

A. INTRODUCTION

Sister Cities International is committed to the highest ethical and legal standards. The organization is striving hard to ensure that its accounting practices not only conform to the law, but also promote transparency and efficiency in a manner consistent with its long-term plans. The successful fulfillment of these goals requires that the organization create clear and unambiguous guidelines that must be followed by its directors, officers, and employees and delegate authority to the various parties in a manner that enables Sister Cities International to put in place effective internal controls.

This manual has been adopted by the Board of Directors of Sister Cities International, and it is incumbent upon every member of the organization to strictly follow the guidelines contained herein.

The manual will be periodically reviewed to insure that it conforms to the legal guidelines and requirements and the Generally Accepted Accounting Principles (GAAP). In case of a conflict between the provisions contained in the manual and the legal requirements or Generally Accepted Accounting Principles, the legal requirements or the Generally Accepted Accounting Principles will take precedence.

Finance Department

The responsibilities for performing Sister Cities International's accounting functions have been delegated to the Director of Finance & Administration. The Director of Finance & Administration is responsible for managing the organization's finances. The finance department is comprised of the Director of Finance & Administration and a Finance Coordinator. If the organization hires another staff person for managing its accounts or employs the services of an outside consultant, the management and the Board would be well advised to reexamine and reevaluate the manual to determine the most appropriate distribution of responsibilities among the various members of the finance department and incorporate any necessary changes.

Treasurer and the Finance Committee

In addition to the Director of Finance & Administration, Sister Cities International has a Treasurer, elected by the Board of Trustees, and a Finance Committee that is appointed by the organization's Board of Directors. The Treasurer and the Finance Committee are the oversight bodies that ensure the proper implementation of accounting procedures within the organization, review its performance and undertake strategic financial decisions that further the organization's long-term goals.

Operations Outside the U.S.

From time to time, Sister Cities International may open offices outside the United States. Sister Cities International will adhere to the laws, rules, and policies for any country with operations. The President and CEO will be the sole individual who will interpret these policies as needed for operations. When host country laws conflict with U.S. laws, the President and CEO will attain legal advice to reconcile differences.

Activities and Duties

Sister Cities International's finance and accounting-related activities include general ledger management, budgeting, cash and investment management, asset management, grants and contract financial management, procurement, accounts receivable management, cash receipts management, accounts payable management, payroll and benefits management, financial statement processing, external reporting of financial information, bank reconciliation, auditing and insurance management. Responsibilities for performing these activities can be delegated to the organizations various committees, departments, and employees in a manner that facilitates that realization of the above-stated goals.

Additionally, the Director of Finance & Administration is responsible for all human resource activities for the organization.

B. INTERNAL CONTROL

Internal control is a process put into effect by SCI's Board of Directors, management and other personnel which is designed to provide reasonable assurance regarding the achievement of the following objectives.

- Accurate and reliable financial reporting
- Operational effectiveness and efficiency
- Compliance with laws and regulations
- Safeguarding of assets

Lines of Authority

The Board and management of SCI requires that effective lines of authority and accountability be shown through its organizational chart. The organizational chart is regularly updated by the President and CEO and/or Director of Finance and consistently used to resolve issues pertaining to who has authority for various decisions and who is accountable for various responsibilities and tasks. Lines of authority and accountability provide clarity and coherence in SCI's work environment. Please refer to Organizational Chart on page 164.

Segregation of Duties

Segregation of duties is the concept of having more than one person required to complete a task.

This often applies to administrative, financial and managerial activities where various tasks are distributed across multiple employees. Duties which are usually affected fall into four main categories: authorization, custody, record-keeping and reconciliation. When the staff size allows, it is best practice to assign responsibilities and duties so that no one person handles more than one type of function.

For example, the person who has authority to sign checks is acting in the custodial role.

The person who approves payment of a bill is authorizing. The Finance Committee as a whole acts in an authorizing role when it approves the annual budget as well as the Chairm when a decision is made to purchase goods or services over \$10000. The person who prepares the checks for signature by an authorized check signer is acting in the execution role, executing an action that has been authorized by a prior approval to pay a bill. The person who reconciles the bank statement acts in the monitoring role. The Finance Committee also acts in a monitoring role when it reviews the monthly financial reports to be sure that its plan —the budget-- is being executed properly.

Physical Security

SCI ensures that proper physical security over assets is obtained by only allowing authorized personnel access through documents or computers to money, securities, and other valuable property. Some actions include:

- ensuring that blank checks are locked up and controlled by someone other than the person who cuts checks;
- requiring that another staff member sign out blank checks;
- using passwords to prevent access to accounting software and records by staff or visitors who do not need to know them;
- changing passwords frequently or when prompted by specific websites; and
- depositing daily receipts (checks, cashiers checks, money orders and cash) in the bank each day.

C. CASH AND INVESTMENT MANAGEMENT

Cash Management

Sister Cities International will maintain accounts, as necessary, at financial institutions to accommodate the various organizational needs. The primary operating account provides for routine business check disbursements and all regular deposits from external sources. Operating funds, by nature, will have the greatest volume of activity. All checks written will have two signatures, as authorized by the Board of Directors. Bills will be paid within the legal limits granted by the vendor, but not aged to the point where Sister Cities International will develop a reputation for late payments. Deposits should be made the same day received, if possible, but must be made at least once a week.

The will be responsible for closely monitoring cash flow to ensure that the organization can meet its payment obligations and to eliminate any idle funds that may exist. In addition, the will also be responsible for informing the President and CEO, who will immediately inform the Treasurer, of any projected cash flow shortages that may impede the proper and smooth functioning of the organization's operations.

All of Sister Cities International's cash assets should earn the optimum interest possible in a risk-free environment. The investments of choice should be Certificates of Deposit or other FDIC-insured, higher interest yielding instruments. Only funds needed for short-term cash flow should be deposited in checking accounts.

Interest earned on investments is unrestricted income to Sister Cities International. Only in the case of specific donor instructions regarding disbursement of interest earned, will interest earned be restricted. Even when Sister Cities International agrees to return interest, it is still incumbent upon Sister Cities International to manage those funds to render optimum income potential.

Investment Management

The Board of Directors sets the investment policies. The Director of Finance & Administration is also authorized by the President and CEO to supervise and oversee the investment of the organization's funds and report to the Finance Committee. Investment policy should be reviewed at least once a year to ascertain that the immediate goals and the five-year target goals of the organization are enhanced and not hindered by the investment policy based on the current and forecasted market conditions.

The Unified Sustainability Investment Fund was created by the Investment Sub-Committee to house three funds, which are:

- The Lou Wozar Fund, established as an unrestricted fund with growth and earnings accumulating in the account
- The General Sustainability Fund with a starting balance of \$250,000, funded by an unrestricted gift from the Vielberth family
- The Operational Reserve Fund (or Rainy Day fund) established to facilitate access to funds for the continuity of SCI's daily operations during cash shortages. This fund will receive an amount transferred monthly from the main operating account.

These funds will be managed by a financial advisor interviewed by the Investment Sub-Committee and the Executive Committee.

D. ASSET MANAGEMENT

It is Sister Cities International's policy to capitalize all physical assets with a cost in excess of \$5,000 and a useful life of more than one year. Items with acquisition cost of less than \$5,000 or useful life of less than one year are expensed in the year purchased. All computer software with an aggregate or a "whole package as purchased" cost of \$5,000 or more will be capitalized and depreciated as well.

All purchased equipment having a useful life of more than three years and an acquisition cost of \$5,000 or more come under the definition of non-expendable property. A record of all non-expendable property will be maintained in a property log showing date of purchase, purchase value, and a complete description of the item (including color, size, model, and serial number). All Sister Cities International property will be tagged upon receipt and the assigned numbers recorded on all applicable documents pertaining to the property control system. The backup documentation will include value of the asset, date purchased, inventory number and useful life.

In the event a non-expendable item is sold, scrapped, donated, or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset then the difference between the money received and the “book” value of the asset needs to be reflected in the financial statement.

Every year Sister Cities International will conduct a review of all capitalized assets. The Director of Finance & Administration will generate reports of the previous year’s capital assets and current year procurements. The Director of Finance & Administration will create an inventory list of all items located in Sister Cities International facilities. The list will note the inventory numbers on each piece of equipment and furniture or lacking an inventory number, a description of the item and the purchase date (usually the check payment date). In addition, the list will specify the room in which the item is located. Furniture or equipment that is not accounted for in the inventory shall be deleted from the inventory records.

Once the inventory is completed it should be compared with the asset listing from the accounting records (that is the property log or the fixed asset ledger). If discrepancies are noted, the Director of Finance & Administration should investigate the differences in the two lists.

The President and CEO will approve the disposal of all inventoried items that may be worn-out or obsolete. If purchase was made with federal funds, appropriate officials will be consulted before disposition decisions are made. Detailed guidelines for handling assets purchased with federal funds can be found under Policies Pertaining to the Administration of Federal Awards section “Equipment and Furniture Purchased With Federal Funds”.

Property that is discovered to be missing or stolen will be reported immediately to the President and CEO. If not located, this property will be written off the books with the proper notation specifying the reason.

Invoice substantiating an acquisition cost of each unit of property shall be retained for a minimum of seven years per SCI’s retention policy. Depreciation is calculated on a straight-line basis and the schedules are completed by the Director of Finance & Administration . The depreciation schedule is reviewed monthly by the President and CEO during the approval of the depreciation journal entry.

Retirement Plan

All full-time employees are eligible, but not obligated, to participate in a retirement program from the date of employment. Individual policies are provided independently to each employee. The employee owns the contract, which is one hundred percent vested from the date of employment. The employee may contribute up to the maximum allowable by law.

If an employee participates in the company sponsored 403b plan, Sister Cities International will also participate by contributing/matching the equivalent of up to five percent (5%) of an employee’s gross salary to the employee’s plan account. However, Sister Cities International’s contribution does not begin until the employee has completed six months of employment and has reached the age of eighteen.

If an employee does not participate in the retirement plan once eligibility is established, but decides later to participate, they may do so; however, Sister Cities International's contribution will not be retroactive to the time of eligibility. Rather, it will begin from the time the employee enrolls. Enrollment Forms are available from the Finance Department or online via the administrator's website.

The Director of Finance & Administration is responsible for ensuring that employee contributions are properly withheld from payroll and transmitted to the accounts within the required time period. Once the employee contributions have been successfully submitted through the administrator's online system, confirmation is then sent via email to the Director of Finance & Administration and the President and CEO. Employees will have on-line access to view their retirement accounts

Processing employee contributions:

- Each pay period, the Director of Finance & Administration notes the employee's contribution on the payroll register.
- The Director of Finance & Administration accesses the administrator's website and selects Plan Administration, copies the prior period's template and saves under the current pay period ending date.
- The template will populate with the participant's names, last 4 digits of their social security number, amount being contributed and the amount being matched. Both amounts should correspond with the amounts on the payroll register. If not, please update the system as the employee's contribution increased during the current period. These amounts should always match.
- The system will prompt you to save the new template and submit it.
- Once the template is submitted a request for email delivery confirmation is completed with the email addresses of the Director of Finance & Administration and President and CEO.
- The confirmation is saved in the Journal Entries to Do folder until monthly closing journal entries are prepared.

E. GENERAL LEDGER MANAGEMENT

The general ledger is the complete collection of accounts of a company, transactions associated with these accounts, and account balances for a specified period of time. Sister Cities International's general ledger is maintained by the Director of Finance & Administration, who posts all day-to-day transactions to the ledger.

An important part of the ledger is the Chart of Accounts. The Chart of Accounts provides a complete list of all account names that are used in the general ledger and assigns a specific identification number to each account. While the is authorized to make changes to the Chart of Accounts in order to facilitate the daily accounting of transactions, as he/she deems appropriate, it is essential for internal control purposes that the Chart of Accounts be reviewed periodically. The Chart of Accounts will be reviewed yearly by the President and CEO or his/her designee to ensure that the Chart of Accounts meets the broader goals of the organization, as well as the specific needs of individual programs and grants. Please see the appendix for Chart of Account codes.

General Ledger Review Procedures

Purpose: Verification and review is a good financial to help detect and prevent erroneous, non-compliant or inappropriate transactions from being overlooked and included in the financial statements.

Responsibility: Since the passage of time makes it increasingly difficult to detect and act upon questionable transactions, all Directors and Managers are responsible for verifying and reviewing general ledger reports on a regular

monthly basis. All inconsistencies are reported to the Director of Finance & Administration for further investigation and resolution.

1.0 Accumulation of Source Documents

1.1 Source documents are scanned and saved on the shared drive by department by the Director of Finance & Administration. They are the “source” of the data found in the General Ledger and journals. Source documents are used in the verification and review process to match what appears on the general ledger.

1.2 The Finance Coordinator files the original documents in a filing cabinet by type/department. All federal grants’ documentation are kept separately from the general files for easy retrieval.

2.0 Reports

2.1 Before running reports, the Finance Coordinator and Director ensure that all batches have been posted for the current reporting period to ensure completeness.

2.2 The Expanded GL Detail report in the MIP Fund Accounting system is run by the Finance Coordinator and consolidated into one workbook tabbed by department. This allows full transparency and a greater chance to find inconsistencies (mainly duplicity or omission errors) between departments.

3.0 Distribution

3.1 The Finance Coordinator emails the consolidated GL detail report to all staff for review. Staff is required by a certain cutoff date to submit inquiries should they disagree with any entry on the general ledger.

3.2 The consolidated general ledger report is saved under the designated Finance T: drive for future reference.

F. IN-KIND CONTRIBUTIONS/COST SHARE

In-kind contributions are received per agreement. They consist primarily of time donated by consultants and attorneys. These services are reported at fair market value based on estimates of the number of donated hours and market rates of service. The organization must document the methods that were used to reach the fair market value. These contributions will be recorded as income, and the appropriate expense accounts will be charged. The Director of Finance & Administration will be responsible for keeping track of in-kind contributions.

Charitable Gifts Policy

Adopted by the Board of Directors March 28, 2014

Background

Sister Cities International greatly values the private financial support that it receives from individuals, foundations and corporate giving programs. These generous donations – large and small – are critical in sustaining and expanding the organization’s ability to achieve its mission of promoting peace through people to people connection – one individual – one community at a time. In order to ensure transparency and openness to the general national and international public, and maintain the confidence of its donor base, it is essential that this national network movement with diverse and multiple linkages create a specific gift acceptance policy to determine what gifts are, and are not, acceptable.

Discussion

Acceptance of any type of gift must be within these guidelines and according to goals adopted periodically by the Board of Directors. These guidelines regarding restrictions on the type of gifts that *Sister Cities International* can accept, will define SCI's role in the appraisal of potential gifts, the valuation of gifts and the disposal of gifts of real and/or personal property. It also enables volunteers, consultants and staff to respond to donors in a timely and consistent manner and to accommodate novel or complex donations that may require consideration of several interrelated factors. It is not a substitute for flexibility and independent judgment by the President. In appropriate situations, SCI may use a team of professionals, e.g., attorneys, accountants, title companies, and appraisers in determining compliance, valuation, and tax matters.

Action

Be it resolved, that gifts to *Sister Cities International* will be accepted under the Board of Directors established policies and guidelines in accordance with the SCI Bylaws. This policy pertains to all cash donations of \$250 or more, as well as donations of life income gifts, real estate, insurance policies, etc. SCI accepts gifts of cash, stock, mutual fund shares, bonds, tangible properties, and insurance policies. SCI reserves the right to place conditions on accepting the gift or, if it deems it necessary, to decline the gift.

1. **General Gift Acceptance:** Any contribution from any source in excess of \$100,000 will be reviewed and approved before acceptance by the *Sister Cities International* Board of Directors.
2. **Designated Support:** Should a donor wish to provide designated support for a specified project, the relationship between the donor's personal views and the nature of the project requires special scrutiny to assure that there is not a conflict of interest. Approval by the President is required before any gift from an individual, foundation, or family foundation in support of a particular project can be accepted.
3. **General Support:**
 - I. **Under \$5,000:** *Sister Cities International* accepts donations from any source under \$5,000 unless the President with the approval of the Board of Directors identifies the donation as being inappropriate.
 - II. **\$5,000 or more: Individuals**
 - a. Any gift of \$5,000 or more must not have nor create a conflict of interest with the mission of the *Sister Cities International*.
 - b. Any concern or question about the appropriateness of a potential donor or the source of donation will be reviewed and determined by the President with approval by the Board of Directors.
 - III. **\$5,000 or more: Corporations**
 - a. *Sister Cities International* will only accept contracts or grants from businesses with which there is no real or perceived conflict of interest.
 - b. Any concern or question about the appropriateness of a potential donor or the source of donation will be reviewed and determined by the President as approved by the Board of Directors.
 - IV. **Foundation Grants:**
 - a. *Sister Cities International* may solicit and accept donations from national, local, community, or family foundations including those directly connected to a business entity or a business/professional association.
 - b. Donations from foundations with only one director shall be reviewed as if the donation came from an individual donor.
 - c. *Sister Cities International* donations are subject to approval by the President with the approval



of the Board of Directors.

V. **Gifts**

- a. *Gifts of Stock*: Publicly traded securities are sold as soon as feasible by *Sister Cities International* and are valued and acknowledged on the date the securities are irrevocably transferred to *SCI*.
- b. *Gifts of Tangible Personal Property*: Personal property should not be accepted by *Sister Cities International* unless it can be disposed of quickly and has a minimum value of \$5,000. A qualified appraisal must be supplied by the donor along with the gift. Final acceptance of any gift of tangible personal property will be made by the President with the approval of the Board of Directors.
- c. *Tangible Gifts to Staff*: Any tangible gift to staff with a value of \$49 or more will only be accepted if approved by the President (including meals). An annual ledger of such gifts will be reported to the Board of Directors on an ongoing basis.
- d. *Deferred Donations*: The rules for structuring deferred gifts can often be complex. *Sister Cities International* will encourage the donor to consult his/her own legal and financial advisors so as to avoid creating any undesirable tax consequences for the donor's estate or heirs.
 - i. *Bequests*: In the event of an inquiry about a prospective bequest, acceptability of an existing bequest, or assets left or proposed to be left in a will may be made only in accordance with the terms outlined in the General Donations section, above.
 - ii. *Gifts of Life Insurance*: *Sister Cities International* may be named as the beneficiary of life insurance or commercial annuities. *SCI* will not, however, encourage the purchase of life insurance policies to benefit its programs.
 - iii. *Donations of Retirement Plans*: *Sister Cities International* may be named the beneficiary of a qualified retirement plan, an individual retirement account (IRA), and other types of retirement plans.
- e. *Donations of Real Estate*: All donations of real estate will be approved by the Board of Directors upon recommendation by the President subject to the following parameters.
 - i. All donations of real estate are subject to immediate sale except in the case of a Retained Life Estate.
 - ii. Donations of real estate may include developed or undeveloped property.
 - iii. *Sister Cities International* will not accept property with multiple owners unless there is an acceptable preceding legal agreement with the other owners regarding ultimate disposition of the property.
 - iv. Property may be given in the following ways:
 1. An outright donation of property.
 2. To establish a Charitable Remainder Trust.
 3. To establish a Retained Life Estate that allows the donor to live in the property during his/her lifetime. Expenses for maintenance, real estate taxes and any property indebtedness will be paid by the donor.
 4. As a bequest in a will.
 - v. *Sister Cities International* will only consider donations of real estate that are above the following market values:
 1. Outright donation – \$25,000
 2. Charitable Remainder Trust – \$50,000
 3. Retained Life Estate – \$50,000
 4. Bequest – \$25,000
 - vi. Donations of real estate must be reviewed prior to acceptance and will require the following



documentation and information:

1. General description of the property;
 2. A demonstration of clear title of ownership. No donation of real estate will be accepted until all mortgages, deeds of trust, liens and other encumbrances have been discharged;
 3. Value of the property – while it is the donor’s responsibility to obtain an independent appraisal of the property, SCI will obtain its own appraisal of the fair market value and marketability of the property. SCI will inform the donor that the IRS will require an appraisal within a period that begins sixty days before the date of the donation and ends on the day before the due date (including extensions) of the federal income tax return on which the donation is first claimed as required by law; and
 4. SCI will calculate the costs to maintain, safeguard, and insure the property (including property tax, if applicable) during the holding period.
- vii. The President will prepare a written summary of the real estate donation proposal and submit that summary to the Executive Committee for review. It will include:
1. A description of the property including title of ownership and tenant information, if any;
 2. The proposed arrangement of the donation and its value;
 3. The purpose of the donation, what program/s it will benefit, and whether it is a cash or endowment gift;
 4. An estimate or appraisal of the property and the property’s fair market value and marketability;
 5. Expenses, encumbrances, and carrying costs prior to disposition and income potential;
 6. Environmental risk assessment;
 7. Zoning restrictions;
 8. Any special arrangements requested by the donor; and
 9. A description of the donor and any potential conflicts of interest.
- viii. The donor should not engage with potential buyers of the property.
4. **Cy Pres and Other Legal Settlement Awards:** *Sister Cities International* may apply for and accept cy pres funds or funds from out-of-court settlements of legal disputes. SCI will report as directed on the use of the funds.
 5. **Government:** *Sister Cities International* grants will only be accepted if the gift is politically neutral and is accepted by the President upon the approval of the Board of Directors.
 6. **Transparency:** *Sister Cities International* will not accept anonymous gifts over \$250.

G. BUDGETING

Budget for the organization will be set annually by the Board of Directors. The budgets will be prepared by the President and CEO and the based on historical data, input from the Board committees, future growth plans, and any expected shifts or adjustments to staffing levels along with the related fringe benefits. Staff is involved in the drafting of initial budgets for their respective cost centers for review by President and CEO and Director of Finance and Administration. Once the budget has been prepared it will be submitted to the Finance Committee, along with relevant justifications, for review and approval. After incorporating any changes agreed upon by the President and CEO and the Finance Committee, the budget will be submitted to the Board of Directors for approval.

Projections of revenues and expenditures for planned services, projects, and programs will be prepared by the President and CEO and the based on historical data, input from the Board committees, future growth plans, and any expected shifts or adjustments to staffing levels along with the related fringe benefits. Once the budget has been prepared it will be submitted to the Finance Committee, along with relevant justifications, for review and approval. After incorporating any changes agreed upon by the President and CEO and the Finance Committee, the budget will be submitted to the Board of Directors for final approval.

A balanced, annual budget shall be presented to the Board of Directors and approved prior to November 15 of each year. Once the budget is approved, it is entered into the Budgeting module of the financial management system by cost center. Before the budget is posted, approval of the batch reports by the Director of Finance & Administration and/or President and CEO is required. Only the Director of Finance & Administration is authorized to post batches in the financial system.

Budgeting Process

Monthly financial reports will be prepared to gauge actual performance versus budgeted figures. These reports will be submitted to the Board of Directors for review. If events that have transpired so warrant, budget revisions should be initiated, reviewed, and approved by the President and CEO and the Treasurer, in accordance with Board Policies. Approved budget revisions will be communicated to all parties involved and submitted to the Board for final approval.

In addition, the organization will undertake a detailed financial review every six months and submit a report to the Board. This report will address any and all variances in the budgeted amounts and also will inform the Board of any probable opportunities and threats that the organization might be facing.

Inputting the Annual Budget

1. The inputter of the budget prints copies of approved budgets by cost center.
2. A session ID is created to include budget year
3. Each cost center budget is entered into the Budget Worksheet in the financial system.
4. When satisfied with budget amounts in the worksheets, the budgets are transferred to the Accounting module
5. The batch reports are printed and reviewed by the supervisor of the Finance staff member who inputted the budget details.
6. Once the reviewer determines that the information entered is correct, the Director of Finance & Administration posts the budget in the system

Financial Statements

Overview

Preparing financial statements and communicating key financial information is a necessary accounting function. Statements are management tools used in making decisions, in monitoring the success of financial objectives, and as a standard for providing information to interested parties external to the organization. These statements may be audited or unaudited depending on the requirements or usage by outside creditors, the governing body, or internal management.

The financial statements may reflect year-to-year historical comparisons or current year budget-to-actual comparisons.

Policy

The objective of Sister Cities International is to prepare accurate financial statements according to Generally Accepted Accounting Principles and distribute them on a timely basis in the most cost efficient manner.

Procedure

The following activities relating to processing statements need to be performed:

1. Prepare journal entries
2. Prepare trial balance
3. Reconcile accounts
4. Prepare statements
5. Review statements with the President and CEO
6. Collect adjusting data and update statements
7. Distribute final statements

All subsidiary account reconciliations are reconciled to the general ledger and trial balance. If any material errors are detected, adjustments are required.

Accrual Processing

In order to match expenses and income appropriately, Sister Cities International will recognize items as they are incurred and earned. Sister Cities International's financial statements will be prepared on the accrual basis of accounting in accordance with Statements of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations."

Journal Entries

Journal entries are made mostly at the end of the month to record accrual expenses and income following Sister Cities International's policy.

1.0 Purpose

To ensure the Finance Office can manage the stewardship of the organization's funds, produce financial statements per Generally Accepted Accounting Principles (GAAP) and Financial Accounting Standards (FASB) and federal and non-federal funding agency regulations.

2.0 Policy

The creation and approval of the general ledger journal entries is the responsibility of Finance Office and President. Journal entries are created either manually or are system generated. Only Finance staff can create journal entries that must be approved by the Director of Finance & Administration and/or the President. Manual journal entries are entered either directly into MIP Fund Accounting Journal Entry Module or system generated. Manual journal entries mainly consist of depreciation, deferred rent, payroll expense, reclassification of deferred revenue, prepaids and booking of accruals. Also, journal entries are required to make adjustments to revenue and indirect costs due to grant activity. In some instances, journal entries are needed to correct a previous error in accounting.

3.0 Procedure for entering journal entries



3.1 Payroll journal entries

3.1.1 The payroll allocation report prepared each pay period by the Director of Finance & Administration is used to manually input the information into the general ledger

3.1.2 Create a session based on the pay period in order to differentiate and avoid duplication. For example, the October 15, 2012 pay period's session ID would be set up as follows: Payroll 10/15/12

3.1.3 The journal entry is input in the system by the Director of Finance & Administration based on actual work time approved via the online timekeeping system by each supervisor

3.1.4 The unposted journal entry report is run to compare to the allocation report to ensure that no errors were made prior to being posted.

3.1.5 Once the unposted journal entry report is verified by the Director of Finance & Administration as correct, the entry is posted by the Director of Finance & Administration.

3.2 Journal entries for depreciation, deferred revenue, deferred rent, prepaids and accruals and other

3.2.1 Information from a source document (i.e. invoice) or balance sheet reconciliation/schedule is used to determine what amount should be reclassified/expensed in a particular month. Reconciliations are reviewed and are tied to the trial balance during the monthly closing process

3.2.2 The Finance Coordinator in conjunction with the Director of Finance & Administration, create journal entry sessions in the accounting system to enter the required information

3.2.3 After input, the unposted batch report is run for review by the Director of Finance & Administration and/or President to ensure that the GL account codes, posting period, amount, etc. are correct prior to posting

3.2.4 Once approved, the journal entry is posted by the Director of Finance & Administration and the posted journal report is run on the back of the unposted report to show completeness

3.2.5 Journal entries with supporting documentation attached are given to the Finance Coordinator after posting to be filed by date and type

3.3 Journal entries for recording grant revenue earned and indirect cost

3.3.1 All monies received from grantors (drawdowns, advances) is initially credited to Refundable advances GL account 22010 and is trued up during the monthly closing process. This process involves updating balances for Refundable Advances, Revenue and Grants receivable.

3.3.2 The Director of Finance & Administration generates the draft version of the Statement of Activities (SOA) report (on a cumulative basis) via the MIP Fund Accounting system. The final SOA includes additional lines where the indirect cost expense is calculated for all departments (if applicable). For grants, this calculation is based on the indirect rate stated in the grant award. This rate is fixed throughout the grant period. For SCI non-administrative departments, the indirect rate is calculated using a modified total direct cost calculation. This calculation is based on figures already determined on the SOA statement.



3.3.3 To be verified, are the direct expenses minus unallowable costs times the indirect rate calculated as an Excel formula and verified by the Finance Coordinator before being entered onto the JE form template. The template is used to calculate the expense charged to the indirect costs as well as the revenue earned to date. The indirect costs are credited from GL account 58000 dept 100 to all the same GL and other applicable departments. This is a zero entry. The revenue is recorded by reducing the Refundable Advances account and increasing the appropriate revenue account to the amount shown on the SOA. (filename: journal entry for indirect cost and rev rec)

3.3.4 The journal entry is prepared by the Finance Coordinator and entered into the MIP Fund Accounting System after a batch is created

3.3.5 The Finance Coordinator prints the unposted batch report with a copy of the SOA and je form template and submits to the Director of Finance & Administration for review and posting

3.3.6 After posting, the Director of Finance & Administration prints the posted batch report on the back side of the unposted report to show completeness

3.3.7 The posted document with supporting documentation is returned to the Finance Coordinator for filing by date and type in the filing cabinet.

Financial Statement Preparation and Review

Standard Operating Procedures

Purpose:

The objective of financial statements and accompanying notes is to provide information about the financial position, performance and changes in financial position of an organization. This information is useful to a wide range of users in making economic decisions.

Responsibility:

The Director is responsible for preparing monthly financial statements on a GAAP (generally accepted accounting principles) basis which consists of; the Statement of Financial Position, Statement of Activities and Life of Project Grant Schedules. The Cash Flow Projection reported is included as a supplementary report. The staff is required to review the drafted financial statements and submit inquiries or comments, if any, to the Director of Finance & Administration to be investigated and resolved before the final statements are distributed to the Finance and Executive Committees. The Finance Committee is responsible for thoroughly reviewing the financials and notes before and during the monthly conference call with the Finance/Program staff and President.

Preparation of Financial Statements:

1. Review all balance sheet reconciliations prepared by the Finance Coordinator and ending balances with ending balances on the trial balance report.
2. The Director of Finance & Administration exports the trial balance from the accounting system into a Microsoft Excel financial statement workbook to minimize data entry and human error. This step automatically updates the assets and liability accounts on the Statement of Financial Position, except for the refundable advances and grants receivable balances, which are updated via the Life of Project grant schedules.

3. The Director of Finance & Administration exports the Statement of Activities report from the accounting system into a Microsoft Excel financial statement workbook to minimize data entry. This step automatically updates the expense lines for Life of Project grant schedules and calculates the indirect cost recovery for that period. Although formula-based, the indirect cost rates/calculations are also verified by the Finance Coordinator as this information is used to prepare the indirect cost journal entry.
4. The financial notes/narrative is prepared by the Director of Finance & Administration and included in the draft financials.

Review of Financial Statements:

The financials and cash flow projection report are distributed by the Director of Finance & Administration to staff and to the Finance and Executive Committees

1. The reviewers use the Statement of Financial Position and notes to assess the financial condition of the organization as of a given period, by looking at how it manages its Assets, Liabilities and Net Assets. The notes give a detailed description of what is included in those categories
2. The reviewers use the Statement of Activities/notes broken down by department to understand the overall financial health of the organization, surplus or deficit, for a certain timeframe
3. The reviewers use the Cash Flow projection report to predict upcoming cash surpluses or shortages for planning and decision-making
4. After review is complete, the Director of Finance & Administration addresses any questions or concerns which may arise during this process. If revisions are needed in the current statements, the financials are updated and redistributed
5. The final statements are saved in pdf format on the Finance T: drive for future reference

Distribution of Financial Statements

After statements are prepared and reviewed, Sister Cities International will forward a copy to the Treasurer and the Finance Committee for review.

Copies of monthly financial reports will be sent to each Board member. This report will include a Statement of Income and Expenses organized by cost center, a statement of financial position, a cash flow projection for the organizations account spending and a life of grant statement. A detailed breakdown of expenses by cost center will be prepared and distributed to the department heads.

The following is a list of monthly reports to print.

1. Balance Sheet
2. Income and expense statement by program
3. Budget analysis summary by category/line item

H. CASH RECEIPTS AND ACCOUNTS RECEIVABLE

Accounts receivable is critical to the cash flow of the organization and requires continuous follow-up and attention. Responsibilities should be clearly assigned for billing, collecting, and accounting for accounts receivable.

All received checks are to be endorsed with a “for deposit only” Sister Cities International stamp as soon as they arrive. First, they will be entered into the check logbook by the Administrative Assistant. For internal control purposes, the

check logbook, which is an Excel file, will be password protected. Only the Administrative Assistant, the President and CEO and his/her designee, the Membership Director and his/her designee, and Treasurer upon request will have access to the file. The Finance Department and other staff will have read-only access. The Finance Coordinator will then enter the checks into the cash receipts or accounts receivable module of MIP, and will generate a batch report showing the total amount deposited. Photocopies of the checks and any supporting documentation received will be attached. A copy of the processed deposit slip will be attached to the photocopies as proof that the deposit was made to Finance Coordinator.

Sister Cities International also accepts credit cards, which are processed through its merchant account and deposited automatically into its operating account. Supporting documentation will be required for all credit card charges showing the credit card number, the amount to be charged, and the reason for the charge.

Sister Cities International does not accept cash as a form of payment except at its annual conference, or other public events hosted by Sister Cities International. An employee designated by the President and CEO, other than the , will accept cash at the conference. The employee would use a bound receipt book, with receipts that are consecutively numbered and have carbon copies. Upon receipt of cash, the employee would give the attendee the top copy, while leaving the bottom copy in the receipt book. The attendee will then take the receipt to another employee who will then issue the attendee his/her conference pass. This feature is designed to ensure that all attendee-s receive a receipt from the employee collecting cash payments. If a receipt must be voided, both the top and the bottom copy must remain undetached in the receipt book and voided. At the end of the day, the employee collecting cash and the Director of Finance & Administration will both, separately, count the cash-in-hand and the amount that should have been received per the receipt book to ensure that there are no discrepancies. The employee collecting cash will be held responsible for any discrepancies. The employee collecting cash and the Director of Finance & Administration will both sign a form stating the amount of cash collected on a particular day. This form will be attached to the deposit slip as supporting documentation that all the cash received was in fact deposited in the organization's bank account.

Recording Checks, Credit Cards and Cash and Wires in the Logbook

A logbook to record incoming checks, cash, wire and credit card payments on a daily basis is saved under shared drive S:/Finance/Logbook-Check, CC, Wire. This process and information is logged by the Administrative Assistant.

Checks and Cash:

1. Stamp the back of the check with the SCI "for deposit only" stamp.
2. Log the check/cash into the spreadsheet.
 - a. If Cash, type CASH into where the check number usually goes.
 - b. A verification of cash count should be signed by two staff persons. One should be a Finance employee.
 - c. If amount is determined to be a donation, the contributor is sent an acknowledgement as to the receipt amount and tax deductibility of the contribution
3. Make two photocopies of the check and one photocopy of the supporting documentation.
4. Attach the photocopy of the supporting documentation and one photocopy of the check to keep with the copy of the deposit form. Deposit form is created from information in the logbook and printed.
5. The other photocopy of the check and the other documents are submitted to the Finance Coordinator.
6. Make a photocopy of the deposit form and add it to the photocopies grouped in step 5.
7. Take the deposit to the bank (note, this can be done by an intern). The bank will provide you with a receipt to confirm the deposit. If you do not receive one, please obtain one before leaving the bank. Also, check to ensure that the amount on the deposit slip and the deposit receipt match.

8. Add the deposit receipt to the documents collected in steps six and eight. Deliver this group of documents to the Finance Coordinator.

Credit Cards:

1. Log the credit card transaction into the credit card logbook indicating the first and last four digits of the credit card number (4321xxxxxxx1234). This information is taken from Credit Card Transaction form. See instructions below regarding taking credit payments over phone.
2. Attach the transaction form and any supporting documentation and submit to the Finance Coordinator.
3. The Finance Coordinator will process this payment via Paypal

* If taking a credit card payment over the phone, please collect the following from the payee on the Credit Card Transaction form:

- a. Name on Card (if the name on the card is different than the person that you are speaking to, please document the name of the person you are speaking to).
- b. Expiration Date.
- c. Security Code (on the back of the card).
- d. Please include your name and date on the form and a brief description

Incoming Wires:

1. The Finance Coordinator reviews the bank account activity three times per week to identify all incoming wires. After investigation, a revenue account is assigned (or liability account if deferred revenue), and a brief description is noted.
2. This information is given to the Administrative Assistant to log in the logbook.

Recording Checks, Credit Cards and Cash and Wires in the Accounting System:

1. Batches are created in the accounting system by the Finance Coordinator to record funds from checks or cash and wires into the proper general ledger account. Wires are batched separately.
2. The Finance Coordinator runs the Unposted batch report to be reviewed and posted by the Director of Finance & Administration. Once posted, a Posted batch report is printed on the back of the Unposted batch report to show completeness.
3. The reports and backup documentation are returned to the Finance Coordinator to be filed appropriately by date and type in the filing cabinet

I. ACCOUNTS PAYABLE

Sister Cities International strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from purchasing decision through payment and check reconciliation.

The primary objective for accounts payable and cash disbursements is to ensure that disbursements are properly authorized, invoices are processed in a timely manner, and vendor credit terms and operating cash are managed for maximum benefit.

Roles and Responsibilities of Staff

Payment Approval

The Chair of the Board approves all contracts over \$10000. The President and CEO is the sole staff authorized to approve all contracts up to \$10000. Directors, Managers, Coordinators and Assistants are responsible for submitting payment requests to their direct supervisors for approval. When payment requests have been approved by supervisors, requests are submitted to the President and CEO for final approval. When payment requests are submitted by staff for expenses originating from a cost center outside their respective department, payment requests are subject to approval by department head responsible for the budget to which the expense is being applied, in addition to approval by their direct supervisor and President and CEO. The Director of Finance & Administration reviews the payment requests entered into the system by the Finance Coordinator before posting to ensure proper coding and approval. The Director of Finance & Administration has the sole responsibility of posting batches in the financial management system.

Check Disbursements

Invoices are routed to the Finance Department daily from the Administrative Assistant. The Finance Coordinator re-distributes invoices for each cost center to its department head. The Department head or designee will create a check request showing the name of the vendor, the amount that needs to be paid, the accounts that will be charged and will also attach the necessary supporting documentation. Examples of acceptable forms of backup documentation are an invoice or an expense report. The check request will then be forwarded to the grant manager/department head of the relevant grant or department for approval. The check request will then be signed by the President and CEO or his/her designee and returned to the Director of Finance & Administration. Employees approving the check request will review the invoice for the validity and accuracy, and will also ensure that the expenses are being allocated to the appropriate general ledger accounts. The Finance Coordinator will then issue the checks, attach them to the check request and the supporting documentation, and forward them to the President and CEO for signature. Each check will require two signatures, one signature being the Board-designated individual who reviews the supporting documentation and signs the check. The signed checks are given to the Administrative Assistant for mailing and should not return to the Finance Department. The Administrative Assistant will return the check stub, invoice and supporting documentation to the Finance Coordinator for filing.

Wire Transfers

For certain vendors who require wire payments, the organization uses a system call Cash Pro by Bank of America for international wire transfers from Sister Cities International to another country's local currency. Procedures for making a wire payment are exactly the same as those for payments made by check except that the staff person will print out a wire request form instead of a check request. Once the request is approved, the Director of Finance & Administration will make the payment online.

Vendor Records

The Sister Cities International copy of the disbursements will be stapled to the backup documentation and filed in the appropriate vendor file in the Finance Office. Vendor files will be setup in alphabetical order and in ascending date order within each file (that is, the most recent at the back). A vendor will have his/her own file when there are three or more disbursements for this vendor, the disbursement is greater than \$5,000, or the vendor is an employee or Board member of Sister Cities International. All other vendor files will be all inclusive, and filed by each letter of the alphabet.

Travel and Expense Reimbursements

All travel must be pre-approved by the President and CEO or his/her designee. In order to receive a travel advance, an estimate of expenses, budget authorization, dates of travel, and purpose of trip must be approved by the President and CEO or his/her designee and submitted to the Director of Finance & Administration. A report must be completed upon return to document actual costs and attach receipts. If funded by a federal agency, travel will be performed in accordance with the Fly America Act as outlined in the "Term and Conditions for the Administration of U.S. Department of State Assistance Awards." A prior travel advance must be settled before a new advance can be obtained.

Reimbursements for travel expenses, business meals, or other approved costs may be made. An expense reimbursement form must be completed, have the proper authorization, and have all receipts attached. Expense reports must be completed within one month in order to receive reimbursement. A list of reimbursable expenses can be found in the Sister Cities International Travel Policy.

If airfare, hotel or other expenses are paid for directly by the organization, the employee will be required, upon return, to submit proof that he/she actually made use of these services. Hotel receipts and airline boarding passes are examples of documentation that can be used as proof.

Void / Stop Payment

Checks may be voided for processing errors by making proper notations in the cash disbursement journal, check register, and destroying the voided check. A reversing entry is required. Stop payments orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction and written authorization to the bank by accounting personnel with the authority. An entry is made to record the stop payment and any related bank fees.

Credit Card

Sister Cities International owns a corporate credit card that has been issued in the name of the President and CEO. Only the President and CEO is authorized to use the credit card. If other employees wish to use the credit card, they must get written approval from the President and CEO. The President and CEO is responsible for ensuring that all receipts of expenses charged to the credit card are forwarded to the . These receipts must be attached to the credit card bill prior to payment for verification purposes.

The corporate credit card is for official use only and under no circumstances will it be used for personal expenses.

Petty Cash

Sister Cities International does not keep any cash on hand at its headquarters offices. Operations based outside of the U.S. may create a petty cash policy, related standard operating procedures, and reconciliation process, which must be approved by the President and CEO.

1099's

Consultants (independent contractors), subcontractors, and sub-grantees receive payment through the 1099 system within the accounts payable processing. Vendors that need to receive a 1099 are noted. Payments require proper authorization and supporting documentation. A brief report summarizing consulting work during the period will accompany each invoice. A form 1099 should be mailed to vendors no later than January 31st for timely preparation and submission of their income tax forms.

Accounts Payable - Invoice Processing Procedure

1.0 Purpose

A written procedure to process invoice(s), check requests, wire requests and expense reports for payment.

2.0 Scope

This procedure will apply to invoices, check requests, wire requests and expense reports for payment.

3.0 Responsibility for Invoice Processing

The staff person requesting payment of invoice, check request, wire request or expense report, is responsible for acquiring the necessary approvals and completing the request forms prior to submitting documents for payment to Finance. The Finance Coordinator shall confirm appropriate approvals are on the documents, verify appropriate GL account number(s), cost share applicability (by checking “yes” or “no” on payment request forms) and confirm available funds/budget prior to processing the request for payment.

4.0 Processing Procedure for Invoices, check requests, wire requests and expense reports

4.1 Original Invoices, payment requests and expense reports received via mail or hand delivery

4.1.1 The Administrative Assistant shall forward all invoices, check requests, wire requests and expense reports and accompanying support to the Finance Department.

4.1.2 Finance Coordinator will distribute invoices to appropriate staff persons who requested the goods or services to prepare a payment request form (check or wire)

4.1.3 All invoices with accompanying payment request form and expense reports are submitted to the to obtain the President’s approval. Employees must also receive approval from their immediate supervisor if said supervisor is not President/CEO.

4.1.4 Once approval is obtained from the President, the Administrative Assistant shall copy/scan the original invoice, expense reports and payment request forms.

4.1.5 The Administrative Assistant shall distribute the invoice copy to the appropriate department via posting electronic copies of the invoices on SCI’s S:\Finance\Payment Requests” shared drive.

4.2 Approved Invoices with Payment Requests Submitted to Finance Department

4.2.1 The Administrative Assistant submits all original approved invoices with accompany payment request forms to the Finance In-Box located by the Finance Coordinators work area.

4.2.2 Finance Coordinator shall retrieve the documents from the In-Box to prepare for batch processing for check payments.

4.2.3 Finance Coordinator shall verify accuracy of invoice amount and confirm the correct amount and correct GL account code is written on the payment request form. • If there is a “past due” amount, Finance Coordinator shall investigate “past due ” to determine if there is an outstanding payment or invoice



4.2.4 If invoice is to be charged against a contract/agreement, verify that a copy of the signed contract/agreement is attached.

4.2.5 If invoice description is not provided, complete the description or return invoice copy to department for completion.

4.2.6 Approved wire request forms require a formal letter be prepared by the Finance Coordinator to include all pertinent wire information (payee, bank name, account number, swift code, etc. The letter is reviewed by the Director of Finance & Administration and signed by (2) account signatories before processing.

4.2.7 Depending on the bank account and currency being paid, the approved wire letter is either sent directly to the bank for processing by the Finance Coordinator or done online using a system called CashPro Online by the Director of Finance & Administration.

4.2.8 The Director of Finance & Administration returns the original wire letters to the Finance Coordinator for system input as an invoice so a manual payment can be applied once the wire has cleared.

4.3 Approved Invoices with Payment Requests Ready for System Input

4.3.1 Finance Coordinator shall create an Accounts Payable batch to include date of entry (ie AP xx/xx/xx)

4.3.2 Finance Coordinator shall input the processed invoices into system (Sage Fund Accounting) under the created batch.

4.3.3 Finance Coordinator shall place the processed batch of invoices attached to the Unposted AP invoices report in the processed folder labeled "ACCOUNTS PAYABLE" to be reviewed by the Director of Finance & Administration.

4.3.4 Once reviewed and approved by the Director of Finance & Administration. The batch is posted by the Director of Finance & Administration who is solely authorized to post in the system. The Posted AP invoices report is printed on the back of the Unposted AP invoices report to show completeness.

4.4 Wire Payments Ready for System Input

4.4.1 Finance Coordinator shall apply the wire payments via the "Manual Checks" process into the Sage Fund Accounting system to previously posted invoices.

4.4.2 Once processed, the Finance Coordinator shall place the processed batch in the folder called WIRES.

4.4.3 The Finance Coordinator submits batch with Unposted Manual checks batch report to Director of Finance & Administration for review and posting.

4.4.4 Once reviewed and approved by the Director of Finance & Administration. The batch is posted by the Director of Finance & Administration who is solely authorized to post in the system. The Posted



Manual checks report is printed on the back of the Unposted Manual checks batch report to show completeness

4.5 Processing Procedure for Invoice and Expense Report Payments

4.5.1 After all invoices, payment requests and expense reports have been entered and accuracy verified, Finance Coordinator shall generate the “Accounts Payable Aging” report for all batches to confirm that posting is complete.

4.5.2 Director of Finance & Administration and Finance Coordinator shall determine what invoices will be paid in the next check run based on available funds, payment priority and payment due date. This is done under Select A/P Invoices to Pay.

4.5.3 Finance Coordinator selects invoices by vendor in the system to be paid

4.5.4 Finance Coordinator shall run “Payments” by selecting appropriate checking account and entering the starting check number. This is done under Pay Selected A/P Invoices.

- Accounts Payable checks are pre-numbered and manually fed through the printer
- System displays the number of checks and total dollar amount to be printed

Director of Finance & Administration must confirm that all checks printed properly; Finance Coordinator hits “OK” to confirm checks printed with no errors. Director of Finance & Administration posts the check batch to have vendor records and GL accounts updated.

4.5.5 Finance Coordinator matches checks to invoices to be signed by (2) signatories. There are five authorized signatories on SCI’s bank accounts. They are:

- Chair of the Board
- Vice Chair of the Board
- President and CEO
- Treasurer
- Honorary Board Member

4.5.6 Once signed, the checks with remittances are mailed by the Administrative Assistant and the backup is returned to the Finance Coordinator who will file the paid vouchers in the designated filing cabinet.

Bank Reconciliation

The organization requires that each cash account that has any activity be reconciled to the books monthly.

Appreciating the value of bank reconciliation as an important internal control tool, the organization will require that the President and CEO (or his/her designee), or the Director of Finance & Administration perform the bank reconciliation. All bank reconciliations completed by the Director of Finance & Administration are approved by the President and CEO and properly filed by date.

In addition to ensuring that the debits and credits, as listed in the accounting system, match those shown on the bank statement, the staff member reconciling the account will also review all of the wire payments that were made during the period of the statement.

J. PROCUREMENT

Sister Cities International's policy on purchasing is to require at least three bids when purchasing any asset that can be capitalized or when the supplies and materials being purchased, in the aggregate, total in excess of \$5,000.

There are two exceptions to this requirement. First, bids are not required if there has been a competitive process within the last year, and the organization decides to go back to the same vendor as before. In doing so, it is essential that the recent bidding competition be attached to the vendor file.

The other exception is the absence of competition. If only one source is available, a sole source justification shall be made and placed in the vendor file, which explains the absence of competition.

The bids shall be evaluated based upon price, quality of materials, quality of service, and timeliness of delivery.

- A copy of the bid process will be documented and saved on the "S" drive under the title Procurement
- All bids will be reviewed by the President and CEO and department head conducting the bid process
- After review, a decision will be made based upon price, quality of materials, quality of service, and timeliness of delivery
- Once a contract has been agreed upon by both parties, a signature from the President and CEO and the company rep will be on file under Contracts located on the "S" drive
- If the company is located overseas, an OFAC check will be documented by a memo and saved under the title OFAC check

*Any sub-grantees are subject to the same policies and procedures as the grantee.

Procurement Policy for Sub-Grantees

After a project proposal has been approved by Sister Cities International, the Project Committee members will coordinate with Sister Cities International on procurement issues related to the project.

Procurement of Goods and Services

- Any single purchase of goods from USD 0.01 – 999.99 requires a receipt or invoice.
- Any single purchase of goods from USD 1,000 – 2,499.99 requires 3 bids (vendor proposals or pro-forma invoices, website printout) and a paragraph identifying the preferred bid and why it is the "Best Value for Product or Service." All 3 bids and the analysis paragraph are to be submitted with the bimonthly financial reports.
- Any single purchase of goods USD 2,500 or more must go through Sister Cities International's procurement process. Please see "Standard Operating Procedures for Tenders and Selection of Contractors" for specific procurement policies of single purchases over USD 2,500. Sister Cities International must approve all final bids prior to signing any contract.

- Any purchase of services, including all construction, must go through Sister Cities International's procurement process. Please see "Standard Operating Procedures for Tenders and Selection of Contractors" for specific procurement policies of services.
- For any purchase of USD 1,000 and over that cannot collect 3 bids due to a lack of vendors to provide the appropriate items, sole source justification may be submitted to explain choice of final vendor.

Procurement of Goods over USD 2,500 and Services

- Any single purchase of goods USD 2,500 or more must go through Sister Cities International's procurement process. Please see "Standard Operating Procedures for Tenders and Selection of Contractors" for specific procurement policies of single purchases over USD 2,500. Sister Cities International must approve all final bids prior to signing any contract.

Procurement Committee's Activities and Responsibilities

- A group of Project Members within the project location should serve as the Procurement Committee for all construction projects in that city.
- Procurement Committee should have knowledge of the national competitive bidding process.
- Procurement Committee will appoint a Procurement Officer.
 - a. For all construction projects, the Procurement Officer must be from the Sister City located in the project area.
 - b. The Procurement Officer may be drawn from the current Project Members, may be brought in solely to assist with the tendering process, or may be a municipal employee.
 - c. The Procurement Officer **must** have previous experience in the tendering process.
 - d. The Procurement Officer cannot be a part of an organization that is bidding for the contract.
 - e. The Procurement Officer cannot be a finance officer on the project or be involved with the budget for the project.
 - f. The Procurement Officer should closely coordinate with the Procurement Committee.
- Procurement Committee should evaluate all initial bid documents and perform activities related to the Bid Evaluation Reports with the Procurement Officer.
- Procurement Committee should review and endorse the Bid Evaluation Reports submitted by the Procurement Officer.
- Procurement Committee should participate in the establishment of contracts.
- Procurement Committee and Procurement Officer must liaise with Sister Cities International staff.
- Procurement Committee will follow procedures as outlined in "Standard Operating Procedure for Tenders and Selection of Contractors."

Procurement Officer's Activities and Responsibilities

- Procurement activities of all services and goods over USD 2,500 fall under the management of the Procurement Officer and are to be done in respect of (although not exclusively to) the National Public Procurement requirements.
- Procurement Officer will be responsible for preparing documents for procurement of all services and goods over USD 2,500.
- After a project proposal has been approved, the Procurement Officer will coordinate directly with Sister Cities International in the implementation of the procurement activities for all services and goods over USD 2,500.
- Procurement Officer will follow procedures as outlined in "Standard Operating Procedure for Tenders and Selection of Contractors" and prepare the foundation of documents for procurement. Sister Cities International

and the Procurement Committee will directly discuss with him or her any suggested changes to contract conditions or document contents in order to ensure that they adhere to Sister Cities International's policies.

Exemptions

- Exemptions that are made to local, regional, or national conditions normally required for tender (such as permit exemptions) must be accompanied by an official letter from the relevant authority.

Standard Operating Procedure for Tenders and Selection of Contractors For Sub-grantees

All local, regional, or federal laws in countries regarding procurement, contracting, construction, or other such activities which result in the expenditure of SCI program implementation funds supersede SCI policies and procedures when applicable.

Preparation of Scope of Works/Tender

- I. SCI will provide funding or enter into funding agreements only for projects that have been formally approved by SCI's Program Director and President and CEO.
- II. Prior to any and all tender announcements, contract signings, or program implementation expenditures, SCI shall review relevant bidding documents, including contract conditions, special contract conditions, designs, bills of quantity, etc. These documents shall be provided to SCI by the designated Procurement Manager identified by each partnership. SCI policy dictates that the procurement manager must have previous procurement experience within the target country.
- III. The Program Director must also approve of any selective or pre-qualified tender prior to the tender proceeding. When not explicitly stated, the sub-grantees will use standard public procurement procedures for the respective country
- IV. Bidding Documents will be reviewed by Program Director to ensure:
 - a. Accuracy of Bills of Quantity- bills of quantity should accurately reflect the scope of works for a project
 - b. Payment conditions for contract- in all cases SCI shall make direct payment to the contractor and not through payment to an intermediary
 - c. Accuracy and Reliability of Designs- all designs should be produced by a licensed professional
- V. The Program Director will provide any changes to bidding documents in writing to the Procurement Officer. If the Procurement Officer has no objections to changes then the officer can then proceed with the tender as outlined in the documents
- VI. The length of the bid submission period shall be determined by the local Procurement Committee in conjunction with the Program Director to ensure that contractors have sufficient time to prepare their bids, as well as that the bid period is not unnecessarily long.
- VII. Selective or pre-certified tenders (in which bids are solicited from a limited group of contractors) may be implemented with SCI approval. Such cases may only be done with approval from the Program Director, and in all cases a minimum of three (3) contractors (and possibly more, if noted by Program Director) is required. Such tenders will not be implemented if deemed to unnecessarily limit competition.

Bid Receipt

- I. The following procedures shall be followed unless otherwise agreed upon by both the local Procurement Manager and the Program Director
 - a. Receive and log enquiries for clarification in written format from Tenderers.
 - b. Direct enquiry to appropriate source for clarification (technical, administrative, financial etc.)



- c. Upon receipt of clarification distribute response to all Tenderers in a timely manner
- d. Upon receipt of sealed bids, log date and company and store unopened bids in a secure location until published time of opening

Bid Evaluation

- I. Bid opening to be done in public with participating Tenderers invited and free to attend. Each bid to be opened and the following information logged
 - a. Company name
 - b. Bid price per lot
 - c. Total Bid Price
 - d. Discount, if offered
 - e. General contents of bid (i.e.: all sections included or not)
- II. Bids received after deadline are deemed non-compliant and should be returned unopened to the respective company
- III. Bids should be received by hand or by post in a sealed envelope(s)/package(s) with the marking, number of copies and originals being according to the instructions of the bidder
 - a. Procurement Committee are to record date of receipt, condition of envelope(s)/package(s) and all salient details of the company concerned and store unopened bids in a secure location until published time of opening
 - b. Where bid envelopes(s)/packages(s) are damaged the level of damage is to be ascertained and a decision made by the Procurement Committee leader if the bid details are compromised. The company is then to be notified accordingly.
- IV. Log and register any clarifications required by the Procurement Committee and contact the Tenderer in written form requesting the clarification including a deadline for response
- V. Once all clarifications are received, or deadline for response exceeded, the Procurement Committee leader then prepares a Bid Evaluation Report which logs bids in order of price, and indicates whether the bidder is fully responsive, non-responsive or disqualified. This report should include a recommendation of which company to be selected for award of the contract.
- VI. Where the selected company is not the lowest priced bid, the report is to include a comment on why the lowest priced bid was not selected.
- VII. The completed Bid Evaluation Report is then to be endorsed by all members of the Procurement Committee and submitted with all other bid records and documents to the Local Community Committee.
- VIII. The Bid Evaluation Report should be endorsed both by the Foreign; if applicable, sister city and the U.S. sister city.
- IX. Store all bid documents securely (to include Complete Tender Dossier, Copy of Advertisement, Bid distribution sheet, Bid receipt sheet, calls for clarification, response to calls for clarification, Bid Evaluation Report, and complete original of each bid).

Contracting

- I. Prior to the signing of any contract or agreement, the bid evaluation report must be approved by the Program Director
- II. Prior to the signing of any contract or agreement, the selected contractor/vendor/party should be checked against the Office of Foreign Asset Control's Specially Designated Nationals and Blocked Persons List (which can be found at: <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>). Any

- organization or individual on this list is prohibited from receiving any funding from Sister Cities International or its sub-grantees
- III. SCI is under no obligation to confirm the bid evaluation report. Should the Program Director have any question or require any clarification of the results a request will be submitted in writing to the Procurement Committee. No payments or award letters shall be made until all questions have been satisfactorily answered and the Program Director has submitted written approval of the bid evaluation to SCI's President and CEO.
 - IV. After the bid evaluation report has been approved by the Program Director, the Procurement Committee will draft:
 - a. Letter of Award- This indicates that the recipient has been selected as the winning bid. The LoA should reference the lot number, bid number of the winning bid, and amount of the contract. The contracting authority (city or local sister city program) as well as the financial authority (Sister Cities International) will sign this document. This is not a contract.
 - b. Contract- This shall be drawn up by the procurement manager/committee and will be signed by the contracting authority and the winning contractor. SCI will typically not sign the contract since its role is as financial authority, not contracting authority
 - V. Sister Cities International shall withhold or cancel authorization of tender results or payments to contractors if:
 - c. Any bidding documents are distributed to potential contractors that have not received SCI approval
 - d. SCI feels for any reason that the selection of contractors or implementation of a tender has been corrupted, subjected to collusion, or in any other way deemed illegal, unfair, or in bad faith
 - e. Parts of a selected contractor's bid are deemed to be false, misleading, or in bad faith
 - VI. SCI may enter into co-financing agreements with municipalities, NGOs, or other organizations which may supersede policies and procedures outlined here.
 - VII. Any deviation from the policies stated in this document should be submitted in writing to SCI's President and CEO for approval prior to being implemented.

K. CONTRACTS MANAGEMENT

Standard Operating Procedures:

1. Contracts for services/ consultants are initiated by Staff responsible for the specific project
2. Staff creates scope of work for contract
3. The availability of funding must be determined by the budget
4. Bids/applications solicited either through public postings on relevant websites or through direct solicitation of bids from no fewer than three potential vendors/contractors
5. Staff creates bid comparison sheet for all submitted applications and provides a recommendation for award of contract
6. Bid comparison sheet is reviewed by direct supervisor and/or Director of relevant department, as well as by CEO
7. After approval by CEO, recommended bidder will be contacted and a contract drawn up in accordance with the scope of work and bid submitted
8. Staff and CEO review contract and, upon approval, as well as satisfactory application of other relevant contracting policies, CEO will sign contract
9. Contracts will be reviewed for the following:
 - a. Name and contact information
 - b. Project Name
 - c. Scope of work
 - d. Contract timeline

- e. Requested completion date
 - f. Financial data-Appropriate GL codes
 - g. Signatures
10. A hard copy of the signed contract will be provided to awarded bidder, and a soft copy will be sent via email. If the contract amount exceeds \$10,000, the Board Chair must review and agree to the terms before the agreement is finalized.
 11. A hard copy of the signed contract will be mailed/provided to awarded bidder, and a soft copy will be sent via email
 12. Contractor will sign contract and provide Sister Cities International with both a soft copy of dually signed contract as well as hard copy with both signatures
 13. The approved contract will be reviewed again by the Finance Coordinator for accuracy. A final copy will be scanned and saved on the "S" drive under contracts. If the contract pertains to a federal grant/project, then an additional copy will be filed separately by grant name.

L. PAYROLL TIMESHEETS AND PAYROLL ALLOCATION

Overview

Payroll is the compensation given to individuals in an organization for works or services provided to the organization. Compensation is generally based on an individual's contribution in the achievement of organizational goals and objectives.

The processing of payroll involves a series of tasks necessary to ensure that employees are properly compensated and that the applicable federal, state, and local withholdings are deducted from gross wages. Additionally, detailed records must be maintained to support tax deposits required for the aforementioned withholdings plus FICA (Social Security) and SUI (State Unemployment Insurance).

Sister Cities International uses an outside contractor as its payroll service. The payroll period is semi-monthly.

Policy

The President and CEO or his/her designee will inform the of any new hire. Each new employee will be required to submit forms W-4, I-9, and a state withholding form to the by the end of the employee's first working day. These forms are necessary to gather relevant personal information about the employee and define the number of exemptions that the employee is claiming. In addition, the employee will also be required to submit documentation establishing the employee's identity and employment eligibility. These forms will be reviewed by the President and CEO or his/her designee before they are processed for payroll.

In addition, the employee will receive a formal offer letter. This letter will include information regarding the employee's salary, terms of employment and benefits he/she is subscribing to. Any changes in an employee's payroll status must be reported to the Director of Finance & Administration in a timely manner by submitting a formal letter including the appropriate changes.. All changes in salaries or terms of employment must be approved by the President and CEO. Changes in benefit-subscription, to which the employee is entitled per Sister Cities International's Personnel Policies Manual, such as changing health coverage, need no prior approval.

Procedure

Upon receipt of the employee's formal offer letter and income tax withholding information, the will establish a file for all employees containing all personnel action forms, the W-4 and I-9 forms, and appropriate state withholding forms. The will ensure that, in the event anyone claims more than 10 exemptions on the federal Form W-4, a copy should be sent to the IRS. All withholding forms will be processed according to the wishes of the employee and the employee must sign and date all payroll withholding forms.

Timesheets will be processed within the organization at established intervals to ensure an accurate and timely payroll. All Sister Cities International employees and interns (paid and unpaid) are required to complete an online timesheet. All timesheets are to be electronically approved by the employee/supervisor and the President and CEO or his/her designee. Timesheets are to be submitted on the 15th and the last day of the month. If the due date falls on a weekend or holiday, the timesheet is due on the workday prior. Employees who plan to be away during timesheet submission should make the necessary arrangements to either prepare them in advance or email the information to the on the due date. If the timesheet is emailed, the original must be submitted upon return to the office. The President and CEO will ensure that all subordinates prepare electronic timesheets for approval and will submit the employees' timesheets to the Director of Finance & Administration by the due date.

Timesheets should include hours worked, as well as all time away from work for any reason. If Paid Time Off is claimed in a pay-period, all PTO requests must be submitted for electronic approval through the online timekeeping system (Paychex).

Upon the receipt of timesheets, the Director of Finance & Administration will ensure that both the employee and the President and CEO or his/her designee have signed the timesheet. Furthermore, he/she will check accuracy of the time submitted (reported time should not be in excess of that allowed for the pay-period, and if, overtime is involved, the Director of Finance & Administration will make sure that the proper authorizations for overtime are attached to the timesheets).

The Director of Finance & Administration will be responsible for ensuring that all withholding tax liabilities have been satisfied and all appropriate tax reports have been filed. The following activities, which are currently conducted by the organization's outside payroll service, need to be completed at the appropriate time period:

- Complete and file Form 941 once every quarter (as specified by governing laws). Send payment of any tax deficiencies.
- Complete proper tax deposit forms for appropriate taxing agencies and forward with payments depending in the payroll period (semi-monthly, quarterly, or annually)
- Complete the proper unemployment insurance forms and submit to the appropriate taxing authorities. Send payment for the appropriate amount with the completed forms within the guidelines prescribed by proper taxing authorities.
- W-2 Forms will be prepared each year and distributed to employees by January 31st.

Purpose: This procedure has been written to ensure that the organization is in compliance with federal regulations regarding record keeping for salaries and wages charged to federal grants or contracts

Responsibility: The Director of Finance & Administration and supervisory staff are responsible for ensuring that timesheets accurately reflect actual hours of time worked by each employee before approval. The allocation report is completed and journalized by the Director of Finance & Administration

1.0 Procedures for payroll timesheet processing and adjustments-Paychex Time and Labor Online

1.1 Timesheets are available online for all employees via the Paychex Time and Labor online timekeeping system. Each employee has their own username and password to access the system. The employee selects Submit Timesheet then Timesheet Express and enters hours worked to a specific department enters non-work hours to general Admin (dept 100)

1.2 The online timesheet is to be completed by the employee on a daily basis showing hours worked by cost center/department and branch. To insert extra entry lines, the employee must manually change the number in the “shifts per day” box. The branch field is used to capture hours that are eligible to be used for cost share. The employee can use the dropdown menu to select department or branch or input the codes manually along with the number of hours worked

1.3 The employee saves the timesheet and is able to access it the following day. This process can be repeated up until the timesheet is submitted for approval

1.4 Once the timesheet is submitted by the employee, the supervisor has the ability to review the employee’s input. No further changes can be made by the employee once its submitted, however the supervisor can make necessary adjustments. Request for changes to timesheet entry can also be sent by the supervisor to the Director of Finance & Administration for changes to be made on their behalf

1.5 If a discrepancy is discovered by the Director of Finance & Administration, the employee and supervisor are contacted to discuss the discrepancy and necessary adjustments to be made to the timesheet by the Director of Finance & Administration

1.6 When all timesheets are completed online, the Director of Finance & Administration generates the Employee Timecard Reports and emails to staff to check for accuracy and completeness

1.7 After Finance receives staff/supervisor approval to accept the time card reports, the date is appended to the file name (ie Employee Timecard Report 10.15.12) and is saved in .pdf format. The supervisors approve employees’ timesheets online and the file is ready to be exported to the Paychex Preview Payroll system for processing

1.8 To ensure that all timesheets have been approved, a “Time Cards Not Approved by Supervisor” report is generated for confirmation. This report is filed with the time card reports to show proof of supervisory approval

NOTE: If discrepancies are discovered by Finance prior to the cutoff deadline of 11am on payroll processing day, every effort will be made to have the timesheet adjusted prior to finalizing payroll for that pay period. If the cutoff is missed, the adjustment will be made in the next pay period.

NOTE: When recording time on your timesheet the start/end section should represent actual time worked. When recording the TOTAL time worked all times should be rounded to the nearest 15 minute increments, (.25/.50/.75). (I.e. if you start work at 7:55 a.m. your time should be rounded to 8 a.m.; if you start work at 7:47 a.m. your time should be rounded to 7:45 a.m.)

2.0 Procedures for Payroll Allocation

2.1 Director of Finance & Administration prints the Employee Timecard Reports to show department and branch information.

NOTE: A branch code is used to track cost share for each grant

- 2.2 Director of Finance & Administration enters summary of hours by department for each employee on the Payroll Allocation Report. Formulas in the spreadsheet properly allocate salaries and taxes based on those hours
- 2.3 Once entered, the Timecard report totals are matched to the payroll allocation report totals for verification by the Director of Finance & Administration. The payroll register is used to enter withholdings and deductions information by employee. This register is also used to verify withdrawal of funds from the operating bank account to cover payroll
- 2.4 The Director of Finance & Administration prints the completed allocation report to be entered into the accounting system as a journal entry
- 2.5 The Director of Finance & Administration creates a batch for each payroll allocation entry by pay date. For example, a batch name for pay period ending 8/15/2013 would be "Payroll 08/15/2013"
- 2.6 Once entered, the Director of Finance & Administration generates the Unposted batch report and reviews for accuracy
- 2.7 The Finance Coordinator does a secondary review before submitting to the President for approval
- 2.8 Once approved, the journal entry is posted and the posted batch report is printed
- 2.9 The Director of Finance & Administration files this allocation report with time card reports

M. GRANTS MANAGEMENT

For Federal Grant Applications:

Most U.S. departments and agencies require RFPG proposals to be completed and submitted through the Grants.gov website.

Additional CCR information can be found on the shared drive under Development -> Federal -> Grants.gov

All old proposals can be found on the shared drive under Development -> Federal and hard copies are filed by region and labeled by funder and theme

For Foundation Applications:

The exchange funding template can be found on the shared drive under Development -> Exchange Funding Model

For all foundations and corporations that have been researched, a spreadsheet exists that outlines their areas of interest, application timelines, and funding levels on the shared drive under Development -> Foundations -> Foundation-Master

Hard copies of this information can be found in the hanging files arranged alphabetically.

Research and Background Needed for Proposals:

Questions to consider before submitting a proposal:



- Have you talked with members or organizations already doing work in the field?
- Have you involved members and organizations that can effectively cooperate with you in achieving project objectives?
- If the funding source provides guidelines, have you read them and followed directions explicitly?
- Do you have a cover page that includes all pertinent summary information?
- Is the proposal well organized and clearly written? Have you asked someone outside the planning group to read it both for content and grammar?
- Is the following information stated clearly and completely in the proposal narrative?
 - o Problems or opportunities the project will address
 - o What is already being done about the problem or opportunity
 - o Project goals and objectives
 - o Clearly outline who will benefit from undertaking this project
 - o Project procedures including work plan, timetable, program content, methods and materials to be employed, frequency and duration of activities, etc.
- Have you identified innovative features of your proposal that may set it apart from others being considered?
- Have you developed an evaluation plan?
- Has SCI described accurately and adequately?
- Have you checked the budget with the Finance Department?
 - o Budget items complete
 - o Math double- and triple-checked
 - o Budget items explained in the budget narrative
- Have you checked layout and readability?
- Are you observing the funding source's deadlines?
- Has the proposal been approved by the President and CEO?
- Have all copies of the proposal been signed by the appropriate organization staff?
- Have you included as appendices supporting documents such as personal CVs, supporting letters from sub grantees?
- Have you included endorsements from cooperating organizations/agencies?

When SCI Receives a Grant Award:

Though every grant is different, there are some fundamental steps needed before implementation can begin.

Monitoring and Reporting

- Submit the final budget and award letter to the Finance Department
- Return the award letter to grantor with President and CEO signature, if necessary
- Work with the Finance Department to create a GL number and subcategories if necessary for accounting purposes
- Create a Grant Requirement Summary (The grant requirement summary is a one or two page document that summarizes the expectations of the grant). This document should include:
 - o Name of the grant, Award Number
 - o Amount of the Grant
 - o Cost Share Requirement
 - o Allowable expenditures

- Program and Grant Point of Contact
- Grant Period
- Reporting requirements (financial and program)
- Programmatic requirements (in the proposal and the agreement)
- Participating communities

Create a Shared Drive Folder under “Programs”:

- Each current grant program should have a folder under Programs, labeled with the funder name and an abbreviated title of the award
- Each grant folder should include sub folders so that information can be found efficiently. Please number them as follows and as applicable:
 1. Budget and Finances
 2. Press and Media
 3. Publications and Materials
 4. Conference Materials
 5. Personnel
 6. Subgrants and Contracts
 7. Reporting
 8. Sister City Participants

(The include grant-specific folders as needed)

Subgrants and Contracts

- For a sample overview of the tendering and contracting process, see shared drive -> Programs -> AUPAP -> SOPs
- A copy of all subgrants must be saved as a hard copy and digital copy. Monies will not be distributed unless a copy of the contract is included with the check or cc request.
- For the sister city members involved in the project, make sure the point of contact for each has signed an outline of roles and responsibilities and that these roles are clearly communicated to them before any work begins

Employee Training

To ensure that federal funds are managed effectively and efficiently, SCI requires that all employees who have grant-related duties enroll in a grants management course within the first 60 days of employment. Recorded webinars on topics including but not limited to, OMB Circular A-133 requirements, indirect cost allocation and allowability of costs are also to be completed within the first 60 days of employment. Supervisors are required to monitor the progress and completion of training by their employees.

The Finance Department is responsible for keeping all information regarding federal awards current and should distribute information to SCI employees directly or provide instructions on how to retrieve this information in soft copy.

Policies Pertaining to the Administration of Federal Awards

Definitions

There are several types of agreements through which Sister Cities International may receive financial assistance from a donor/grantor agency:

Grant: A financial assistance award given to the organization to carry out its programmatic purpose.

Contract: A mutually binding legal agreement where the organization agrees to provide supplies or services and the grantor or donor agrees to pay for them.

Cooperative Agreement: A legal agreement where the organization implements a program with the direct involvement of the donor.

Throughout this manual, federal assistance received in any of these forms will be referred to as a federal “award.”

Preparation and Review of Proposals

The Development staff and other designated SCI staff are responsible for preparing proposals for projects that the organization intends to pursue. However, all proposals shall be reviewed by the Development Committee of the Board of Directors prior to submission to government agencies or other funding sources. Final proposals shall be reviewed and approved in writing by the President and CEO.

Post-Award Procedures

After an award has been made, the following steps shall be taken:

1. Verify the specifications of the grant or contract. The Director of Finance & Administration shall review the terms, time periods, award amounts and expected expenses associated with the award. A CFDA (Catalog of Federal Domestic Assistance) number shall be determined for each award. All reporting requirements under the contract or award shall be summarized.
2. Create new general ledger account numbers. New accounts (if necessary) shall be established for the receipt and expense categories in line with the grant or contract budget.
3. Gather documentation. A file is established for each grant or contract. The file contains the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funding sources. In some cases, financial reports submitted to funding sources are kept separately from the grant contract folders because of the volume of paper they entail. A copy of the final report for each grant/contract is filed with the grant/contract documentation.

Compliance with Laws, Regulations and Provisions of Awards

Sister Cities International recognizes that as a recipient of Federal funds, the Organization is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. To ensure that the Organization meets this responsibility, the following policies apply with respect to every grant or contract received directly or indirectly from a Federal agency:

1. For each Federal award, a Sister Cities International employee within the department responsible for administering the award will be designated as "Program Manager" (PM).
2. Each PM shall attend a class on grant management prior to beginning their role as a PM (or as early in their functioning as a PM as practical). Thereafter, all PM's shall attend refresher/update courses on grant management every two years.
3. The PM shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:



- a. Read each award and prepare a summary of key compliance requirements and references to specific laws and regulations. The PM is provided with all relevant OMB circulars to include (A-110, A-122, A-123, A-133). All staff will have unlimited access to these circulars on the Finance shared drive under Grant Information. Also, the AICPA audit guide entitled *Government Auditing Standards and Circular A-133 Audits*, is an available source in the Finance Department.
- b. Review the "OMB Circular A-133 Compliance Supplement" (updated annually) published by the Office of Management and Budget (OMB) for compliance requirements unique to the award and for compliance requirements common to all Federal awards.
- c. Review the section of the Catalog of Federal Domestic Assistance applicable to the award.
4. The Finance Department shall forward copies of applicable laws and regulations to the PM (such as OMB Circulars, pertinent sections of compliance supplements, and other regulations). The Finance Department will also be knowledgeable of these laws and regulations
5. The PM and/or the Sister Cities International Finance Department shall identify and communicate any special changes in policies and procedures necessitated by Federal awards as a result of the review of each award.
6. The PM shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to the "OMB Circular A-133 Compliance Supplement", and communications with Federal awarding agency personnel.
7. The PM shall cooperate with the Organization's Independent Auditors by informing the CPA firm as to applicable laws, regulations, and provisions of contracts and grants and communicating known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Billing and Financial Reporting

Sister Cities International strives to provide management, staff and funding sources with timely and accurate financial reports applicable to all awards. These reports include monthly and cumulative expenses, a project budget, and a balance remaining column.

Sister Cities International shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of the Finance Department.

The following policies shall apply to the preparation and submission of billings to federal agencies under awards made to Sister Cities International:

1. It is the policy of Sister Cities International to request reimbursement after expenses have been incurred, unless an award specifies another method.
2. Each award normally specifies a particular billing cycle; therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
3. Requests for reimbursement of award expenses will use the actual amounts as posted to the general ledger as the source for all invoice amounts. If a source other than the general ledger is used for preparing requests for reimbursement, this policy should include an additional statement that this alternate source shall be reconciled to the general ledger balances on a monthly basis, or on a basis consistent with the reporting periods (i.e. - quarterly).
4. All financial reports required by each federal award will be prepared and filed on a timely basis.

5. To the extent Sister Cities International's year-end audit results in adjustments to amounts previously reported to federal agencies, revised reports shall be prepared and filed in accordance with the terms of each federal award.

Where applicable, Sister Cities International shall maintain separate billing records in addition to the official general ledger accounting records. Billing records shall be reconciled to the general ledger on a monthly basis or on a basis consistent with the reporting periods.

At the time requests for reimbursement are prepared, revenue and accounts receivable shall be recorded on the books of Sister Cities International by the Finance Coordinator.

If a federal award authorizes the payment of cash advances to Sister Cities International, the Director of Finance & Administration may request that a request for such an advance be made. Upon receipt of a cash advance from a federal agency, Sister Cities International shall reflect a liability equal to the advance. As part of the monthly close-out and request for payment process, the liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period, or the advance will be reduced in accordance with grant/contract terms and provisions.

Cash Drawdowns Under Payment Management System

Cash drawdowns will be initiated by the Director of Finance & Administration via email to the Grants Officer under the reimbursement process until this process has been changed back to advance. These requests will be made in conjunction with the accounts payable and payroll schedule, based on need and should include supporting documentation. When the advance process is in place, drawdown requests will be initiated by the Finance Coordinator and approved by the Director of Finance & Administration upon review of supporting documentation. All federal funds shall be direct deposited into the organization's operating account.

Procurement Under Federal Awards

Procurement of goods and services whose costs are charged to federal awards received by Sister Cities International are subject to all of the specific Sister Cities International purchasing policies described under Section VIII "Procurement." In addition, procurements associated with Federal awards are subject to the following supplemental policies:

1. Sister Cities International shall avoid purchasing items that are not necessary for the performance of the activities required by a Federal award.
2. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal government.
3. Documentation of the cost and price analysis associated with each procurement decision shall be retained in the procurement files pertaining to each Federal award.
4. For all procurements in excess of the small purchase acquisition threshold (currently \$5,000), procurement records and files shall be maintained and include all of the following:
 - a. The basis for contractor selection.
 - b. Justification for lack of competition when competitive bids or offers are not obtained.
 - c. The basis for award cost or price.
5. Sister Cities International shall make all procurement files available for inspection upon request by a Federal Awarding Agency.

6. All contracts with vendors shall require the vendor to certify in writing that it has not been suspended or disbarred from doing business with any federal agency.

In addition, no employee, officer, or agent of Sister Cities International shall participate in the selection, award or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of her or his immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award.

Making of Subawards

From time to time, Sister Cities International may find it practical to make subawards of federal funds to other organizations. All sub-awards in excess of \$5,000 shall be subject to the same procurement policies described in the preceding section. In addition, all sub-recipients must be approved in writing by the federal awarding agency and agree to the sub-recipient monitoring provisions described in the next section.

With respect to sub-recipients with whom Sister Cities International has not recently had a subaward relationship, the Program Manager shall determine an appropriate level of pre-award inquiry that shall be performed. The purpose of such inquiry, which may involve a site visit to a potential sub-recipient, is to gain assurance that a potential sub-recipient has adequate policies and procedures in place to provide reasonable assurance that it is capable complying with all applicable laws, regulations and award provisions. In addition, Sister Cities International shall obtain the following documents from all new sub-recipients:

1. Articles of incorporation
2. By-laws or other governing documents
3. Determination letter from the IRS (recognizing the sub-recipient as exempt from income taxes under IRC section 501(c)(3).
4. Last 3 years' Forms 990 or 990-EZ, including all supporting schedules and attachments (also Form 990-T, if applicable)
5. Copies of the last 3 years' audit reports and management letters received from sub-recipient's independent auditor (including all reports associated with audits performed in accordance with OMB Circular A-133, if applicable)
6. Copy of the most recent internally-prepared financial statement and current budget.
7. Copies of reports of government agencies (Inspector General, state or local government auditors, etc.) resulting from audits, examinations or monitoring procedures performed in the last three years

Monitoring of Sub-recipients

When Sister Cities International utilizes Federal funds to make sub-awards to sub-recipients, Sister Cities International is subject to a requirement to monitor each sub-recipient in order to provide reasonable assurance that sub-recipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program.

In fulfillment of its obligation to monitor sub-recipients, the following policies apply to all sub-awards of federal funds made by Sister Cities International to sub-recipients:

1. Subaward agreements shall include all information necessary to identify the funds as federal funding. This information shall include:

- a. The applicable Catalog of Federal Domestic Assistance (CFDA) title and number
 - b. Award name
 - c. Name of Federal agency
 - d. Amount of award.
2. Subaward agreements shall identify all applicable audit requirements, including the requirement to obtain an audit in accordance with OMB Circular A-133, if the sub-recipient meets the criteria for having to undergo such an audit.
 3. Subawards shall include a listing of all applicable Federal requirements that each sub-recipient must follow.
 4. Subawards shall require that sub-recipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.
 5. Subawards shall require that sub-recipients submit financial and program reports to Sister Cities International on a basis no less frequently than monthly.
 6. Sister Cities International will follow up with all sub-recipients to determine whether all required audits have been completed. Sister Cities International will cease all funding of sub-recipients failing to meet the requirement to undergo an audit in accordance with OMB Circular A-133. For sub-recipients that properly obtain an audit in accordance with OMB Circular A-133, Sister Cities International shall obtain and review the resulting audit reports for possible effects on Sister Cities International accounting records or audit.
 7. Sister Cities International shall assign one of its employees the responsibility of monitoring of each sub-recipient on an ongoing basis, during the period of performance by the sub-recipient. This employee will establish and document, based on her/his understanding of the requirements that have been delegated to the sub-recipient, a system for the ongoing monitoring of the sub-recipient.
 8. Ongoing monitoring of sub-recipients by Sister Cities International will inherently vary from sub-recipient to sub-recipient, based on the nature of work assigned to each sub-recipient. However, ongoing monitoring activities may involve any or all of the following:
 - a. Regular contacts with sub-recipients and appropriate inquiries regarding the program.
 - b. Reviewing programmatic and financial reports prepared and submitted by the sub-recipient and following up on areas of concern.
 - c. Monitoring sub-recipient budgets.
 - d. Performing site visits to the sub-recipient to review financial and programmatic records and assess compliance with applicable laws, regulations, and provisions of the subaward.
 - e. Offering sub-recipients technical assistance where needed.
 - f. Maintaining a system to track and follow up on deficiencies noted at the sub-recipient in order to assure that appropriate corrective action is taken.
 - g. Establishing and maintaining a tracking system to assure timely submission of all reports required of the sub-recipient.
 9. Documentation shall be maintained in support of all efforts associated with Sister Cities International's monitoring of sub-recipients.

Equipment and Furniture Purchased With Federal Funds

Sister Cities International may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a Federal agency. In addition to those policies on Asset Management described earlier, equipment and furniture charged to Federal awards will be subject to certain additional policies as described below.

For purposes of Federal award accounting and administration, "equipment" shall include all assets with a unit cost equal to the capitalization threshold of \$5000 utilized by Sister Cities International.

All purchases of “equipment” with federal funds shall be approved in advance in writing by the federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

1. Any equipment that is owned by the Federal government and given to Sister Cities International for use in a program shall be marked as such.
2. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.
3. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of less than \$5000 at the conclusion of the award, Sister Cities International shall retain the equipment without any requirement for notifying the federal agency. If the remaining per unit fair market value is \$5000 or more, Sister Cities International shall gain a written understanding with the federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the federal agency.
4. Sister Cities International Financial Director shall determine whether a specific award with a Federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of and federal reports filed by Sister Cities International.

Standards for Financial Management Systems

In accordance with OMB Circular A-110, it is the policy of Sister Cities International to maintain a financial management system that provides for the following:

1. Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements of Circular A-110 and/or the award.
2. Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, un-obligated balances, assets, outlays, income and interest.
3. Effective control over and accountability for all funds, property and other assets. Sister Cities International shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
4. Comparison of outlays with budget amounts for each award. Whenever possible, financial information shall be related to performance and unit cost data.
5. Written procedures to minimize the time elapsing between the transfer of funds to Sister Cities International from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient.
6. Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
7. Accounting records including cost accounting records that are supported by source documentation.

Budget and Program Revisions

It is the policy of Sister Cities International to request prior approval from Federal awarding agencies for any of the following program or budget revisions:

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (project director, etc.) specified in the application or award document.
3. The need for additional Federal funding.
4. The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the Federal awarding agency.
5. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-122.

Close Out of Federal Awards

Sister Cities International shall follow the close out procedures described in OMB Circular A-110 and in the grant agreements as specified by the granting agency.

Sister Cities International and all sub-recipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

Charging of Costs to Federal Awards

Overview

It is the policy of Sister Cities International that only costs that are reasonable, allowable and allocable to a Federal award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal awards.

Segregating Unallowable From Allowable Costs

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each federal award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Finance personnel shall be familiar with the allowability of costs provisions of OMB Circular A-122, "Cost Principles for Non-Profit Organizations", particularly:
 - a. The list of specifically unallowable costs found in Attachment B (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.
 - b. Those costs requiring advance approval from Federal agencies in order to be allowable in accordance with Attachment B, such as foreign travel, equipment purchases, etc.
3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or OMB Circular A-122.
4. For each Federal award, an appropriate set of general ledger accounts shall be established in the chart of accounts of Sister Cities International to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenses if the credit relates to charges that were originally charged to a Federal award or to activity associated with a Federal award. The reduction in

expenses shall be reflected in the year in which the credit is received (i.e. if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit.)

Criteria for Allowability

It is the policy of Sister Cities International that all costs must meet the following criteria in order to be treated as allowable direct or indirect costs under a Federal award:

1. The cost must be “reasonable” for the performance of the award, considering the following factors:
 - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the organization or the performance of the award;
 - b. Restraints imposed by such factors as generally accepted sound business practices, arm’s length bargaining, Federal and state laws and regulations, and the terms and conditions of the award;
 - c. Whether the individuals concerned acted with prudence in the circumstances;
 - d. Consistency with established policies and procedures of the Organization, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be “allocable” to an award by meeting one of the following criteria:
 - a. The cost is incurred specifically for a Federal award;
 - b. The cost benefits both the Federal award and other work, and can be distributed in reasonable proportion to the benefits received; or
 - c. The cost is necessary to the overall operation of the Organization, but, where a direct relationship to any particular program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions of OMB Circular A-122 or the Federal award itself.
4. Treatment of costs must be consistent with policies and procedures that apply to both Federally financed activities and other activities of the Organization.
5. Costs must be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles.
7. Costs may not be included as a cost of any other Federally financed program in the current or prior periods.
8. The cost must be adequately documented.

Direct Costs

Direct costs include those costs that are incurred specifically for one award or non-Federal function. Sister Cities International identifies and charges these cost exclusively to each award, program or activity.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expense. Invoices are approved by the appropriate project director and reviewed by the Accounts Payable Manager.

Time sheets or personnel activity reports, described earlier, are also submitted on a regular basis reflecting employees' work and which programs directly benefit from their effort. Time sheets or personnel activity reports shall serve as the basis for charging salaries directly to Federal awards and non-Federal functions.

Equipment purchased for exclusive use on a federal award and reimbursed by a federal agency shall be accounted for as a direct cost of that award (i.e. such equipment shall not be capitalized and depreciated). For purposes of disclosure, the audited financial statements of the organization shall include the value of grant-funded fixed assets less accumulated depreciation on the balance sheet.

Indirect Costs

Indirect costs are those costs that either benefit more than one award (overhead costs) or non-federal function or that are necessary for the overall operation of Sister Cities International (management and general costs).

Sister Cities International maintains an annual indirect cost budget. As required by the Cognizant Agency (currently US Department of Health and Human Services), a new indirect cost budget is prepared and submitted to Sister Cities International's Cognizant Agency for approval (usually bi-annually). The indirect cost rate agreed upon is used when determining the overhead applied to each federal award.

Examples of the types of expenses normally included in the indirect cost pool are:

1. General administration
2. Salaries and benefits of the executive officers, finance and administrative personnel
3. Depreciation of equipment and buildings
4. Office rent and maintenance (facilities)
5. General office repairs and maintenance

Sister Cities International's independent auditor has the responsibility of reviewing Sister Cities International's indirect cost rates. These rates are submitted to Sister Cities International's Cognizant Agency and will be binding on all other federal agencies and their contracting officers unless specifically prohibited by statute.

Accounting for Specific Elements of Cost

Sister Cities International shall utilize the following methods of charging specific elements of cost to federal awards as direct or indirect costs:

Salaries and Wages – Salaries and wages shall be charged directly and indirectly based on the functions performed by each employee, as documented on each employee's timesheet, as follows:

Direct costs – The majority of the employees of Sister Cities International charge their time directly since their work is specifically identifiable to specific grants or other (non-federal) programs, activities or functions of the organization.

Compensated absences (vacation leave earned, sick leave used, and holiday pay) are considered part of salary costs. The accounting system of Sister Cities International records salaries associated with compensated absences as a direct or indirect cost in the same manner that salary costs are recorded.

Employee Benefits – Sister Cities International incurs costs for the following statutory and non-statutory employee benefits:

- FICA
- Unemployment insurance
- Worker's compensation
- Health insurance
- Group Life Insurance Vision, Dental Insurance
- Employee Assistance Program (EAP)

The total cost of all of the preceding employee benefits shall be determined by summing the cost associated with each benefit. Total employee benefit costs shall then be allocated based on direct salaries and wages.

Occupancy Expenses – Monthly rent expense and related pass-through expenses is charged indirectly.

Supplies and Materials – To the maximum extent possible, office supplies and materials are charged directly to the grant or program/function that uses the supplies or materials, based on purchase requisitions. All supplies and materials used by staff engaged in indirect activities shall be charged indirectly.

Postage and Shipping – To the maximum extent possible, postage and shipping costs shall be charged directly to the grant or program/function that benefits from the postage or shipping costs, based on the postage log kept near the postage machine and the UPS/FedEx shipping logs.

Photocopying and Printing – Photocopying costs include all paper and copy supplies, copier maintenance charges, operator salary and fringes and the actual lease cost or depreciation expense of the copier. Photocopying costs shall be charged directly and indirectly based on the operator codes input into the copier prior to making photocopies or from the copier logs for copiers without volume tracking capability.

All printing costs are charged directly to the benefiting grant or program/function.

Communications – Communications costs include the costs of local telephone service and long- distance telephone charges, including charges associated with telephone calls, facsimile transmissions, and Internet connections.

Outside Services – Sister Cities International incurs outside service costs for its annual audit, legal fees, and for staff development specialists and other consultants. Outside service costs shall be charged as follows:

Audit fees – Cost of the financial statement audit and preparation of Form 990 shall be charged as an indirect cost. Additional audit costs associated with that portion of the audit associated with OMB Circular A-133 shall be charged directly to the audited programs, based on estimates received from the independent CPA firm.

Legal fees – Legal fees shall be charged directly to the program/function that benefits from the services. Legal fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

Staff Development Specialists and other Consultants – Costs associated with staff development specialists and other consultants shall be charged directly to the program/function that benefits from the services. Fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

Insurance – To the extent that insurance premiums are associated with insurance coverage for specific grants or programs, those premium costs shall be charged directly (such as vehicle insurance). All insurance costs that are not identifiable with specific direct grants or programs or otherwise directly allocable shall be charged indirectly.

Credits – The applicable portion of any credits resulting from cash discounts, volume discounts, refunds, trade-ins, scrap sales or similar credits shall be credited directly or indirectly in the same manner as the purchase that resulted in the credit.

Cost Sharing and Matching

It is the policy of Sister Cities International to value contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or Federal agency regulations identify specific values to be used.

Sister Cities International shall claim contributions as meeting a cost sharing or matching requirement of a Federal award only if all of the following criteria are met:

1. They are verifiable from Sister Cities International records.
2. They are not included as contributions for any other federally-assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under OMB Circular A-122.
5. They are not paid by the Federal government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the Federal awarding agency.
7. They conform to all provisions of OMB Circular A-110.
8. In the case of donated space, the space is subject to an independent appraisal to establish its value.

Contributed services used for cost sharing or matching purposes shall be valued at rates consistent with those rates paid for similar work in the Organization (match up experience and skill level), including reasonable fringe benefits applied as rates per the indirect cost agreement. In cases in which the required skills are not found in the Organization, rates used shall be consistent with those paid for similar work in that particular industry.

It is the policy of Sister Cities International to require volunteers to document and account for their contributed time and expenses on a quarterly basis by providing this information with supporting documentation attached to the SCI In-Kind Volunteer Hour and Donation Ledger. Please see In-Kind Contributions section on page 42.

N. ANNUAL AUDIT

Overview

An audit is a review of the company's financial condition by an independent organization to render an opinion on the integrity of the organization's finances. Generally an audit is required by the organization's By-Laws and/or by the organization's bank and is conducted on an annual basis. Specific audits may be required by grant or contracts. This will be determined at the time the grant or contract is awarded, and the appropriate audit will be scheduled.

Policy

The governing body of Sister Cities International has determined that Sister Cities International will conduct a full audit annually.

Selecting an Auditor

A qualified, external auditing firm shall be selected by the Audit Committee to conduct an annual audit of the Corporation's finances and accounts. The auditing firm will be approved by the Board with recommendation from the Audit Committee.

Sister Cities International will seek an auditor that understands and has experience with not for profit organizations, can provide the required services, and one with which Sister Cities International financial personnel can easily communicate. The organization will send a written Request for Proposal (RFP) to prospective audit firms.

When proposals are narrowed down to the top selections, the President and CEO, Treasurer and the Audit Committee will meet with the engagement team to discuss their proposal. Once a proposal is selected, a letter will be sent to all firms informing them of the decision.

How Often to Review the Selection of the Auditor

Sister Cities International will review the selection of the auditor:

1. Anytime there is dissatisfaction with the service of the current firm
2. When a fresh viewpoint is desired
3. No less than every three (3) years

Preparation for the Annual Audit

Sister Cities International will do the following in preparing for the annual audit:

1. Planning: Assigning who will do what and when
2. Involvement: Staff will do as much preparatory work as possible in order to reduce the cost of the audit
3. Year End Procedures
 - a. A list will be received from the auditors of schedules Sister Cities International can prepare and other items the firm will need in order to conduct the audit. Examples include:
 - i. Working trial balance and working income statement
 - ii. Sister Cities International's financial reports
 - iii. Balance sheet schedules including cash, accounts receivables, investments, notes receivable, inventory, prepaid expenses, accounts payable, and deferred revenue
 - iv. Reconciliation of fund balances
 - v. Copies of minutes from Board meetings
 - vi. Preparation of confirmation letters
 - b. Determine cutoff date for accounts receivable and accounts payable
 - c. Make all deferrals and accruals
 - d. Write off or reserve bad balances

Auditee's Responsibilities

In accordance with Circular A-133 Subpart C, The Director of Finance & Administration is responsible for preparing financial statements and a schedule of expenditures of Federal awards. The statements and schedule must be prepared for the same time period.

SCI's Audit Committee in conjunction with management, is responsible for selecting an auditor to conduct the audit required by the Circular. SCI being a non-governmental auditee must engage a public accounting firm to conduct the audit.

The Audit Committee is responsible for ensuring the auditor has the professional qualifications and technical abilities to conduct the audit. SCI is responsible for (a) preparing a corrective action plan for current-year audit findings and (b) taking action to correct the reported findings.

SCI is responsible for reporting the status of its corrective action for each prior-year finding in the summary schedule of prior audit findings until the finding has been corrected or the finding is no longer valid or warrants corrective action.

The is responsible for submitting the SF-SAC Form and the audit report to the Federal Audit Clearinghouse within 30 days of receipt of the auditor's reports, but no later than 9 months after the end of the SCI's fiscal year. The Director of Finance & Administration uses the Internet to electronically submit the SF-SAC Form to the FAC.

Until the FAC receives an acceptable audit report and SF-SAC Form, SCI does not receive credit for meeting the audit requirement. To ensure submission has taken place, the confirmation from FAC is sent to the Audit Committee Chair, President and CEO and Director of Finance & Administration.