

**The Academic Senate for
California Community Colleges**

Accounting Procedures

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1.0 General Accounting Procedures

1.10 Accounting Method

The Academic Senate uses the accrual basis of accounting. Revenues are recognized when they have been earned and expenses when they have been incurred.

Salaries and Fringe Benefits Accruals

As part of the June 30-year end close, accrue unpaid salaries, vested annual leave, and fringe benefits in the financial statements of the Academic Senate, according to function. Salaries and fringe benefits accruals within the fiscal year are considered immaterial and will be expended when paid the following month.

Accounts Payable Accruals

As part of the June 30-year end close, accrue all unpaid expenses on the financial records. Accounts payable accruals within the fiscal year are considered immaterial and will be expended when paid the following month.

1.20 Fiscal Year

The Academic Senate has adopted a fiscal year ending June 30.

1.30 Chart of Accounts

Outsourced CFO Solutions, Inc. (CFO Solutions) will maintain the chart of accounts. All employees involved with account coding responsibilities or budgetary responsibilities will be issued a chart of accounts. The chart of accounts must be reviewed and updated as necessary at least every six months.

1.40 Clearing Accounts

In certain instances, additional research may be required to properly identify the appropriate general ledger account to which an item should properly be coded. Such items should be immediately posted to the clearing account. Once the proper account or allocation is determined, CFO Solutions will prepare a journal entry to move the item to the proper general ledger account(s). All items posted to a clearing account will be re-allocated to the appropriate account before the close of the fiscal year.

1.50 Prepaid Expenses

All payments of expenses that have a time-sensitive future benefit will be recorded as prepaid expenses on the financial records. CFO Solutions will then expense them in the proper period via a journal entry to debit expense and credit prepaid expense. Prepayment of any expense in the amount of \$500 or less will not qualify as a prepaid expense. Records of prepaid expenses will be maintained and budgets will be established accordingly.

1.60 Deferred Revenues

When cash is received for revenues that have not been earned, an invoice will be created to code the receipt of deferred revenue and the cash will be deposited. The cash received will be included with deferred revenues on the financial statements and recorded as revenue when earned.

1.70 Capitalization and Depreciation

Capitalization Cut-off Point

If an asset is purchased that costs less than \$5,000 individually, it will be expensed in the period in which the asset is purchased. Assets costing in excess of \$5,000 individually will be capitalized (recorded as an asset rather than an expense) and depreciated in accordance with the Academic Senate's depreciation policies.

Improvements to real property and leasehold improvements will be capitalized if they individually cost in excess of \$5,000. Repairs which cost in excess of \$5,000 and increase the useful life of the asset will be capitalized. All other repairs will be recorded as an expense.

The Academic Senate maintains a fixed asset listing in Excel that contains the fixed asset number, description, purchase date, location, basis, current year depreciation and accumulated depreciation for each asset. This asset listing will be updated to include all assets that meet the capitalization requirements.

Depreciation

All capitalized items will be depreciated over the useful life of the asset using the straight-line method. For assets purchased in the middle of a fiscal year, first year depreciation will be derived from the month of purchase. The useful life of the asset will be determined based on the useful life set forth in the depreciation policy as follows:

- Computer Software 3 years
- Computers and Equipment 5 years
- Office Furniture 7 years

Capitalized repairs and improvements will be depreciated using the straight line method based on an analysis of the time the repair or improvement is expected to improve the property.

Fully depreciated fixed assets will remain on the Academic Senate's statement of financial position until they are disposed of or otherwise deemed worthless. Items

that are disposed of will remain on the fixed asset listing maintained in Excel but will be moved to the disposals worksheet where they will be maintained in perpetuity.

Leases

When the Academic Senate enters into a new lease, CFO Solutions will determine if the lease is to be recorded as either a capital lease or operating lease in the financial records. Leases will qualify as capital leases and will be recorded on the Statement of Financial Position if the lease meets any one of the following qualifications:

- 1) Ownership transfers to the Senate at the end of the lease.
- 2) The Senate has an option to purchase the asset at the end of the lease term at a bargain rate.
- 3) The length of the lease is at least 3/4 as long as the length of the life of the asset.
- 4) The present value of the total minimum lease payments is at least 90% of the fair market value of the asset.

Operating leases are recorded as an expense in the period paid.

1.80 Financial Statement Presentation of Net Assets

The Academic Senate presents the net assets on the statement of financial position in the following categories: unrestricted, temporarily restricted or permanently restricted.

Board-Designated Funds

The Academic Senate will treat board-designated funds as unrestricted net assets on the statement of financial position. A statement of activity for board-designated funds will be included with footnotes to the financial statements as supplemental information, if applicable.

Temporarily Restricted Net Assets

The Academic Senate will add together all temporarily restricted net assets for statement of financial position presentation. A separate Statement of Activity for Temporarily Restricted Net Assets will be included with the financial statements.

Permanently Restricted Net Assets

The Academic Senate will add together all permanently restricted net assets for statement of financial position presentation. A separate statement of activity for permanently restricted net assets will be included with the financial statements.

2.0 Expenditure and Accounts Payable Procedures

2.10 Procurement Procedures

Bid Requirements and Vendor Approval

Bids are not currently required. If the Academic Senate enters into a grant agreement with an agency which requires the use of bids, the Executive Director will draft and the Budget and Finance Committee will approve a bid policy.

All new vendors must be approved by the Executive Director.

Purchase Orders

The Academic Senate does not require a purchase order system.

2.20 Expenditure Authorization

All Senate expenditures require completion and approval of an Expense Authorization Form. The Expense Authorization Form is filled out by the Administrative Assistant for expenses such as bills, conference requests, etc. The Administrative Assistant will initiate the form when bills are received or when a request is made by the Office Manager, Associate Director, or Executive Director. The Form will follow the same approval process as the Travel Expenses below.

2.30 Office Supply Purchases

Office supplies are to be maintained and ordered on a periodic basis as directed by management. Employees are to submit supply requests to the Office Manager either formally via e-mail or written correspondence or informally via verbal request. The Office Manager will then approve the requests, compile a listing of office supply purchases will submit the listing of office supply purchases. The Office Manager will:

- Receive authorized supplies order requests
- Periodically prepare a combined office supply order
- Submit order
- Receive and distribute orders
- Document receipt of orders on the packing slip
- Submit packing slip to the Administrative Assistant
- Track supplies according to funding source (grant)

The Office Manager shall monitor the supply budget to ensure that there is funding for supplies.

2.40 Vendor Review and Approval

Since the Administrative Assistant enters new vendors into the accounting system (Bill.com) and also provides back-up for the 1099s, the Office Manager performs a quarterly review of payments by vendor and reviews the list of vendors. The Office Manager review is specifically designed to aid in the identification of payments to fictitious or unauthorized vendors. The Office Manager also reviews and approves the 1099s issued for the calendar year. 1099s are issued annually by CFO Solutions.

2.50 Cash Disbursements Procedures

All accounts payable checks are issued through Bill.com as described in section 6.20. All manual unused check supplies are safeguarded under lock and key in the Office Manager's desk and a log shall be maintained. When a manual check is needed, CFO Solutions will prepare the check and the Office Manager will print the check.

All check disbursements will require approved invoices or expense vouchers and will have a completed **Expenditure Authorization Form or Expense Reimbursement Form** attached. Account Codes will be assigned by the Administrative Assistant, reviewed by the Office Manager, and verified by the Executive Director.

Bills received directly from vendors are stamped, logged into the payables tracking, and expense authorization created by the Administrative Assistant. Then the item is forwarded to the Office Manager to review, Associate Director to approve, and CFO Solutions to process.

2.60 Travel and Expense Reimbursement Procedures

Expense forms are received by the Administrative Assistant who processes (date stamps and verifies that a signature is included), confirms the expenses are based on Senate policies and sufficient documentation is attached to the request.

Processing of payment includes including account coding designation and review. All expenses are processed when received including expense reimbursements and bills.

Once all expense and authorization forms are processed, they are given to the Office Manager who reviews all the supporting information. Each form is reviewed and initialed as acceptance in compliance to Senate policies. The Office Manager confirms that the payment is within the policies and that the account codes are accurate. The expenses are then given to the Associate Director for final review and approval. Once approved by the Executive Director, the bills are scanned to Bill.com by the Administrative Assistant and processed by CFO Solutions. Once processed, the Executive Director reviews the bills one

last time in Bill.com, approves, and issues payments. Note: The President and the Executive Director cannot approve his/her own expenses. These expenses are sent to the appropriate Executive Committee member for approval.

If the Executive Director is unavailable for an extended period of time, the President will approve expenditures.

2.70 Accrual of Accounts Payables

The Academic Senate accrues unpaid expenses on its financial records at year end if such expenses are in excess of \$250 individually. The Administrative Assistant evaluates the invoices and expense reimbursement requests to determine if the expense should be accrued at year end. The Office Manager reviews the accruals for proper inclusion in the financial records for final approval by the Executive Director.

2.80 Photocopy Expenses

The Senate's copy machine will be programmed each year to determine the actual use of the machine and allocated to the appropriate grant. Photocopy expenses such as the maintenance agreement and toner will be allocated each month based on the actual use of the machine.

Out-of-house photocopying expenses will be charged to the function responsible for incurring the expense.

The Academic Senate currently has an agreement with the Chancellor's Office to supply copying and postage up to \$20,000. The charges associated with this agreement will be allocated by function. Any excess will be reimbursed to the Chancellors Office.

2.90 Postage and Overnight Expenses

A postage log is maintained and the report is utilized to charge each respective function for actual postage used. This applies to both in-house and out-of-house postage that is mailed from the Chancellor's Office.

The Academic Senate does not make a practice of sending things for overnight delivery unless it is the most cost-effective manner in which to disseminate information. When overnight delivery is necessary, the Senate does require the use of approved vendors to maintain the lowest cost.

2.100 Telephone Expenses

The Academic Senate will maintain records of phone line usage. Telephone, modem, calling card, and fax expenses will be allocated in accordance with the percentage of employees assigned to a particular function.

2.110 Check Preparation and Distribution Procedures

Once the Executive Director approves the expenses, the Administrative Assistant scans to Bill.com. CFO Solutions processes the bills which are reviewed one final time by the Executive Director who then submits bills for payment through Bill.com. Checks or electronic payments are then generated from Bill.com.

3.0 Voided / Lost Checks

The Executive Director shall void all checks. If a check issued through Bill.com is lost, the Executive Director shall void the check in Bill.com, note the reason the check is voided, and issue another check. In the event a manual check is lost, the Office Manager shall alert the bank to stop payment. The recipient must reimburse the Academic Senate for the cost to issue a stop-payment on the lost manual check. A replacement manual check will be issued for the amount less the stop payment cost.

4.0 Stale-Dated Checks

Checks that have been outstanding in excess of three months will be declared stale-dated and Bill.com will automatically expire the check. Attempts to contact the payee will ensue. If the attempts are unsuccessful, outstanding checks will be handled in accordance with applicable state escheat or unclaimed property law.

5.0 Revenue Recognition

Invoices are created in the Bill.com and revenue is recognized at the date of the invoice. However, each year there is an institute for which the Academic Senate receives registration fees in advance before the fiscal year end but the institute is not held until after the fiscal year end. The invoices created for all fees received in advance of the institute are recorded as deferred revenue.

5.10 Invoicing of Revenues

The Academic Senate will create an invoice for all grant revenue, dues, services, and products in order to properly track payments by source. All invoices will be charged to accounts receivable and the appropriate revenue account will be credited. Subsequent cash receipts will be coded against the appropriate accounts receivable account.

5.20 In-Kind Donations Revenue

There are certain instances when an agency providing the service for which the expenditure was accrued never generates a bill to the Academic Senate. The Senate will make every attempt possible to contact the provider of the service that has failed to invoice the Academic Senate for services provided. If an invoice for services rendered is not received one year after the invoice was accrued, the Academic Senate will recognize an in-kind contribution. For example, an expenditure which accrued June 30, xxx1 will be recognized as in-kind revenue June 30, xxx2 if no invoice is received. A log of in-kind contributions will be

maintained and the log, along with supporting documentation, will be made available for the annual audit.

The Academic Senate will not recognize in-kind contributions on any portion of a transaction that was charged to and reported as an expenditure of a grant. Accordingly, each potential in-kind contribution will be reviewed to determine if any portion of the transaction was charged to and reported as the expenditure of a grant. The Academic Senate will generate the appropriate expense form and supporting documentation for any unpaid grant expenditures; a check will be generated and mailed to the provider of the service for any and all grant expenditures. The remaining balance of the transaction will be recognized as in-kind contribution.

5.30 Recognition of Chancellor's Office Allowance for Postage and Copies

The Chancellor's Office provides the Academic Senate with postage and copy services. The Office Manager receives a billing slip from the State printer's office for each transaction. She enters the cost, what activity it serves, and a brief description of the services rendered into a spreadsheet that clearly segregates each grant from the basic Senate activities. CFO Solutions extracts the information from this spreadsheet and recognizes the postage and copy expenditures and the related revenue to the accounting system via journal entry.

6.0 Cash Receipts and Cash Handling Procedures

6.10 Cash Receipts Procedures

The Administrative Assistant, or other designated staff member as assigned by the Office Manager, opens the mail, logs the checks in an Access Database, and restrictively endorses the checks. Depending on the timing and size of the deposit, the checks are either given to the Office Manager for immediate deposit or locked in the Office Manager's desk until the deposit is prepared. Check deposits will occur each Friday.

CFO Solutions enters the cash receipts into Bill.com. A secondary staff member runs a verifying calculator tape and initials the documentation. The entire packet is provided to the Associate Director for review and approval.

In monitoring the long-term outstanding accounts receivables, quarterly CFO Solutions prints out an accounts receivable report for review by the Executive Director. Given the limited funding sources of the Senate, all accounts receivables are aggressively pursued.

6.20 Off-Site Collection Procedures

The Office Manager and Events Planner will account for the financial activities related to each event. An Accounting Roster, which lists all registrants and their

respective payment status, a pre-printed receipt for each registered attendee, and a prenumbered receipt book will be used to track and account for all funds associated with the event.

When an attendee checks into event registration, the Office Manager or Event Planner will verify their name on the Accounting Roster and find their pre-printed receipt. If the attendee prepaid, the receipt will be issued to the attendee and their attendance will be logged on the Accounting Roster. If the attendee did not prepay, the payment will be collected and notate the check number or cash received on the pre-printed receipt and the Accounting Roster. Checks received shall be restrictively endorsed upon receipt. Cash received will be safeguarded in a locked box in dual custody of both the Office Manager and the Event Planner. If an attendee has not pre-registered, a pre-numbered receipt indicating the date, the payer, the amount, and the composition of the amount will be issued immediately with each collection and given to the attendee. The attendee will be added to the Accounting Roster and the receipt number and amount and form of payment will be noted on the Accounting Roster. The receipt number and amount received will also be indicated on the event registration document. Another Senate staff member will verify the receipt of funds, that a receipt was given, and that the registrant and receipt number was properly recorded on the Accounting Roster.

After each event, the Office Manager prepares the deposit. Both parties count the cash and initial the deposit slip, which is attached to the deposit slip.

Collection receipts will be reconciled with the Accounting Roster. The Accounting Roster will be reconciled with the off-site registration forms and the receipts in the receipt book. Any differences must be investigated and resolved. Any overages or shortages are to be documented on the Accounting Roster. The deposits must be properly safeguarded and taken to the bank immediately upon return to the Senate Office.

6.30 Bank Reconciliation Procedures

CFO Solutions will do an initial review of checks that cleared and were voided during the prior month and pose any questions to the Administrative Assistant.

When incoming checks are received, the Administrative Assistant will date stamp, restrictively endorse the checks, and records them on the Check Detail log. The Office Manager verifies its accuracy and completeness by reconciling the checks to the Access Check Detail log and runs a tape to verify. The Office Manager then prepares and makes the deposit. The Administrative Assistant reconciles the deposits recorded on the Check Detail Log to the deposits received by the bank. This will be done by comparing the deposits listed on Bill.com to the deposits listed on the Check Detail Log. Any differences will be

investigated and resolved jointly by the Office Manager and Administrative Assistant. CFO Solutions Bank Reconciliation Report is then forwarded to the Executive Director for review. (See Cash Receipts Procedures and Credit Card Deposits Procedures for more detailed procedural process.)

CFO Solutions prepares the monthly bank reconciliation and forwards the bank reconciliation and all supporting documentation to the Treasurer and Executive Director for review. The Treasurer and Executive Director matches the Bank Reconciliation Reports and reviews for accuracy and completeness.

The Treasurer will receive a copy of the bank statements monthly via email. Once the bank statements are reconciled, the Treasurer will receive the original bank statements, emailed statements and the Intacct Reconciliation Report. The Treasurer will verify that the account is properly reconciled and will review the bank statements for payroll deductions, deposits, transfers and reasonableness of transactions. When the Treasurer is satisfied that the Bank Reconciliation Report is complete and accurate, the Treasurer will sign and date the report and return it to the Senate Office where it will be scanned into Bill.com.

The Treasurer at no time will have access to Intacct, Bill.com, or the checks. The Treasurer does not have a key to the Senate Office.

The bank reconciliation will be distributed with the internal financial statements and will include documentation of voided checks.

6.40 Credit Card Receipts

Each month, the Executive Director will print the credit card bills and give to the Administrative Assistant to code each item and match up receipts to the appropriate expenditures. Once credit card bills are coded and matched, the Office Manager will review, initial, and give to the Associate Director for final approval. The Executive Director will pay the credit card bills online and give the Administrative Assistant the bills to scan to Bill.com.

7.0 Accounts Receivable and Invoicing Procedures

7.10 Invoicing Procedures

An invoice is created in Bill.com for all grant revenue, dues, services, and products in order to properly track payments by source. All invoices will be charged to accounts receivable and the appropriate revenue account will be credited. Subsequent cash receipts will be coded against the appropriate accounts receivable account.

Substantiating documentation will be scanned to Bill.com and be digitally

attached to the invoice. Hard copies of documentation supporting the invoice will be stapled to the invoice copy and mailed to grantor as required.

7.20 Accounts Receivable Write-Off Procedures and Authority (Bad Debts)

The Academic Senate makes every effort to collect past due accounts receivables. Accordingly, every month invoices are emailed to individuals with past-due balances.

In monitoring the accounts receivable for long-outstanding items, every three months CFO Solutions generates an accounts receivable report for the Executive Director. The Director reviews the report and instructs CFO Solutions on which receivables to write off. If an invoice is written-off, the accounting treatment outlined in accounts receivable Write-Off Policy applies. The invoice is added to the invoice write off tracking sheet and collection efforts are continued by the Office Manager until the Executive Director determines that the item is absolutely not collectible.

7.30 Tracking Procedures for Accounts Receivable Write-Offs

When directed to write-off an invoice for non-payment, the Office Manager will place the invoice information on the A/R Collections Tracking Sheet. The Uncollected Invoices Tracking Sheet is a spreadsheet maintained by the Administrative Assistant to continue tracking invoices that are selected for write off. When checks are received for these written off payments, the Administrative Assistant will update the A/R Collections Spreadsheet. Every 90 days, statements will be emailed to remind individuals of unpaid invoices. Every quarter the Executive Director will be presented a report listing the invoices shown as outstanding on the Uncollected Invoices Tracking Sheet as well as invoices that were collected subsequent to the prior quarter's report. Annually, the Director will review the report to determine which invoices, if any, should be removed from the Uncollected Invoices Tracking Sheet. Once an invoice is removed from the Uncollected Invoices Tracking Sheet, statements will no longer be emailed and collection efforts will be terminated. The District/College/member will not be allowed to register for any future events unless they pay in advance.

7.40 Non-sufficient Funds Checks Procedures

The Academic Senate records checks returned by the bank because of non-sufficient funds in the accounting records as an accounts receivable due from the individual who wrote the check. The individual is also liable for any bank charges associated with the non-sufficient funds checks.

If the check in question is eligible for redeposit, the subsequent deposit will reduce the receivable account accordingly and an invoice will be generated for the bank charges only. If the check in question is prohibited from redeposit, an

invoice will be generated to the individual for bank charges plus the initial amount of the invoice.

7.50 Refund Procedures

Refunds issued will reduce the corresponding revenue account accordingly. No refunds will be given if notification is received beyond the cut off date for session enrollment unless approved by the Executive Director. Cancellations made prior to the deadline and paid by personal check or credit card will be refunded as requested. Payments made by schools will be refunded after the event, to allow the campus the opportunity to find a replacement participant. Provided the campus has no outstanding membership dues owed, any cancelled event registrations will be refunded within two weeks of the date of the event.

7.60 Allowance for Doubtful Accounts

Each fiscal year end, the allowance for doubtful accounts will be adjusted via journal entry to reflect the total uncollected accounts receivable balance for invoices more than one year past due.

8.0 Payroll and Pay Period Record Keeping Procedures

8.10 Payroll Controls & Procedures

When interviewed, employees provide a resume and references. References are verified for potential hires. Once hired, the Office Manager prepares a hire letter, creates the personnel file, and provides the hire packet. The Executive Director signs the letter and reviews the file. The file contains a salary history that is updated when raises are received. The Budget and Finance Committee sets the staff salary budget. All pay rates other than the Executive Director salary and benefits are approved by the Executive Director and documented in the personnel file. The Executive Director salary and benefits are determined by the Executive Committee.

Personnel files are maintained in the Executive Director's Office. Only the Executive Director has access to the files. The Executive Director's personnel file is kept with Mark Alcorn, Esq.

8.10 Timesheets

Timesheets are submitted every other Friday to the Office Manager who verifies and approves the time worked. The Office Manager reviews and approves all over-time, vacation, holiday or vacation time used (if any). The Associate Director works with the employees as needed regarding any timesheet corrections and then re-submits timesheets to the Executive Director for approval.

8.20 Pay Periods and Payroll

All payroll is processed through Secure Payroll, LLC (Secure Payroll) every other Friday. The Executive Director enters the time into the Secure Payroll timesheet system. Secure Payroll processes the payroll and posts to the general ledger. Payroll data is input into the CalPERS retirement system by Secure Payroll and reviewed by the Executive Director. Payroll reports and CalPERS reports are reviewed by the Executive Director. As noted earlier, the Executive Director and Treasurer review the budget performance, bank statements and reconciliations and financial statements regularly. The Executive Committee reviews the budget performance periodically. CFO Solutions performs the monthly reconciliation of bank accounts, which are reviewed and approved by the Executive Director and provided to the Treasurer upon request.

8.30 Vacation/Leave Procedures

All staff, except for the Executive Director, is required to take vacation annually. The Office Manager will monitor staff vacation time to ensure that vacation time is taken appropriately.

8.40 Salary and Benefit Allocations

Allocations of salaries and benefit amounts to the appropriate grants are calculated on a monthly basis. These allocations are based on the hours worked on each grant, with the employee's timesheet being the source document. See Overhead Allocation.

8.50 Flexible Benefits Account

Employees who receive benefits from other sources, may request to have eligible benefits budgeted for that employee in a Flexible Benefits Account. Benefits eligible for reimbursement under the Flexible Benefits Account include, but are not limited to, medical, dental, and other healthcare expenses; childcare; and education costs for the employee or the employee's children. The Flexible Benefits Account will not be paid to the employee as cash-in-lieu of benefits; it may only be used for approved flexible benefits. All requests for reimbursement of eligible benefit expenses shall be made in writing, supported by receipts, and shall be approved by the Executive Director. The Flexible Benefits Account shall be closed out at the end of each fiscal year and amounts not used by the employee shall revert to fund balance. The funds received from this account will be taxable to the employee.

9.0 Miscellaneous Accounting and Management Procedures

9.10 Financial Statement Preparation and Distribution

Each quarter the Executive Director includes a Budget Performance to the Executive Committee via the Executive Committee Agenda.

9.20 Overhead Allocation

CFO Solutions allocates overhead expenses to the various functions of the Academic Senate based on the allocation of time per the work assignments and/or employee timesheets on a monthly basis. See Salary and Benefits Allocations.

9.25 Senate Revenues

Each quarter, the Executive Director will monitor the budget on a monthly basis.

9.30 Rent

CFO Solutions allocates rent expense to the various functions of the Academic Senate based on the percentage of employees assigned to that function in relation to the total number of employees of the Academic Senate on a monthly basis.

9.40 Computer File Back-Up Procedure

Intacct accounting system is a SaaS product with completed SSAE 16 SOC1 Type II audits. PCI DSS Level 1 certified. Minimum 128-bit encryption for all data transmission. Intacct provides full daily backups to multiple locations, continuous backups of transaction data, and secure streaming of transaction data to remote disaster recovery center.

Bill.com bill payment and receivable tracking system is a SaaS product with completed SOC1, Type II audits. Verisign Secured website and application. All funds are FDIC insured. Data is secured and protected with the same encryption that banks use. Data and documents are stored on redundant servers which immediately make two copies. Data is backed up to separate media and a copy is regularly moved to a second secure facility.

9.50 Computer Passwords

The Office Manager maintains a master record of employee Windows and network passwords including Gmail, travel software, etc., with a copy given to the Executive Director. A master record of employee accounting system passwords will be maintained by the Executive Director. Passwords of terminated employees will be canceled immediately. All passwords will be changed quarterly.

9.60 Budget and Finance Committee

The Budget and Finance Committee consists of the Treasurer, President, Vice President, Secretary, Executive Director. The Treasurer will chair the committee, prepare the agenda, ensure corrective action is taken when necessary, and report on budget committee action to the Executive Committee.

The Budget and Finance Committee has the authority to adjust the budget line item within category total and/or up to 10% between categories based on budget performance and need.

The Budget and Finance Committee, excluding the Executive Director, will also function as the Audit Committee, as required by the Non-Profit Integrity Act of 2004.

9.70 Bartering Prohibited

Transactions will be reviewed to ensure they are not bartering arrangements.

9.80 Credit Cards

The Academic Senate issues credit cards to the President, Vice President, Treasurer and Executive Director. The credit card bills are reconciled monthly to the supporting documentation. The Office Manager reviews the supporting documentation to verify that transactions did not result in the issuance of any cash to the credit card user and that each and every transaction charged to the account was for a valid and reimbursable expense. If a prohibited charge is found, the Office Manager will notify the Executive Director. If the Executive Director is involved, then the Treasurer will be notified. The underlying transactions are reviewed and coded to ensure they are expensed to the appropriate account and function. An Expense Authorization Form is completed and reviewed in the normal manner. The credit card bills are paid monthly via bank transfer.

9.90 Loans Prohibited

Loans to any Board of Director member, staff, or others are prohibited.

9.100 Bonding of Employees

The Office Manager reviews the insurance policies annually to ensure all employees involved in the financial functions of the Academic Senate are bonded.

9.110 Contract Signing Authority

All contracts must be signed by the President, Treasurer or Executive Director and the financial implications of the contract must be included in the Academic Senate's budget.

If the financial implication of signing a contract is not included in the Academic Senate ' s budget, the Budget and Finance Committee must approve the contract and bring the necessary budget revisions to the Executive Committee for approval and ratification before authority to sign the contract is granted.

9.120 Journal Entries

All Journal entries are maintained in Intacct accounting system. CFO Solutions prepares all Journal entries. All Journal entries are then reviewed and approved by the Executive Director and back-up documents filed in Bill.com for retention and reference.

10.0 Tax, Audit, and Records Management Procedures

10.10 Access to Records by Individuals, Members and the Public

Individuals, members and the public may inspect the following records of the Academic Senate:

- Form 990
- Original applications for tax-exempt status
- Academic Senate By-Laws
- Executive Committee Policies
- Executive Committee Minutes
- Audited financial statements

10.20 Federal Identification Number

The Senate will identify documents which may trigger a customer's request for the Academic Senate's Federal Identification Number and evaluate the need to place this information on of the document to circumvent future questions.

10.30 Independent Contractors

The Academic Senate will use the criteria established by the IRS to assess if an individual is placed in an employee or independent contractor status. All persons qualifying as independent contractors will sign an Independent Contractor Agreement. Stipends paid to committee members and payments to independent contractors are subject to reporting on IRS Form 1099 miscellaneous income. A 1099 will be issued to each qualifying person whose annual compensation exceeds the federal exemption limit.

10.40 IRS Form 1099

In compliance with federal guidelines, the Academic Senate will complete an IRS Form 1099 for all individuals and vendors receiving \$600 or more in eligible

compensation from the Academic Senate. A Log of Vendor Federal Identification Numbers will be maintained in Bill.com.

10.50 Record Retention and Destruction

The Senate will retain records as required by law and destroy them when appropriate. Records will be maintained in the Senate Office or in a suitable storage area until they are eligible for disposal. They may be stored in either paper or digital form.

10.60 Selection of CPA Firm

During a period when an audit is required, at the end of the audit contract period, the Academic Senate's Treasurer, with the assistance of the Executive Director, will solicit proposals from a minimum of five CPA firms specializing in auditing not-for-profit organizations; a recommendation will be made to the Budget and Finance Committee for final selection. Re-awarding the contract for auditing services to the existing auditing firm is acceptable as long as the interview and selection criteria clearly indicate the firm is the most qualified and cost effective.

Additionally, the contract awarding the audit to the CPA firm for the extended period will have a clause allowing the Academic Senate to contract with another firm before the end of the contract period if the current firm provides unsatisfactory service or if the financial condition of the Academic Senate prohibits the expense of a full audit.

10.70 Annual Information Return

The Academic Senate will engage a tax preparer to complete the federal Form 990, Return of Organization Exempt From Income Tax, and the state Form 199, California Exempt Organization Annual Information Return each year. Both annual information returns are due November 15th. The Executive Director will review the 990 prior to mailing.

10.80 Unrelated Business Income Tax (UBIT)

The Academic Senate avoids activities which will generate UBIT. If an exception to this policy is approved in advance by the Executive Committee, it is understood that the excess of revenues over expenses on such taxable activity would require clear classification and designation in the financial records to provide adequate documentation in the event of an IRS audit and to provide support for the preparation of IRS Form 990-T.

10.90 Accounting and Support Services Provided to the Foundation

The ASCCC policies and procedures are used by the Foundation.