



# Financial Policy

Policy Owner: <b>VP Finance</b>	Revision: V 1.3
Effective/Revision Date:	<b>15 Oct 2018</b>
Board Approval Date:	<b>22 Oct 2018</b>

<b>Change Log</b>	<b>Effective Date</b>	<b>Amendment(s) Owner(s)</b>
1.0: Inaugural Version	May 12, 2016	James Schuele – VP Finance
1.1: Add Record Retention and Destruction	July 11, 2016	James Schuele – VP Finance
1.2: Add Reimbursement Caps	January 9, 2017	James Schuele – VP Finance
1.3: Personal Contact Data on Chapter Accounts, various refinements and clarifications	October 15, 2018	Robert C. Allen, Jr. – VP Finance

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## Purpose

PMI Heartland Nebraska / Iowa is a nonprofit organization committed to protecting and using our assets to advance the practice of project management in Eastern Nebraska and Western Iowa. Proper financial practices are very important in doing this, since proper practices help to prevent and detect errors and fraud. Good financial practices also assure our members that we use their annual and attendance fees for the purposes which they were intended. The purpose of this policy is to maintain accurate and transparent financial records and protect the assets of the chapter from fraud through the implementation of commonly accepted financial controls.

## I. GENERAL PRACTICES

### Review of Risks

This policy was drafted after consideration of the risks associated with the various aspects of our financial operations and to enact this policy and its procedures designed to minimize those risks. The President and Vice President Finance will review this policy and its procedures annually to consider whether the risks have changed, with any amendments to be ratified at least two months before the board’s annual planning meeting. Such changes or a change in the laws regulating our nonprofit may require changes to our programs.

### Segregation of Roles

There are several fiscal “roles” in our organization—authorization, execution, and monitoring. For example, the individual who requests payment of an invoice is authorizing. The Board, as a whole, acts in an authorizing role when it approves the annual budget. The person who prepares and signs the checks is acting in the execution role, executing an action that has been authorized by the Board through the annual budget or by the individual responsible for approving payment of the bill. The Board acts in a monitoring role when it reviews the financial reports, verifies transactions and entries, and to be sure the budget is being executed properly. As much as possible, the Board seeks to separate the responsibilities for fiscal roles so that at least two individuals fulfill these roles. It is particularly important that the same person does not authorize, execute and monitor any transaction. At each step of handling funds, the organization shall ensure that more than one person verifies that the step is done correctly.

### Contact Information on Financial Accounts

Contact information on all financial accounts shall be an official Chapter address (mailing, email, etc). Secondary contacts may be personal email address or phone numbers of current office holders however, account access must not be contingent upon provision of personal contact information.

## II. RECEIPT OF FUNDS

### Receipt of Funds Risks

PMI Heartland faces the risk that funds that we receive may be stolen or lost or that someone may be falsely accused of stealing funds.

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## Policy

All funds, whether via electronic, cash or check, which PMI Heartland receives will be deposited intact into the bank account, with no monies removed to make payments or for other purposes. All cash and check receipts shall be deposited into the Chapter bank account no later than closing the business day following receipt of the funds. Cash and check receipts from chapter events must be recorded on a tally sheet and provided to the Vice President Finance, or designee, who will then deposit to the Chapter bank account. This allows for a complete accounting and independent verification of funds.

## Procedures

1. *Receipt of Funds electronically.* PayPal is to be considered PMI Heartland’s preferred method of receiving payment. Whenever possible, event registration should be made available on the PMI Heartland website. This allows members to enroll and remit payment directly to PMI Heartland’s PayPal account. The PayPal funds are directly linked to PMI Heartland’s checking account. This process eliminates the risk of lost or misplaced funds.
2. *Receipt of Checks.* PMI Heartland will accept checks made payable to PMI Heartland. Checks may be collected during registration at chapter events, or mailed to the chapter post office box. A receipt must be written for checks collected at chapter events and these checks will be recorded on the event registration logs for attendance and payment reconciliation by the Vice President Finance. The Vice President Programs or designee will review the attendance and payment reconciliation and validate against the event registration logs. For checks mailed to the chapter post office box, the President or Secretary records the check details (payer and amount), forwards the record to the Vice President Finance, and deposits to the Chapter bank account. The Vice President Finance verifies that all checks received are deposited via the Deposit Register included in financial statements.
3. *Receipt of Cash.* Cash is easily stolen and must be handled carefully. We need to take special precautions at chapter events to protect these funds from theft and to ensure that no one is falsely accused of stealing funds. When cash is received, the person accepting the cash must provide a written receipt. Registration volunteers will record the payment on the event registration logs for attendance and payment reconciliation by the Vice President Finance. The Vice President Programs or designee will review the attendance and payment reconciliation and validate against the event registration logs.
4. *Bank Deposit.* Deposits that include cash and checks are made in person at the bank. Bank deposits are reconciled with funds from PMI Heartland’s PayPal account as well as event registration logs reviewed by the Vice President Programs or designee. Deposit transactions are reviewed by the Board as part of the financial statements.
5. *Credit Card Payments.* We do not accept payment directly by credit card. These payments are processed through and into PMI Heartland’s PayPal account. Refer to Section II, article 1.

## III. DISBURSEMENT OF FUNDS/USE OF ORGANIZATIONAL PROPERTY

### A. Payments by Check Risks

PMI Heartland faces the risks that that our funds will be spent on unauthorized items, that someone will steal our funds by taking blank checks or by writing checks to payees who are

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not our vendors, that someone will use organizational property for personal purposes or that payments made will be improperly recorded.

**Policy**

Make all single payments at or over \$500 from PMI Heartland’s funds by check or debit card. This allows us to track how our funds are spent, who is spending them and who is authorizing expenditures. Smaller payments may be made by individual board members and submitted for reimbursement via an Expense Report. Payments made by non-board members and submitted for reimbursement must first be reviewed and approved by the supervising board member.

**Procedures**

1. *Opening Bank Accounts.* Bank accounts may be opened only upon authorization by the Board.

- All bank accounts must be opened with PMI Heartland’s Tax ID Number (TIN).
- The Board shall approve the authorized signers on the organization’s bank accounts.

2. *Custody of Checks.* The Vice President Finance shall maintain custody of the unused check stock. The Chapter President is authorized to maintain custody of no more than one book of checks, for contingency purposes. All checks should be stored in a locked location and information about how to access them should be kept confidential and known only by the Vice President Finance and the President.

3. *Check Authorization.* All invoices due will be forwarded promptly after receipt to the Vice President Finance to review and remit payment.

- The Vice President Finance will review all invoices for mathematical accuracy, agreement with a written invoice, conformity to budget or Board authorization.
- The Vice President Finance will ensure that all conditions and specifications on a contract or order have been satisfactorily fulfilled, including inventorying items received.
- The Vice President Finance will code the invoice with the appropriate expense or chart of accounts number and other information as needed for accounting purposes.
- After full review, the Vice President Finance will generate payment.
- The Vice President Finance is responsible for timely follow-up on discrepancies and payment.
- Expenses incurred by the Vice President Finance will be reviewed and approved by the President.

4. *Payment by Checks.* After reviewing the invoice, the Vice President Finance will prepare all checks and should do so.

- If a check is voided, the check will have “VOID” written in large letters in ink on the face and have the signature portion of the check torn out. Voided checks will be kept on file.

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- In the event that it is necessary to issue a duplicate check, for checks in an amount over \$50, the Vice President Finance will order a stop payment at the bank on the original check.

5. *Duties of Check Signers.* All checks will be signed by the signers designated by the Board of Directors. Prior to signing a check, a check signer will do the following:

- Compare the check to the original invoice.
- Compare the amount on the check to the amount on the invoice or note.
- Be sure that the Vice President Finance has initialed the invoice (when check signer is other than the Vice President Finance). This is to protect against the risk that you are paying based on a copy of the bill that has already been paid.
- Check the date on the invoice or the Treasurer's note against the date of signing the check. If the difference is more than 60 days, get written approval from the Vice President Finance before signing the check (when check signer is other than the Vice President Finance). This is to mitigate the risk that the organization is paying the same expense twice.
- Check to be sure that the amount of the check is not clearly unreasonable. For example, a \$3,000 payment for monthly meeting facility would be too high.
- Each check signer must be made aware that signing blank checks is prohibited. This practice exposes PMI Heartland to theft since the bank is entitled to charge our account for any check that has a valid signature.

6. *Prohibited Practices.* In no event will:

- Invoices be paid unless approved by current Board member and reviewed by the Vice President Finance;
- Blank checks be signed in advance;
- Checks be made out to "cash," "bearer," etc.

7. *Electronic Payments.* PMI Heartland does not currently make any direct electronic payments. In the future, if we make electronic payments, we will arrange the bank to be sure that only the individuals the Board has authorized as check signers will be permitted to authorize the payment of bills electronically. In addition to the monthly reconciliation, the Vice President Finance will periodically check the account to compare the bank automatic payments with the vendor statements.

## **B. Payment by Cash Risks**

PMI Heartland recognizes that payments by cash are not as completely documented and are not as easily monitored as payments by check and thus subject the organization to greater likelihood of errors and fraud.

### **Policy**

PMI Heartland does not currently administer cash accounts. Although, smaller invoices may be paid via cash by a current board member and submitted with a copy of the itemized receipt for

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expense reimbursement. Payment by cash should only be used when payment by check is impractical.

**Procedures**

*Administration of Cash Payments.* The Vice President Finance will require itemized receipts for all purchases over \$24.99. Expenditures made by cash are – for example, postage, parking fees, etc.

**C. Expense Reimbursement Risk**

PMI Heartland does not have the same level of control over expenses incurred on behalf of the chapter by those who pay with personal funds and seek reimbursement as it does for expenses paid directly by the Vice President Finance. The chapter is not in as good a position to determine whether the good or service purchased might have been obtained, whether there is a personal benefit to the person seeking reimbursement and how the expenditure fits in with the rest of the chapter’s budget.

**Policy**

In proper circumstances, Board members, Directors and volunteers are entitled to be reimbursed for expenses related to the chapter that they incurred on behalf of the chapter. To receive reimbursement, the following requirements must be met:

- Each expense must be authorized in advance by the Board or later approved by a supervising Board member.
- Each expense must be incurred for goods or services purchased for PMI Heartland or its benefit.
- Travel related expenses must be PMI Heartland related and approved by the Board.

**Procedures**

To be reimbursed for expenses:

1. *Documentation.* Reasonable documentation (itemized receipts) must be provided for expenses over \$24.99, showing the date, amount and the expense item(s) description. Non-itemized receipts, that do not describe the purchase, are not reasonable documentation. A cash register receipt is sufficient for expenses less than \$25.00.
2. *Other Reimbursement.* A voucher must reflect reimbursement from sources other than the chapter.
3. *Timely Submission.* Expense documentation with a request for payment must be submitted within 30 days from the date the expense was incurred.
4. *Overpayment.* Overpayments must be returned within a reasonable period of time.

**Reimbursement Maximum Limits**

Maximum pretax, per person limits exist for the following travel meal reimbursement expenses:

1. *\$20 for breakfast*
2. *\$30 for lunch*
3. *\$50 for dinner*

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Maximum per person limit exists for the following non-travel meal reimbursement expenses:  
*\$25 for each working lunch (breakfast, lunch, dinner)*

Exceptions require pre-approval from President.

Exceptions for President require pre-approval from Vice President Finance.

#### **D. Purchasing Risk**

PMI Heartland wants to ensure that all purchases on behalf of the chapter are authorized by the Board or by Board policies. Unauthorized purchases deplete the chapter's resources and interfere with the Board's ability to govern properly.

#### **Policy**

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

#### **Procedures**

The Vice President Finance can authorize purchases which conform to the Board's budget. The Board must authorize any purchase which does not conform to the Board's budget.

#### **E. Use of Chapter Property Risks**

PMI Heartland faces a risk that individuals will use chapter property without authorization for personal purposes. Usage reduces the life of property and eventually is an expense that the chapter assumes. It also betrays the trust of our members who expect that the chapter will use its resources only for purposes that help us achieve our mission.

#### **Policy**

Property and equipment owned by PMI Heartland may only be used for chapter activities or activities approved by the Board. They may not be used for personal purposes.

#### **Procedures**

If a Board member or volunteer wants to use chapter property or equipment for any purpose other than a chapter purpose, that individual must obtain permission from the Board.

### **IV. CREATION OF ORGANIZATION OBLIGATIONS**

#### **Risks**

PMI Heartland needs to ensure that any obligation undertaken in the chapter's name is authorized by PMI Heartland and is for chapter and not a personal purpose.

#### **A. Debit Cards Risks**

PMI Heartland banking debit cards can be misused when people charge personal expenses, fail to obtain documentation showing that a purchase was for the organization or put expenses on the debit card for purchases that are embarrassing to PMI Heartland.



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PMI Heartland authorizes the use of debit cards for PMI Heartland purposes only. The Board authorizes specific individuals to utilize a banking debit card. A cardholder may use the debit card only for official purposes directly related to the needs of the chapter. The cardholder may not use a banking debit card for personal purposes, even if he or she plans to reimburse the chapter. The cardholder may not lend the debit card nor provide the card number to another individual.

The following purchases are **not** allowed on the banking debit card:

- Personal purchases
- Cash advances or loans
- Payroll advances
- Purchased for other organizations
- Personal entertainment
- Purchases from a business you own or operate
- Any item inconsistent with the mission and values of the organization

## Procedures

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

1. *Cardholder Agreement.* Upon issuing a debit card to a cardholder, the cardholder must sign a statement that the cardholder has read and understands this Debit Card policy and will reimburse the organization for any personal charges on the card.
2. *Original Receipts.* The cardholder must keep the original receipt that describes each purchase made on the card. The debit card receipt alone is not sufficient.
3. *Notification of use of the debit card:* The cardholder will email the Vice President Finance a completed Expense Report reflecting the use of the debit card noting the date, vendor, and amount of each charge made. This will allow the Vice President Finance to be aware of the bank account debit transactions that will be required to reconcile the bank account for month-end.
5. *Expense Report.* Within 14 calendar days after the debit card purchase, the cardholder must prepare and sign an Expense Report and attach all original receipts regardless of amount and a copy of the purchase request. In the case of meals, the statement must include the names of all persons at the meal and a brief description of the business purpose, in accordance with IRS regulations.
6. *Approval by Vice President Finance.* The cardholder must give the Expense Report to the Vice President Finance for approval. The Vice President Finance shall review each purchase to ensure that it was reasonable, necessary and the best value for the organization. The Vice President Finance will reconcile the Expense Report to the banking debit entry, authorize payment and follow up on any inconsistencies.
7. *Notification of Loss/Theft.* The cardholder must notify the bank, the Vice President Finance and President immediately in the event that the card is lost or stolen.

## B. Borrowing and Lines of Credit Risks

PMI Heartland needs to ensure that borrowing in the chapter's name is authorized.



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## Policy

PMI Heartland does not currently utilize borrowing and lines of credit. In the event lines of credit are needed in the future, the Board must approve application for and acceptance of any line of credit. Once the line of credit is authorized by the Board, the Vice President Finance can authorize borrowing within the limit of the line of credit. A Board vote, with minimum of 3/4 votes in favor, is required for approval of any other borrowing of funds in the name of the chapter, including the use of any promissory notes. The Board must give very serious attention to be sure that the chapter will have sufficient funds available to repay any loans or lines of credit on time.

## V. Bank Reconciliation and Online Monitoring

### Risks

Even the most honest and attentive individual makes mistakes. Monitoring allows us to uncover errors. Monitoring also assists us in identifying discrepancies between our accounting records and our banking records that may reveal theft or fraud, checks signed by unauthorized signers, and identity theft.

### Policy

The Vice President Finance will monitor the chapter's accounts regularly and will prepare a written reconciliation of all bank or investment accounts which proves that the balances presented on our financial reports agree with the records of the financial institution.

### Procedures

1. *Records by Vice President Finance.* The Vice President Finance will retain a copy of all records of deposits, disbursements (checks written), and other bank transactions and of our accounting records for review.
2. *Bank Statement.* The chapter will direct the bank to send the bank statements to the PMI Heartland post office box.
3. *Reconciliation.* The Vice President Finance will reconcile the bank statement monthly. The reconciliation should be done within 7 days of receiving the month-end statement, as follows:
  - Review the checks in the bank records to ensure that:
    - the name of the payee, the amount of the check and the date of the check agree with the chapter's accounting records;
    - whoever the check was made out to was the depositor of the check; and each check has a valid signature.
  - Compare the bank deposit records with our accounting records to determine whether each deposit recorded in the accounting records agrees with the bank record.
  - Check the cash entries in the monthly reconciliations and accounting records against the bank record of deposits to ensure that all cash was deposited.
  - Check whether the ending balance in accounting records agrees with the bank statement, after making the adjustments on the bank reconciliation form.

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- Review all outstanding checks. On all checks outstanding over 90 days, take appropriate action.
- Investigate all deposits in accounting records not yet recorded by the bank.

4. *On-Line Banking.* The Vice President Finance should have online access to the bank account. The President should review the monthly account statements to check for fraud that is diverting chapter funds. The Vice President Finance reconciles the bank statements and spot-checks the online payments as described above.

5. *Return of Cancelled Checks by the Bank.* The Board will determine whether it is necessary to direct the bank to return the cancelled checks with the bank statement. If the Board determines that it will not require return of the cancelled checks, it will establish procedures to ensure retention of the electronic images of the checks for at least 3 years.

## VI. Annual Budget

### Risks

In managing funds, it is critical that a plan for anticipated future income and expenditures exist. Compiling a budget provides a necessary step to monitor if strategic goals are met. It also enables the Board to adjust activities, operate within available funds, and ensure a sound financial future. PMI Heartland will complete an annual operating budget to outline the expected needs of each functional area.

### Policy

The fiscal year of the chapter is January 1 through December 31. PMI Heartland will prepare and follow an operating budget as required by this policy. PMI Heartland will budget on a cash basis.

### Procedures

At least two months prior to the end of the fiscal year, the Vice President Finance shall prepare and distribute a budget template, including but not limited to the current chart of accounts, current year's budget, and year-to-date results. This information shall be presented to the Board. Each Board member shall assess activities for the upcoming year to determine anticipated revenue and expenses, and submit a proposed budget. At least one month prior to the end of the fiscal year, the Vice President Finance will prepare a draft budget for consideration by the Board. The Board will review the final budget at an annual strategic planning meeting. The Vice President Finance will adjust the budget based upon comments and recommendations. The final budget will be presented prior to the end of the current fiscal year.

## VII. Financial Reporting

### Risks

Regular financial reporting ensures the correct recognition and recording of all revenue and expenses incurred during the given time period. Financial statements, prepared at least quarterly, allow the Board to monitor that activity is following the approved budget. The Board is required to review and approve the financial statements at board meetings.

## Policy

PMI Heartland shall prepare financial reports at least once per calendar quarter. PMI Heartland's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The presentation of the financial statements shall follow the recommendation of the Financial Accounting Standards Board (FASB) No. 117, "Financial Statements of Not-For-Profit Organizations."

## Procedures

The Vice President Finance is responsible for producing the following financial reports, at least quarterly, within 5 business days after the close of the prior quarter and made available to the Board prior to the proceeding board meeting:

- Current Month Balance Sheet
- Budget vs. Actual Year-To-Date, by month
- P & L Statement Year-To-Date, by month
- Check Detail
- Deposit Detail

At least annually, the Vice President Finance provides a financial review to PMI Heartland membership at scheduled business meetings.

## VIII. Chapter Account Reserves

### Policy

Reserves recommendation from PMI is that account reserves should cover minimum of 1 year for normal chapter operating expenses based on the average of the previous three years annual operating budgets.

### Procedures

FORMULA: Annual operating budget prior year + preceding prior year + additional preceding year divided by three = Minimum Reserves Target.

EXAMPLE: Preceding year \$105,000 + preceding prior year \$99,000 + additional preceding year \$93,000 = \$297,000 divided by 3 = \$99,000 minimum reserves target

Once minimum reserve target is determined, the Board and Vice President Finance monitor account balances so at no point it dips below the reserve. The reserve balance is needed to preserve amounts necessary to withstand financial hardships. If the account balance is within \$5,000 above reserve target, the Board will evaluate and assess any risk and determine if action is warranted.

## IX. Record Retention and Destruction Policy

### Policy

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The policy is to ensure that financial documents of PMI Heartland are adequately protected and maintained. The policy covers all financial documents, regardless of physical form; contains guidelines for how long certain documents should be retained and how records should be destroyed. The policy is designed to ensure compliance with federal and state laws and regulations, and to eliminate the accidental destruction of records.

**Procedures**

1. *Retention Schedule.* PMI Heartland’s Financial Records Retention Schedule is set forth in Appendix A of this document. The Vice President Finance shall administer this schedule and is authorized to: make modifications to the schedule from time to time to ensure that it complies with local, state and federal laws, and includes the appropriate document and record categories; monitor local, state and federal laws affecting financial record retention; and annually review the financial record retention and destruction policy for compliance.
2. *Electronic Documents.* PMI Heartland’s preferred method of financial document presentation and retention will be electronic documents. All documentation submitted to the Vice President of Finance will be in electronic form (i.e. pdf or jpg), except in instances where this is not possible. Electronic documents will be retained as if they were paper documents. Any electronic files that fall into one of the document types in Appendix A will be maintained for the appropriate amount of time.
3. *Destruction.* Once records have been retained for the applicable period set forth in the Record Retention Schedule (Appendix A), they should be prepared for destruction. All paper documents destroyed pursuant to this policy shall be cut by mechanical shredder. Electronic data on hard drives shall be permanently deleted. Electronic data contained on other media shall be destroyed by the physical destruction of that media.
4. *Suspension of Record Disposal in Event of Litigation or Claim.* In the event a PMI Board Member becomes aware of litigation, claim, investigation or audit, such board member shall inform the Board. The Vice President of Finance shall suspend any further disposal of documents until such time as the Board determines otherwise.
5. *Confidentiality and Ownership.* All records are the property of PMI Heartland, and members are expected to hold all record in confidence and treat them as PMI Heartland’s assets.

**Records Retention Schedule - Appendix A**

**1. Accounting and Finance**

<b>Record Type</b>	<b>Retention Period</b>
Accounts Payable Records	7 years
Accounts Receivable Records	7 years
Annual Audit Records	7 years after audit completion

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Annual Financial Statements	Permanent
Annual Plans and Budgets	3 years
Bank Statements, Reconciliations, Cancelled Checks	7 years
Chart of Accounts	7 years
Expense Reports and Records	7 years
General Ledgers	Permanent
Investment Records	7 years after investment sold
Monthly Financial Statements	7 years

## 2. Contracts

Record Type	Retention Period
Contracts and Related Correspondence	7 years after expiration or termination

## 3. Tax Records

**General Principle:** PMI Heartland must keep records sufficient to establish amount of income, deductions, credits, or other matters required to be shown in any return. These documents and records shall be kept for as long as the contents may become material in the filing of federal, state, and local income and property tax laws.

Record Type	Retention Period
Annual Tax Returns – Federal and State	Permanent
IRS Rulings	Permanent
IRS or other Government Audit Records	Permanent
Sales/Use Tax Records	7 years
Tax-Exemption Documents	Permanent
Tax Bills, Receipts, Statements	7 years
Tax Returns – Income, Franchise, Property	Permanent
Tax Work Papers	7 years