

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	Amendment to: 1) update accounting procedures to accommodate WCI, Inc. operations in Canada; 2) define the functional currency of the Corporation as US dollars for financial reporting purposes.
3/23/2020	Board of Directors	Amendment to: 1) enable a second signer on cash disbursements, and; 2) update accounting processes and procedures.
10/21/2020	Board of Directors	Amendment to: 1) update and streamline accounting processes; 2) update roles and responsibilities to ensure appropriate internal controls are in place, and; 3) change the accounting basis to accrual.
10/31/2022	Board of Directors	Amendment to: 1) update and streamline accounting processes, and 2) update roles and responsibilities to ensure appropriate internal controls are in place.

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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. or Corporation). 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 (Board) 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 Audit 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 \$25,000 require the approval of one Board member with signing authority on the account. A Board member with signing authority on the account may approve a disbursement below \$25,000 if the Executive Director or the Assistant Executive Director are unavailable. Cash disbursements below \$25,000 require approval by the Executive Director and Assistant Executive Director. The cash disbursement process is further described in Appendix 2.
6. Through the office of the Treasurer, prepares and keeps current a cash flow projection showing expected revenues and expenditures of the Corporation for the coming 18 months.
7. Reviews the Corporation'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 WCI, Inc. staff with the development of annual and program budgets.
3. Monitors expenses to ensure the 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 Corporation's funds and reviews, at least annually, the Corporation'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 Corporation'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 federal, state, provincial, territorial, or local tax filings with auditor prior to filing.
4. Approves any non-audit services performed by the Corporation'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

The Executive Director reports to the Board of Directors and committees of the Board.

1. Reviews and approves monthly financial reports.
2. Assists the Finance Committee with the development of the cash flow projection.
3. Sees that an appropriate budget is developed annually.
4. Approves payments under \$25,000 and fund transfers.
5. Signatory for all bank accounts.
6. Periodically reviews bank activity online.
7. Reviews monthly bank reconciliations prepared by accountants.
8. Oversees the adherence to all internal controls.

Assistant Executive Director

The Assistant Executive Director reports to the Executive Director.

1. Reviews monthly financial reports and cash flow projection.
2. Signatory for all bank accounts, as delegated by the Executive Director and approved by the Board of Directors. Initiates payments and fund transfers.
3. Upon approval of invoices, and in accordance with the requirement to obtain a second approval, processes payments for US and Canada-based service providers.
4. Provides support to the Executive Director on the Finance Committee, Audit Committee, and as needed to ensure adherence to all internal controls.
5. Supports the development of the annual budget.
6. Reviews and approves monthly bank reconciliations prepared by the Accountant.
7. Reviews payroll expenditures and allocations.
8. Ensures the timely preparation and filing of tax forms to comply with federal, state, provincial, and local requirements.

Accounting and Administrative Specialist

The Accounting and Administrative Specialist reports to the Assistant Executive Director.

1. Manages Accounts Receivable and Accounts Payable.
2. Overall responsibility for processing of all WCI, Inc. payroll, as well as communicating payroll financial data to the accountant.
3. Coordination with Accountant
4. Provides support to the Executive Director and the Assistant Executive Director on the Finance Committee, Audit Committee and as needed to ensure adherence to all internal controls.

Administrative Assistant

The Administrative Assistant reports to the Assistant Executive Director.

1. Maintains documentation to support bank reconciliations prepared by the Accountant.
2. Supports the preparation of a summary of monthly receipts and disbursements for data entry into the accounting system by the Accountant.

Accountant

1. Overall responsibility for data entry into the accounting system and integrity of the accounting reporting.
2. Maintains general ledger monthly.
3. Reconciles all bank accounts, statements of credit card charges and services charges.

4. Prepares monthly and year-end financial reports on accrual basis and provides other audit support and documentation as required by the Corporation's independent auditor.
5. Prepares annual wage and tax statements for independent contractors.
6. Prepares federal, state, provincial, territorial, or local tax filings for review and approvals by the Executive Director, the Audit Committee, and 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 Corporation's requirements while preserving uniformity and consistency in recording and reporting financial information. The Accounting and Administrative Specialist is responsible for review and revision of the Chart of Accounts. The Finance Committee will be informed of any changes made to the Chart of Accounts.

The general ledger is automated and maintained using the Corporation's accounting software. All input and balancing are 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.

For US operations, all incoming mail shall be addressed to the U.S. Headquarters office. For Canadian operations, all incoming mail shall be addressed to the Québec City Office.

The principal steps in the Incoming Mail and Cash Receipts process are detailed in Appendix 1.

5. Cash Disbursements

Cash Disbursement Types

Cash disbursements are generally made for:

1. Payments to vendors for goods and services and administrative and professional support;
2. Taxes/license fees;
3. Rent and office facilities use;
4. Meeting expenses;
5. Payroll and employee reimbursements, including reimbursements for travel and lodgings, and remote work;
6. Office expenses, including telephone, internet services, equipment, and supplies;
7. Payments for expenses incurred on the company issued credit card.

Invoice Submission and Processing

Invoices are processed by the Accounting and Administrative Specialist, or equivalent staff member, through WCI, Inc.'s accounts receivable platform. Payments are submitted by the Assistant Executive Director for second payment approval by the Executive Director or a Board member with signing authority per the policies of the Corporation. If the Assistant Executive Director is unavailable, the Executive Director may initiate a payment.

Requests for cash disbursements are submitted to the Executive Director, the Assistant Executive Director, or the Accounting and Administrative Specialist in three ways:

1. Original invoice;
2. Purchase request;
3. Employee expense report or reimbursement request.

All invoices must be submitted with the appropriate supporting documentation prior to being submitted for payment.

Every employee reimbursement or purchase request must be documented with receipts, and nature of business, before approving for reimbursement as follows.

Invoices, purchase requests and employee reimbursement requests are received at the Corporation's address in Sacramento, Quebec or by email.

The principal steps in the Invoice and Review of Payments process are detailed in Appendix 2.

Travel Expense Reimbursements

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 is required. The maximum allowable reimbursement for lodging shall be established by the [US GSA](#) for domestic travel and by the [US Secretary of State](#) for international travel.
- **Meals** - expenses incurred for meals and incidental expenses (M&IE) as part of domestic business travel shall be reimbursed up to the maximum per diem rate established by the [US GSA](#) and by the [US Secretary of State](#) for international travel. 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. The maximum allowable reimbursement for lodging shall be 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.

Remote Work Reimbursements

All WCI, Inc. staff are eligible for reimbursement for their phone and internet usage while working remotely. These reimbursements require an annual verification that will be provided to the Accounting and Administrative Specialist, or equivalent staff member and is approved by the Executive Director. Verification for these reimbursements shall be in the form of a bill for services.

Other Expenditure Reimbursements

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.

Inter-bank Transfers

The Executive Director or the Assistant Executive Director will be responsible for ensuring all accounts held by WCI, Inc. remain in good standing. In the event of the need for a fund transfer between WCI, Inc. owned accounts, the Executive Director or the Assistant Executive Director will ensure these transfers occur.

6. Debit & Credit Card Policy and Charges

All staff members who are authorized to carry or use a corporate 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; entertainment, gifts, or other expenditures which are prohibited by budgets, laws, or regulations of the entities from which the Corporation receives funds.

The receipts for all debit and credit card charges will be given to the Administrative Assistant within 30 days of the purchase, but no later than 5 business days after the closing of the current month billing cycle, along with proper documentation, which should include receipts or invoices with purchase detail. The Administrative Assistant or Accounting and Administrative Specialist will verify all debit and credit card charges with the monthly statements. All forms of documentation, including receipts or invoices, will be attached to the monthly credit card statement when submitted to the Assistant Executive Director for approval. The Treasurer shall have the ability to review monthly statements and supporting documentation showing the corporate debit or credit card usage.

Purchases made using the corporate debit or credit card shall be done in conformance with the Board approved budget. The credit or debit card account reconciliation report developed by the Accountant shall be reviewed and approved by the Assistant Executive Director, and forwarded to the Executive Director for his review.

The principal steps in the Bank Account Reconciliations process are detailed in Appendix 3.

7. Property and Equipment

It is the Corporation'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 Accountant 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.

Appendix 1. Incoming Mail and Cash Receipts

The principal steps in the incoming mail and cash receipts process are:

1. For US operations, the Administrative Assistant, or equivalent, processes incoming mail or payments and informs the Accounting and Administrative Specialist, Assistant Executive Director, and Executive Director of receipt.
2. For Canadian operations, the Assistant Executive Director process incoming mail or payments and informs the Administrative Assistant, Accounting and Administrative Specialist, and Executive Director of receipt
3. The Accounting and Administrative Specialist, or equivalent, enters all checks into the account register, noting the date, payer name, amount of receipt, and account allocation.
4. A copy of each check is made, front and back, and filed electronically in the appropriate folder by the Administrative Assistant or equivalent.
5. The original checks are kept in a locked cabinet until deposited by the Executive Director or the Assistant Executive Director.
6. A copy of the deposit slip is made and filed electronically in the appropriate folder by the Administrative Assistant, or equivalent staff member.
7. By the 5th of each month (or the next weekday if the 5th falls on a weekend), a copy of the account register summarizing all activity for the previous month is forwarded by email to the Accountant for entry in the Corporation's accounting system.

Appendix 2. Invoice and Review of Payments

The Accounting and Administrative Specialist, or equivalent staff member, manages invoices through WCI, Inc.'s accounts receivable platform. After administrative review, each invoice is submitted for review and approval by the assigned account owner.

With support from the Accounting and Administrative Specialist or equivalent staff member, the Assistant Executive Director reviews and processes invoices, and other approved requests for cash disbursements by performing the following steps:

1. 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;
2. Prepares and submits payments with supporting documentation to the appropriate second approver to ensure compliance with any contractual obligations:
 - a. All checks, ACH and wire transfers in excess of \$25,000 require approval from an authorized Board member in addition to the Executive Director or the Assistant Executive Director's approval.
 - b. All checks, ACH and wire transfers below \$25,000 require the approval of the Executive Director and the Assistant Executive Director. A Board member with signing authority on the account may approve a disbursement below \$25,000 if the Executive Director or the Assistant Executive Director are unavailable.
3. In the event there are technical, or timing issues related to the disbursement of funds, the Executive Director or Assistant Executive Director may sign a check, approve an ACH, or wire transfer, or authorize a credit card debit without a second signature, so long as approval has been provided by a Board member with signing authority for payments in excess of \$25,000.
4. The following cash disbursements in excess of \$25,000 do not require approval from an authorized Board member: payroll and employer retirement plan contributions, pre-authorized ACH and credit card debits, insurance premiums, and tax remittances.

The Administrative Assistant or Accounting and Administrative Specialist performs the following steps:

1. Marks invoice "paid".
2. Files all backup documentation in the appropriate file.
3. Enters disbursement into the account register. Information should include Payment Date, Payee Name, Amount of Disbursement, 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 account register summarizing all activity for the previous month is forwarded by email to the Accountant for entry in the Corporation's accounting system.

Appendix 3. 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 Accounting and Administrative Specialist or equivalent staff member ensures copies of all statements are sent to the Accountant who performs a timely reconciliation as follows:
 - a. a comparison of dates and amounts of deposits as shown in the accounting system and on the statement;
 - b. a comparison of inter-account transfers;
 - c. an investigation of any rejected items;
 - d. a comparison of cleared checks with the accounting record including amount, payee, and sequential check numbers.
3. The Accounting and Administrative Specialist or equivalent staff member will investigate any checks that are outstanding over six months.
4. The Accountant will email the completed bank reconciliation to the Assistant Executive Director for review and approval.
5. The bank account reconciliation report will be reviewed by the Executive Director and filed with copies of the bank statements, deposit slips and received checks.

Appendix 4. Payroll Processing Procedure

1. Timesheets are to be completed by all employees and submitted to their immediate supervisor for review and approval 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. Timesheets must include all time worked as well as time taken off during normal work hours. Employees shall round fractions of an hour worked to the nearest 30-minute increment.
2. All employees shall submit requests for time off to their immediate supervisor. Supervisors will approve or deny time off requests within the pay period they are requested.
3. 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 approved by the employee's supervisor and the Executive Director. The Accounting and Administrative Specialist submits timesheet information to the Corporation's outsource payroll service for preparation of the payroll and issuance of paychecks.
4. Payroll shall be distributed on the 5th and 20th of each month. If the 5th and/or the 20th falls on a weekend or holiday, payroll will be distributed on the previous banking day.
5. Employees may choose direct deposit to a designated bank account or accounts. If the employee chooses this option, their paycheck shall be deposited directly into the designated account on the payroll date. The employee will receive a verification stub. Employees may opt to receive their pay via a physical check.
6. Payroll reports are issued to the Assistant Executive Director for review of payroll expenditures and allocations. The Accountant enters the payroll data into the accounting system.
7. Annual and quarterly federal and state payroll reports are prepared and filed by the Corporation's payroll service.

Appendix 5. 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 Accounting and Administrative Specialist and Assistant Executive Director for review.
2. The Corporation's books, financial statements and monthly reports are kept on the accrual basis of accounting and in a manner consistent with accounting principles generally accepted in the United States of America (US GAAP).
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:
 - Accounts Payable Aging Report, showing payments due (balance) by vendor and time frame after invoice reception;
 - Accounts Receivable Aging Report, showing amounts due to WCI, Inc. by Participating Jurisdiction and time frame after invoice submission;
 - Statement of Financial Position (Balance Sheet), showing current year balance compared to the prior year;
 - Statement of Activities (Income Statement), showing a comparison of budget to actual for the year to date;
 - Financial Status Report.
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 Corporations by the Financial Accounting Standards Board.

2. These year-end financial reports will include:
 - Statement of Financial Position for the year ended
 - Statement of Activities for the year ended
 - Statement of Cash Flows for the year ended
 - Statement of Functional Expenses.
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 (Auditor) performing the Corporation's year-end audit.
5. Upon completion of the audit, a draft of the audited financial statements will be submitted to the Audit Committee for review and approval. Upon approval by the Audit Committee, the audit report is presented to the Board of Directors.
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 Corporation Exempt from Income Tax (IRS Form 990) and California Exempt Organization Annual Information Return (Form 199) in the United States, as well as the Corporation Income Tax Return (Form T2) and the T1044 Non-Profit Corporation (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 appropriate federal, state, provincial and local agencies by the annual deadline.