copy of the check and the deposit log to the

Executive Director and Operations Coordinator.

ACH or Electronic Deposits – Daily

- Notification of ACH deposits from bank shall be emailed to the Executive Director and Operations Coordinator.
- All ACH notification emails shall be forwarded to the Deputy Director.
- Forwarded ACH and online deposit emails will be logged into the check/deposit log.

Invoice and Bill Payments – Weekly

- Once reviewed by the Deputy Director, all invoices are submitted to Operations Coordinator for payment preparation.
- Operations Coordinator then logs all invoices, cuts checks, and submits to ED for signature.
- ED receives invoices and checks to pay each invoice.
- Operations Coordinator receives signed checks and invoices, and mails all items.
- All ACH and online bill paying will be initiated by the Operations Coordinator.
- ED will witness all ACH and online bill paying, and will approve payment of each item.
- Operations Coordinator will update Invoice/Bill Payment log.

Reconciliations

Invoice/Bill Log and Check/Deposit Log Review – Weekly

- ED will review and approve the reconciled invoice and deposit log by signing and dating the report in the upper right hand corner.
- ED sends approved invoice and deposit log to Operations Coordinator.
- Operations Coordinator will email the approved invoice and deposit log to the accountant within 20 days of the close of the month.

Bank Statements – Monthly

- Unopened bank statements will be given to the Deputy Director every month to reconcile within 20 days of the close of the month before handing off to the Operations Coordinator.