

Accounting Policies and Procedures

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Revision History

Date	Revised By	Description
5/8/2013	Board of Directors	Accounting Policies and Procedures adopted.
12/6/2016	Board of Directors	Proposed amendment to: 1) update accounting procedures to accommodate WCI, Inc. operations in Canada and 2) define the functional currency of the Corporation as US dollars for financial reporting purposes.
3/23/2020	Board of Directors	Proposed amendment to enable a second signer on cash disbursements and update accounting processes and procedures.

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1. Introduction

The purpose of this manual is to describe the accounting policies and procedures of Western Climate Initiative, Inc. (WCI, Inc.). The manual includes documentation of the operational and administrative procedures for the input, processing, output and distribution of data and financial reports and related activity level internal controls.

These policies and procedures have been designed to provide management and the board of directors with the ability to evaluate WCI, Inc.'s operating results and financial status on a monthly and annual basis and to ensure that finances are managed with accuracy, efficiency, and transparency.

The manual has been written to serve as a reference and training document. All individuals, whether employees or independent contractors of WCI, Inc., with a role in the management or administration of fiscal and accounting operations are expected to comply with the policies and procedures in this manual.

These policies will be reviewed annually by the Executive Director and the Finance Committee, who will recommend amendments and updates for approval by the Board of Directors.

2. Division of Responsibilities

The following is a list of personnel who have fiscal and accounting responsibilities:

Board of Directors

1. Reviews and approves the annual budget.
2. Reviews annual financial statements and information.
3. Reviews Executive Director's performance annually and establishes the compensation for this position.
4. At least two members of the board will be appointed by the board to be authorized signers on the bank accounts.
5. All cash disbursements, including checks and electronic transfers, in an amount equal to or greater than \$5,000 require the signature of one Board member with signing authority on the account. All cash disbursements below \$5,000 require two signatures and may include the Executive Director and the Assistant Executive Director. A Board member with signing authority on the account may sign a disbursement below \$5,000 if the Executive Director or the Assistant Executive Director are unavailable.

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6. Through the office of the Treasurer, prepares and keeps current a cash flow projection showing expected revenues and expenditures of the Organization for the coming 18 months.
7. Reviews the Organization's management of deposited and invested funds and monitors compliance with the requirements of the [WCI, Inc. Funds Management Policy](#).

Executive Committee

1. Reviews quarterly 18-month cash flow projection provided by the Treasurer.

Finance Committee

1. Reviews cash flow in connection with cash flow projection prepared by the Treasurer.
2. Assists Executive Director with the development of annual and program budgets.
3. Monitors expenses to ensure most effective use of assets.
4. Reviews, revises, and maintains internal accounting controls and procedures.
5. Reviews monthly financial reports.
6. Advises the Board on the management of the Organization's funds and reviews, at least annually, the Organization's policies governing the management of funds recommending changes as considered appropriate.

Audit Committee

As described in the [Audit Committee Charter](#), the Audit Committee oversees the quality and integrity of WCI, Inc.'s accounting, auditing and reporting practices. The Audit Committee:

1. Reviews and advises on the Organization's internal controls and accounting policies and procedures.
2. Chooses and contracts with the auditor and approves auditor compensation
3. Reviews annual audited financial statements and any federal, state, provincial, territorial or local tax filings with auditor prior to filing.
4. Approves any non-audit services performed by the Organization's independent auditor.
5. Monitors and follows up on complaints regarding accounting, internal controls, auditing matters or allegations of illegal or improper acts related to accounting, auditing or financial matters.

Executive Director

1. Makes bank deposits.
2. Reviews and approves monthly financial reports.
3. Assists the Finance Committee with the development of the cash flow projection.
4. Sees that an appropriate budget is developed annually.
5. Reviews and signs checks and initiates the transfer of funds.
6. Ensures authorized Board members are notified when checks or fund transfers require Director approval.
7. Reviews and approves contracts and amendments consistent with [WCI, Inc.'s Procurement Policy](#).
8. Approves contract amendments previously approved by the Board.
9. Approves inter-account bank transfers.
10. Signatory for all bank accounts.
11. Periodically reviews bank activity online.
12. Reviews monthly bank reconciliations prepared by accountants.
13. Oversees the adherence to all internal controls.

Assistant Executive Director

1. Makes bank deposits.
2. Signatory for all bank accounts, as delegated by the Executive Director and approved by the Board of Directors.
3. Upon approval of invoices by the Executive Director and in accordance with the requirement to obtain a second signature from an authorized Board member, processes payments for US and Canada-based service providers.
4. Provides support to the Executive Director on the Finance Committee and as needed to ensure adherence to all internal controls.
5. Processes payroll input and interacts with outsource payroll processor for WCI, Inc. staff in the US and Canada.

Assistant to the Executive Director

1. Processes invoices.
2. Prepares summary of monthly receipts and disbursements for data entry into accounting system by Accountant and interacts with Accountant.
3. Mails vendor checks.
4. Manages Accounts Receivable and Accounts Payable.

Accountant

1. Overall responsibility for data entry into accounting system and integrity of the accounting reporting.
2. Maintains general ledger monthly.
3. Reconciles all bank accounts.
4. Reconciles the statements of credit card charges and services charges.
5. Prepares monthly cash basis financial reports.
6. Prepares year-end financial reports on accrual basis and provides other audit support and documentation as required by Organization's independent auditor.
7. Prepares annual federal, state, provincial, territorial or local tax filings for review by independent auditors.

3. Chart of Accounts and General Ledger

WCI, Inc. has designated a Chart of Accounts specific to its operational and financial reporting needs. The Chart of Accounts is structured to allow for expanding or deleting accounts to satisfy the Organization's requirements while preserving uniformity and consistency in recording and reporting financial information. The Finance Committee is responsible for maintaining the Chart of Accounts and revising it as necessary.

The general ledger is automated and maintained using the Organization's accounting software. All input and balancing is the responsibility of the Accountant with final approval by the Executive Director and Finance Committee.

4. Cash Receipts

Cash receipts generally arise from:

1. Payments made by a Participating Jurisdiction under an agreement;
2. Payments made by a Non-participating jurisdiction under an agreement;
3. Interest on cash and other instruments held in compliance with the [WCI, Inc. Funds Management Policy](#);
4. Other revenue.

All incoming mail should be addressed to 980 9th Street, Suite 1600, Sacramento, CA 95814 and is received by the Executive Director or the Assistant to the Executive Director.

The principal steps in the cash receipts process are:

1. Incoming mail is forwarded, unopened, to the Assistant to the Director.
2. The Assistant opens and date stamps the mail.
3. The Assistant Executive Director enters all checks into the Register for Receipts and Disbursements noting the date, payer name, amount of receipt and account allocation.
4. All checks are stamped "for deposit only".
5. The Assistant makes a single copy of each check, front and back.
6. The original checks are kept in a locked cabinet until deposited by the Executive Director or the Assistant Executive Director.
7. A copy of the deposit slip is attached to the check copies and placed in locked file to attach to the bank statement, when received, and a copy of the bank reconciliation once completed, reviewed and approved by the Executive Director.
8. By the 5th of each month (or the next weekday if the 5th falls on a weekend), a copy of the Register of Receipts and Disbursements summarizing all activity for the previous month is forwarded by email to the Accountant for entry in the Organization's accounting system.

5. Cash Disbursements

Cash disbursements are generally made for:

1. Payments to vendors for goods and services including cap and trade service contracts, legal, audit and accounting fees;
2. Taxes/license fees;
3. Rent and office facilities use;
4. Meeting expenses;
5. Employee reimbursements, including reimbursements for travel and lodgings;
6. Office expense, including telephone, internet services, equipment, and supplies.

Invoices are processed and paid by the Executive Director or the Assistant Executive Director. Requests for cash disbursements are submitted to the Executive Director in three ways:

1. Original invoice;
2. Purchase request (submitted on approved form);
3. Employee expense report or reimbursement request.

All invoices must have the account code written on them by the Assistant to the Director and approved by the Executive Director prior to being submitted to accounting.

Every employee reimbursement or purchase request must be documented on the approved form with travel authorization, receipts, nature of business, program allocation, and funding source (if applicable) before approving for reimbursement as follows:

For employees based in the United States:

- **Lodging** - an itemized receipt from the hotel detailing all charges, the person(s) for whom the lodging was provided, and the specific business purpose.
- **Meals** - expenses incurred for meals and incidental expenses (M&IE) as part of business travel shall be reimbursed up to the maximum per diem rate for the [location as established for US locations by US GSA](#) and for [locations outside the US by the US Secretary of State](#). Receipts are not required for reimbursement of M&IE expenses for approved business travel covered by per diem. For all other meals, a receipt must be provided showing the cost of food, beverage, and gratuities, including the names of every person for whom food or beverage was provided, and the specific business purpose. WCI, Inc. shall not reimburse any expenses for alcoholic beverages.

For employees based in Canada:

- **Lodging** - an itemized receipt from the hotel detailing all charges, the person(s) for whom the lodging was provided, and the specific business purpose is required, while the maximum city rate limits shall be reimbursed as established by the [Public Works and Government Services Canada Accommodation Directory](#).
- **Meals** - expenses incurred for meals and incidental expenses (M&IE) as part of business travel shall be reimbursed up to the maximum per diem rate for the location as established by the [National Joint Counsel Travel Directive](#).

Receipts are not required for reimbursement of M&IE expenses for approved business travel covered by per diem. For all other meals, a receipt must be provided showing the cost of food, beverage, and gratuities, including the names of every person for whom food or beverage was provided, and the specific business purpose. WCI, Inc. shall not reimburse any expenses for alcoholic beverages.

Other Expenditures - a receipt from the vendor detailing all goods or services purchased (including the class of service for transportation) and the specific business purpose.

All invoices, purchase requests and employee reimbursement requests are received at the Organization's address in Sacramento or Quebec or by email at operations@wci-inc.org.

The Executive Director or the Assistant Executive Director reviews and approves all invoices and requests for payment by performing the following steps:

1. Verifies expenditure and amount.
2. Approves for payment if in accordance with the approved budget, the terms of an approved contract or purchase order, and all relevant WCI, Inc. policies.
3. Provides or verifies appropriate allocation information.
4. Provides date of payment taking into account cash flow projections.
5. Forwards to Assistant to the Director and Executive Director for processing of payments.

The Assistant Executive Director or the Executive Director process all payments by performing the following steps:

1. Prepares checks and wire transfers according to payment date provided by the Executive Director.
2. Submits checks, with attached backup documentation for approval and signature. All checks and wire transfers in excess of \$5,000 require a signature from an authorized board member in addition to the Executive Director or the Assistant Executive Director's approval. All checks below \$5,000 require the signature of the Executive Director and the Assistant Executive Director. A Board member with

signing authority on the account may sign a disbursement below \$5,000 if the Executive Director or the Assistant Executive Director are unavailable.

The Assistant to the Executive Director or the Assistant Executive Director performs the following steps:

1. Stamps invoice "paid".
2. Files all backup documentation in the appropriate file
3. Enters disbursement into Excel Register of Receipts and Disbursements. Information should include Date check issued, Check number, Payee Name, Amount of Check and Expense Account allocation.
4. By the 5th of each month (or the next weekday if the 5th falls on a weekend), a copy of the Register of Receipts and Disbursements summarizing all activity for the subsequent month is forwarded by email to the Accountant for entry in the Organization's accounting system.

6. Debit & Credit Card Policy and Charges

All staff members who are authorized to carry an organization debit or credit card will be held personally responsible in the event that any charge is deemed personal or unauthorized. Unauthorized use of a debit or credit card includes: personal expenditures of any kind; expenditures which have not been properly authorized; meals, entertainment, gifts, or other expenditures which are prohibited by budgets, laws, or regulations of the entities from which the Organization receives funds.

The receipts for all debit and credit card charges will be given to the Assistant to the Director within two (2) weeks of the purchase along with proper documentation. The Assistant will verify all debit and credit card charges with the monthly statements. A copy of all charges will be attached to the monthly credit card statement when submitted to the Executive Director for approval and signing. The monthly statement showing the Executive Director's credit card usage will be provided to the Treasurer.

7. Bank Account Reconciliations

1. The Executive Director reviews the statements for unusual balances and/or transactions and to ensure consistency with the checkbook ledger.
2. The Executive Director or the Assistant Executive Director emails a copy of the statements to the Accountant for timely reconciliation as follows: a comparison of dates and amounts of deposits as shown in the accounting system and on the statement, a comparison of inter-account transfers, an investigation of any rejected items, a comparison of cleared checks with the accounting record including amount, payee, and sequential check numbers.
3. The Executive Director will investigate any checks that are outstanding over six months.
4. The Accountant will email the completed bank reconciliation to the Executive Director for review and approval.
5. The reconciliation report will be reviewed, approved, dated, and initialed by the Executive Director and attached to the bank statement, deposit slips and copies of received checks as indicated in Step 7 under Cash Receipts procedures (page 6).

8. Property and Equipment

Property and equipment includes items such as:

1. Office furniture and equipment;
2. Computer hardware;
3. Computer software;
4. Leasehold improvements.

It is the organization's policy to capitalize all items which have a unit cost greater than two thousand dollars (\$2,000). Items purchased with a value or cost less than two thousand dollars (\$2,000) will be expensed in the period purchased.

The depreciation period for capitalized assets is as follows:

Computer Hardware	24 months
Office Equipment	60 months
Office Furniture	60 months
Computer Software	24 months
Leasehold improvements	Length of lease

1. A Fixed Asset Log is maintained by the Assistant to the Director including date of purchase, asset description, purchase/donation information, cost/fair market value, donor/funding source, identification number, life of asset.
2. The Log will be reviewed by the Executive Director periodically
3. Annually, a physical inspection and inventory will be taken of all fixed assets and reconciled to the general ledger balances.
4. Depreciation is recorded at least annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

9. Payroll Processing

1. All personnel files contain the following documents: an application and/or resume as of the date of employment, position and pay rate, authorization of payroll deductions, W-4 withholding authorization (for U.S. employees) or the TD1 form for Personal Tax Credits Return (for Canadian employees) and the TP-1015.3-V form for Source Deductions Return (for Quebec employees), termination data where applicable and other forms as deemed appropriate by the Executive Director.
2. All employees based in the United States will fill out an I-9 form and submit the allowable forms of identification to the Executive Director.
3. The completed I-9 forms will be kept in a secure location separate from the personnel files.
4. Timesheets are to be prepared by all staff on the approved form and submitted semi-monthly on the 15th of the month and on the last day of the month, or on the first business day following the 15th and last day of the month. Exceptions to the submittal date may occur and will be communicated accordingly.
5. Timesheets are to be signed and dated by the employee for submission to the Executive Director for his/her review.
6. Any changes to the standing information of the payroll register from the prior period including addition of new employees, deletion of employees, or changes in base pay rate must be accompanied by an Employment Information Form and signed by the Executive Director before the change can be made.
7. The Assistant Executive Director submits timesheet information to the Organization's outsource payroll service for preparation of the payroll and issuance of paychecks.

8. Payroll checks are distributed by the payroll service on 5th and 20th of each month. If the 5th and/or the 20th falls on a weekend or holiday the paychecks will be distributed on the previous banking day.
9. Employees may choose direct deposit to a designated bank account. Their paycheck is deposited directly into the designated account on the payroll date. The employee will receive a verification stub.
10. The Executive Director will review payroll expenditures and allocations monthly.
11. A monthly payroll report is issued to the Executive Director and the Assistant Executive Director who reviews and approves it and forwards it to the Accountant for entry of payroll in the accounting system.
12. All annual and quarterly federal and state payroll reports will be prepared and filed appropriately by the Organization's payroll service.
13. For U.S. employees, all W-2 statements and Forms W-3 are prepared by the Organization's payroll service and are issued prior to January 31st of the following year for the prior calendar year. Similarly, for Canadian employees, all T4 slips and T4- Summaries (as well as RL-1 slips and RL-1 Summaries for Quebec employees) are prepared by the Organization's payroll service and are issued on or before the last day of February following the calendar year to which the slips apply.
14. All Forms 1099 and Forms 1096 for services provided to the Organization by independent contractors in the United States are prepared and appropriately filed by the Accountant. Similarly, T4A slips and T4A Summaries for services provided to the Organization by independent contractors in Canada (as well as RL-1 slips and RL-1 Summaries in Quebec) are prepared and appropriately filed by the Accountant.

10. End of Month and Year-End Close

End of Month:

1. At the end of each month, the Accountant will prepare monthly financial statements and forward to the Executive Director for review.
2. The Organization's books are kept on the cash basis of accounting during the year. Monthly internal reports are issued on this same accounting basis. Under the cash method of accounting, revenues are recognized when received and expenses when paid.
3. WCI Inc. uses the US dollar as its functional currency. Financial reports presented monthly will reflect all transactions in US dollars. As of the reporting date, all balance sheet asset and liability accounts will be converted to US dollars using the exchange rate of the reporting date. For financial statement of activity transactions that occur throughout the period, WCI Inc. will use the average monthly exchange rate to convert to US dollars.
4. The monthly financial reports consist of the following:
 - Statement of Financial Position (Balance Sheet), showing current year balance compared to the prior year – cash basis
 - Statement of Activities (Income Statement), showing a comparison of budget to actual for the year to date - cash basis
 - Aged Schedule of Accounts Receivable at month end
5. Upon the Executive Director's review and approval, the financial reports will be distributed to the Finance Committee for their review and approval.

End of Year:

1. At year end, the Accountant will prepare financial reports intended for external use. These reports will be prepared on the accrual basis of accounting in manner that conforms to accounting principles generally accepted in the United States (US GAAP).

Under the accrual method of accounting, revenues are recognized and recorded when earned and expenses when incurred. For purposes of these financial reports, all financial transactions will be reported by class of net assets as prescribed for not-for-profit organizations by the Financial Accounting Standards Board.

2. These year-end financial reports will include:
 - Statement of Financial Position for the year ended – Accrual Basis
 - Statement of Activities for the year ended – Accrual Basis
 - Statement of Cash Flows for the year ended.
3. These year- end financial reports will be prepared by the Accountant and forwarded to the Executive Director and Finance Committee for their review and approval.
4. The approved financial reports will be provided to the independent CPA firm (Auditors) performing the Organization’s year-end audit.
5. Upon completion of the audit, a draft of the audited financial statements will be submitted to the Audit Committee and the Board of Directors for review and approval.
6. The Auditors will meet with the Audit Committee to discuss and finalize the audit and discuss the Auditor’s management letter.
7. Once the audit is completed, the Accountant will prepare the annual Return for Organization Exempt from Income Tax (IRS Form 990) in the United States, as well as the Corporation Income Tax Return (Form T2) and the T1044 Non-Profit Organization (NPO) Information Return in Canada, and any related state or provincial filings.
8. A draft of the returns will be presented to the Auditors and the Executive Director for review.
9. The returns will then be presented to the Audit Committee and the Board for their review and approval.
10. The Executive Director will then file the return with the Internal Revenue Service by the annual deadline. All other appropriate government filings including those required by the state and provincial taxing agencies will be completed and timely filed with the appropriate agency.