

Accounting Policies and Procedures

Table of Content

Table of Content	2
Message from The Direction	3
Accounting Concept and Principles	4
Benefits of an Accounting Manual	6
Policy Development	7
Accounting Responsibilities	9
General Income Cycle Activities	12
Chart of Accounts	14
Transactions in the General Ledger	18
Journal Entries	20
Bank Reconciliation	23
Account Receivable	25
Account Payable	27
Payroll Administration	30
Property and Equipment	34
Cash, Deposit & Transfer	36
Credit Card & Accrual	38
Month End Closing	39
Year End Closing and Annual Audit	41

Message from The Direction

The overall objective of this manual is to describe all accounting policies and procedures currently in use at Total Communicator Solutions, Inc. "TCS").

The specific objectives are to ensure that the financial statements comply with generally accepted accounting principles; that assets are safeguarded; that lenders' directives are complied with; and that finances are managed accurately, efficiently and transparently.

This document is addressed to all Total Communicator Solutions, Inc. "TCS" staff involved in the management of tax and accounting operations.

These policies will be reviewed annually, revised as necessary and approved by management and the Board of Directors.

Erik Bjontegard
Chairman/CEO

Date

Accounting Concept and Principles

Basic concepts of accounting

Financial accounting is the process of recording, classifying, and summarizing, in quantitative terms, the economic events of a business. The result of this process is a compilation of information which reports the financial position of a business at a certain point in time and the results of its operations during a period of time. A basic objective of financial statements is to provide reliable and relevant financial information for the evaluation of a business.

The accounting process records the economic events of an Total Communicator Solutions, Inc. "TCS" by making additions to and removals from specific classifications known as accounts. There are five general types of accounts: assets, liabilities, net position, revenues, and expenditures.

Assets are economic resources over which an organization has control and ownership. Examples of these include cash, claims to receive cash (accounts receivable), buildings, land, equipment, etc. Liabilities are economic obligations of the Total Communicator Solutions, Inc. "TCS" such as taxes, outstanding bills (accounts payable), leases, and other debts. Net position represents the excess of assets of an organization over its liabilities.

The two remaining categories of accounts, revenues and expenditures, are used to record the inflows and outflows of financial resources of Total Communicator Solutions, Inc. "TCS" during a specific period of time.

Total revenues over expenditures are compared at the end of each accounting period (usually months) and the excess of revenues over expenditures is accumulated throughout the fiscal year. This amount is referred to as the Change in Net Position. At the end of the fiscal year, this amount will be combined with the Net Position for the organization and the total Net Position will be carried forward to the next fiscal year.

Likewise, if expenditures exceed revenues, then a reduction to the Net Position is recorded.

Fiscal year

Total Communicator Solutions, Inc. "TCS" has adopted the calendar year which begins on January 1 and ends on December 31 as its fiscal year.

Administrative controls

Administrative controls are primarily designed to promote operational efficiency and adherence to managerial policies. Administrative controls include the plan of Organization, the procedures and records concerned with the decision-making process, the operational efficiencies of Total Communicator Solutions, Inc. "TCS" and the quality control considerations of services rendered.

Communication of financial and service objectives to all staff is inherent in effective administration.

Strong internal controls require that the Organization's structure be formally established with clearly defined areas of responsibility and authority. This formal plan should be in writing and include such items as organizational charts, job descriptions, and internal policy manuals.

Benefits of an Accounting Manual

The central benefit with an accounting policies and procedures manual is cost savings.

Policies that clearly articulate the process to be followed, who should carry out the action, and the safeguarding of the assets save an administrator from having to seek management direction on a particular transaction.

An accounting policy manual limits the time that has to be spent by management on internal discussions each time a transaction for which no specific policy is clearly stated appears.

An accounting policy approval process stated in the manual gives management formal control over who can determine accounting policy. The formal control also gives management an opportunity to assure that the policies conform the Financial Accounting Standards Board (FASB) recommendations.

Management has an opportunity to improve current accounting policies and procedures while reviewing the accounting system in the organization.

Auditors are able to assess the organization's accounting control and procedures in an easy way by reading the accounting policy manual. Transactions that do not comply with policy are thereby easier to detect. Documented policies that are adhered to should reduce the number of tests of control that an auditor will undertake during an audit, which may result in savings.

Policy Development

Consider the importance of senior management support

- Accounting policies and procedures should be actively supported by an appropriate level of management to emphasize their importance and authority. Management's support for the manual is essential for its actual impact and legitimacy in the organization.

Plan for periodic reviews and updates

- The documentation of accounting policies and procedures should be reviewed periodically according to a predetermined schedule and updated if needed. Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation promptly as they occur. Each policy should have its own specific date for review.

Assign an employee to oversee the process

- A specific employee should be assigned the duty of overseeing the documentation process. The employee will be overseeing the accounting policy process and the writing of the policy manual. Adequate knowledge and effective communication with managers in the organization are necessary for the function. It is management's responsibility for ensuring that this duty is performed consistently.

Make the policies and procedures readily available

- The documentation of accounting policies and procedures should be readily available to all employees who need it.

Clarify employees' responsibilities

- The documentation of accounting policies and procedures should indicate which employees are to perform which procedures, especially who has the authority to authorize transactions and the responsibility for the safekeeping of assets and records.

Document the actual procedures

- Procedures should be described as they are intended to be performed rather than in some idealized form. The acceptance of the manual by management can be poor if the accounting policies and procedure are changed radically.

Clearly state the purpose of the policies

- The documentation of accounting policies and procedures should explain the design and purpose of control-related procedures to increase employee understanding of and support for controls. This can be done in the introduction of the manual and as a short explanation for each policy statement.

Create and communicate a policy approval procedure

- An accounting policy approval procedure should be created and communicated throughout the organization. This process can be formal or informal but should not be burdensome to the degree that managers do not raise issues that need to be addressed by the assigned employee. The process for approval should be documented in the accounting policy manual.

Accounting Responsibilities

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

Board of Directors

- Reviews and approves the annual budget
- Reviews annual and periodic financial statements and information
- Reviews Executive Director's performance annually and establishes the salary
- Reviews and approves all contracts over [SPECIFY]
- Reviews and approves all non-budgeted expenditures over [SPECIFY]
- Reviews and advises staff on internal controls and accounting policies and procedures
- Chooses and contracts with the auditor

Executive Director

- Reviews and approves all financial reports including cash flow projections
- Sees that an appropriate budget is developed annually
- Reviews and signs all issued checks and/or approves check signing procedures
- Reviews and approves all contracts under [SPECIFY]
- Approves inter-account bank transfers
- Signatory for all bank accounts
- Opens all bank statements, reviews for any irregularities, and reviews completed monthly bank reconciliations
- Oversees the adherence to all internal controls

Finance Director

- Reviews all payrolls and is responsible for all personnel files
- Reviews and manages cash flow
- Reviews and approves all reimbursements and fund requests
- Processes all inter-account bank transfers
- Assists Executive Director with the development of annual and program budgets
- Reviews all incoming and outgoing invoices
- Manages the petty cash fund
- Receives and opens all incoming accounting department mail except bank statements
- Monitors and manages all expenses to ensure most effective use of assets
- Oversees expense allocations
- Reviews, revises, and maintains internal accounting controls and procedures
- Reviews all financial reports

Bookkeeper/Accountant

- Overall responsibility for data entry into accounting system and integrity of accounting system data
- Processes invoices and prepares checks for signature
- Makes bank deposits
- Processes payroll
- Maintains general ledger

- Prepares monthly and year-end financial reports
- Reconciles all bank accounts
- Mails vendor checks
- Manages Accounts Receivable
- Manage Account Payable

General Income Cycle Activities

The income cycle is a series of business activities and related information processing activities that continue to provide goods and services to customers and collect cash as payments from the sales. The income cycle is an income procedure starting from the part of selling credit authorization, taking goods, receiving goods, billing up to cash receipts.

The main purpose of the income cycle is to provide the right product in the right place and time at the right price. In order to achieve this goal, management must make several important decisions including:

- Knowing how far the product can and must be tailored to each customer's needs and desires.
- Control a lot of inventory that must be owned and the place for the inventory.
- Use the right way to deliver merchandise to customers.
- Determine the amount of credit that should be given to each customer.
- Determine the credit terms that should be given to customers.
- Determine how customers pay so that they can be processed to maximize cashflow.

The income cycle is a series of business activities and related information processing activities that continue to provide goods and services to customers and collect cash as payment from the sale. The main purpose of the income cycle is to provide the right product in the right place and time at the right price. 4 basic business activities carried out in the revenue cycle in general:

1. Acceptance of orders from customers

- Take customer orders
- Credit approval
- Check inventory availability
- Answering customer requests

2. Delivery of goods

- Take and pack the order
- Send order

3. Billing and accounts receivable

- Billing
- Maintenance of accounts receivable data
- Exceptions: Account adjustments and deletions

Chart of Accounts

Chart of Accounts

The Chart of Accounts is the framework for the general ledger system and the basis for the accounting system. The Chart of Accounts consists of account titles and account numbers assigned to the titles.

Total Communicator Solutions, Inc. "TCS" has designated a Chart of Accounts specific to its operational needs and the needs of its financial statements.

To facilitate the record keeping process for accounting, all ledger accounts are assigned a descriptive account title and account number. The Chart of Accounts is structured so that financial statements can be shown by natural classification (expense type) as well as by functional classification.

The Finance Director is responsible for maintaining the Chart of Accounts and revising as necessary.

General Ledger

The general ledger is the collection of all asset, liability, net assets, revenue and expense accounts. It is used to accumulate all financial transactions and is supported by subsidiary ledgers that provide details for certain accounts. The general ledger is the foundation for the accumulation of data and production of reports. The accounting department is responsible for the proper posting of journals and entries to the general ledger and for the maintenance of the accounts to ensure accuracy, validity and reliability of financial records.

All input and balancing is the responsibility of the Bookkeeper with final approval by the Finance Director.

The Finance Director should review the general ledger on a periodic basis for any unusual transactions.

Design of Accounts

Accounts have titles and numbers that indicate specific ledger accounts such as banking account, account receivable, accounts payable etc.

Accounts are arranged in the same sequence in which they appear in the financial statements, that is, asset accounts should be numbered first, followed by liability accounts, owner's equity accounts, revenue accounts and expense accounts as follows:

- 100 - 199 Asset Accounts
- 200 - 299 Liability Accounts
- 300 - Net Positions
- 400 - 499 Revenue Accounts
- 500 - 599 Expenditures Accounts

A sub-division among the balance sheet accounts is also designated by short term to long term, (i.e. current assets precede long term assets and current debt precedes long-term debt accounts).

Further, accounts are numbered so that expense amounts are recorded according to the department that is accountable for the cost and the nature of the cost.

Unassigned number sequences should be left open within each group of accounts to provide for additional accounts which may be added later.

Assets

Assets are probable future economic benefits obtained or controlled by the Organization

as a result of past transactions or events. Assets are classified as current assets, fixed assets, contra-assets, and other assets.

- **Current assets** are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.
- **Fixed assets** (property and equipment) are tangible assets with a useful life of more than one year that are acquired for use in the operation of the Organization and are not held for resale.
- **Contra-assets** are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable.
- **Other assets** include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property and long-term investments.

Liabilities

Liabilities are probable future sacrifices of economic benefits arising from present obligations of the Organization to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities are classified as current or longterm.

- **Current liabilities** are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, short-term notes payable, and deferred revenue.

- **Long-Term Liabilities** are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example is the non-current portion of a mortgage loan.

Net position

Net Position is the difference between total assets and total liabilities.

Revenues

Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute an organization's ongoing major or central operations.

Expenditures

Expenditures are outflows or other activities using assets, or incurrences of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute Total Communicator Solutions, Inc. "TCS" ongoing major operations.

Transactions in the General Ledger

All activities recorded in journals will be posted to the general ledger using the computerized posting feature. These journals include:

- Cash Journal
- Revenue Journal
- Expenditure Journal

Posting transactions

Recurring journal entries will be established for adjustments that occur equally each monthly accounting period. Recurring journal entries can include the following:

- Amortization of prepaid expenses
- Depreciation of Fixed Assets

Recurring journal entries are reviewed monthly and adjusted accordingly.

Adjusting journal entries are prepared for transactions that have not been recorded in other journals or to correctly restate account balances to accurate amounts. The need to make adjusting journal entries may be due to any of the following:

- Accrual of income and expense items
- Correction of errors
- Recording of non-cash transactions

All journal entries are reviewed and authorized by the Bookkeeper before being posted. Adequate supporting documentation will be prepared and maintained for each journal entry.

Journal Entries

All journal entries to the organization's general ledger must be properly prepared, documented, reviewed, approved, recorded and maintained in accordance with GAAP.

- All journal entries are to be signed by both the Bookkeeper and [SPECIFY] prior to posting.
- Person(s) preparing a journal entry cannot approve the same journal entry.
- All journal entries should have supporting documentation and a description that fully explains the nature of the entry and amounts being recorded.
- All journal entries have to be properly processed prior to closing the accounting period.
- All posted journal entries and related documentation should be maintained in an accessible file for review by management and external auditors, if necessary.

Cash Disbursements

Cash payments are generally made for the payment of goods and services. They may also be paid by cheque. Cheques are processed weekly. Invoices submitted to the CFO by [SPECIFY DAY] are processed and paid by [SPECIFY DAY] of the same week.

Disbursement requests are submitted to Accounting in three ways:

- Original invoice
- Purchase requisition (submitted on an approved form)
- Employee expense report or reimbursement claim

All invoices must have the account code written and approved by the department supervisor before being submitted to accounting.

Each employee's claim for reimbursement or purchase must be documented on the approved form with the travel authorization, receipts, the nature of the activity and the source of funding (if applicable) before being approved for reimbursement as follows:

- Accommodation: An itemized receipt from the hotel detailing all expenses, the person(s) for whom the accommodation was provided and the specific business purpose
- Meals and entertainment: A receipt must be provided showing the cost of food, beverages and gratuities, including the name of each person for whom the food or beverage was provided and the specific business purpose.
- Other expenses: A receipt from the vendor detailing all goods or services purchased (including the category of service for transportation) and the specific business purpose.

The Finance Director reviews all claims for payment and:

- Verifies the expense and the amount
- Approves the payment if it is in accordance with the budget
- Provides or verifies appropriate information on the allocations
- Provides the payment date taking into account cash flow projections
- Submits to the Bookkeeper for processing

The Bookkeeper processes all payments and:

- Enters them immediately in the Accounts Payable module;
- Prints checks according to the allocation and payment date provided by the Finance Director;
- Submits the checks, with attached backup documents, to the Executive Director for approval and signature;
- All checks over \$2,500 require a second signature of an authorized staff member;
- Checks over \$[SPECIFY] must be authorized by the Board of Directors;
- Stamp invoice "Paid";
- Send checks and appropriate backup documents;
- File all backup documents in the appropriate folder;
- Establishes an accounts payable aging at the middle and end of each month and submits to the Finance Director to ensure the timely payment of all invoices.

Bank Reconciliation

Bank reconciliation shall be made monthly within 30 days from the date of receipt of bank statements. Upon receipt of the monthly bank statement including cleared checks, deposit slips and any other transaction notifications, the monthly bank reconciliation is prepared by the Bookkeeper and reviewed by the Executive Director. The Bookkeeper only signs company checks when none of the other authorized signers are available and only on an emergency case basis.

All cleared transactions on the bank statement will be reconciled and cleared in the accounting system. After all cleared items for the month have been selected, the book ending balance and the bank ending balance must match with a zero difference.

A printed copy of the completed detail reconciliation must be attached to the appropriate original bank statement each month.

Any discrepancies between these two balances will require research to determine the cause, such as recording errors, omissions, mispostings, etc. This may also include recalculation of the bank statement for any possible errors made by the bank.

Bank reconciliation should be done as follows:

- All bank statements are given unopened to the Executive Director. The Executive Director reviews the statements for unusual balances and/or transactions.
- The Executive Director gives the statements to the Bookkeeper 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.

- The Bookkeeper will verify that voided checks, if returned, are appropriately defaced and filed.
- The Bookkeeper will investigate any checks that are outstanding over six months.
- Any book reconciling items such as interest, bank charges and any recording errors are summarized and drafted in journal entry form for recording to the general ledger. All supporting documentation will be maintained for audit purposes.
- The Bookkeeper will attach the completed bank reconciliation to the applicable bank statement, along with all documentation.
- The reconciliation report will be reviewed, approved, dated, and initialed by the Executive Director.

Account Receivable

Sales recognition

Under the cash basis, revenues are recognized only when cash is received and deposited into a department's revenue account(s). Cash-based systems do not interface with company's automated accounts receivable system.

Under the accrual method, revenues are recognized and credited to a department's revenue account(s) when invoices are processed through the automated accounts receivable system.

Sales reporting

Each manager of a department conducting sales activity will prepare a sales report supported by documentation in the form of written sales orders, contracts, leases, agreements, etc. All sales reports will be submitted with supporting documentation to the Accounting department on no less than a monthly basis. At a minimum, sales records must provide the name and complete address of each customer, the goods or services provided to each, and the amount(s) owed by each.

Originating departments are responsible for the accuracy of all sales records upon which invoices are prepared. Accordingly, departments will be held responsible for initiating Invoice Adjustment forms when necessary to correct inaccurate invoices.

Each sale reported on a sales report will be supported by a sales order, contract or other agreement signed and dated by the customer and retained by the originating department for a period of no less than four fiscal years.

Occasional, non-recurring sales for which a written sales report is not generated must be documented using the Invoice Request Form and submitted to Accounting department before the end of the month in which the sales activity occurred. Such sales do not require

a signed sales order or contract but should still be supported by written documentation confirming the customer's name, the goods or services provided, and the amount owed.

Accounting entries

- The Bookkeeper will create all journal entries for accounts receivable and prepare them based on month-end billing information. The Finance Director reviews and approves all accounts receivable journal entries.
- After approval, the Bookkeeper records the entries. In the absence of the Bookkeeper, the Finance Director will prepare the entry and the Controller will review, approve and record the entry.
- Each month, the Bookkeeper shall prepare an aging report of individual billing information and days overdue, which he shall then forward to the Finance Director for review. This report shall be provided to management on a monthly basis.
- The Bookkeeper shall record payments in the general ledger from which are deposited directly into the organization's bank account and apply the funds to outstanding invoices.
- The Bookkeeper is responsible for reconciling receipts from funding sources with accounts receivable and for issuing credit notes to the accounts upon receipt of the money and notification by the Billing Officer that unauthorized costs will not be resubmitted for payment. The Finance Director review, approve, and post the credit memo entries

Account Payable

Documentation for account payable

The following documents are forwarded to accounting department for temporary filing and subsequent matching to form an accounts payable voucher package:

- Purchase Order if applicable
- Vendor invoice
- Packing slip
- Check request with proper approvals if applicable

Once the accounting department has all of the above documents, the following steps are performed to ensure proper authorization, validity of purchase, receipt of purchased items or services and accuracy of amounts.

- The vendor invoice will be attached to the check request. When applicable, the purchase order should also be attached along with any other supporting documentation.
- The purchase order should be evaluated for proper authorization and the nature of the purchase and pricing as shown on the invoice reviewed for validity.
- The quantities shown shipped or delivered on the invoice will be compared to the packing slip.
- Calculations on the invoice will be recomputed, such as, quantities received multiplied by unit price and totals. Sales tax amounts listed on the invoice will be reviewed so that when appropriate, sales tax exempt notifications can be sent to the vendor.

- If any paperwork needs to be mailed with the account payable check, the department forwarding the request needs to send the original and a copy of the document that must accompany payment.
- Any discrepancies to the steps listed above must be addressed and resolved prior to commencing with the accounts payable voucher. If necessary, requests will be returned to requestor for necessary corrections.

Recording

Once the set of vouchers has been correctly assembled, it is then reviewed by the accounting department to ensure that it is correctly coded and accurate. Once this review is completed, it is then entered into the company's accounting software.

Payment of account payable

On [SPECIFY] of every week, accounts payable invoices are selected for payment according to their terms for payment. Accounts payable should normally be paid within seven days of their due date unless otherwise determined by the Bookkeeper. If payment terms are not specified on the invoice, payment will be issued within 30 days of the invoice date.

Any debit balances (amounts owed) are applied to credit amounts when determining payment.

Accounts payable invoices are submitted to the Finance Director for review and payment approval. Upon approval, checks are then printed for the accounts payable invoices to be paid.

After the checks are printed, they are matched to the voucher package and submitted to an authorized signer for signing. Checks in the amount of \$[SPECIFY] and over, require two signatures. The Bookkeeper only signs company checks when none of the other authorized signers are available and only on an emergency case basis. Upon return of the

checks to accounts payable, the 2-part checks will be separated and processed as follows:

- Original - Mailed to the vendor along with any necessary payment stubs.
- Check stub is attached to the voucher package and filed alphabetically in the paid vendor files.

Payroll Administration

Payroll Administration

Total Communicator Solutions, Inc. "TCS" operates on a [BI-WEEKLY/WEEKLY] payroll. The objectives of the following payroll procedures are to ensure:

- A timely and efficient processing of the staff payroll.
- An accurate computation and recording of payroll expense, related liabilities, and net pay.
- Payment for only authorized work actually performed.

Payroll Taxes

The Accounting Department is responsible for ensuring that all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. Withholding of Federal income taxes shall be based on the most current Form W-4 prepared by each employee.

Preparation of Timesheets

Each employee must prepare an electronic timesheet no later than [SPECIFY] p.m. on the [SPECIFY] of each pay period. Timesheets shall be prepared in accordance with the following guidelines:

- Each timesheet shall reflect all hours worked during the pay period.
- Errors shall be corrected electronically by notifying the Finance Director.
- Compensated absences (vacation, holiday, sick leave, etc.) shall be clearly identified.

- Timesheets submitted electronically shall be considered signed by employee as accurate once submitted.

Processing of Timesheets

After all timesheets have been approved, the Bookkeeper reviews the timesheets to verify charge codes and work hours and then transfers timesheets to the accounting system.

Once the payroll is processed and calculated, the payroll reports are printed and reviewed/approved by the Finance Director. The direct deposit file is created, or payroll checks are printed after the payroll reports are approved. Employee leave accruals are calculated and posted.

The Bookkeeper creates the direct deposit file which shall be transmitted to the bank. After the direct deposit file is sent, payroll is posted, and payroll taxes are calculated and paid.

Timesheet Corrections

If an employee needs to make a change or a correction to a timesheet, the employee must contact the Finance Director with the detail information. The Finance Director will make the change/correction to the timesheet. The bookkeeper will use the detailed information provided to make the necessary journal entries for the timesheet correction. Each timesheet correction must include a reason as to why the change was needed and must be approved by the Finance Director prior to posting.

Distribution of Payroll

All employees are paid by check or direct deposit through ACH electronic data processing. Check stubs for electronic direct deposits can be accessed via the timesheet software once payroll has been completed.

Payroll checks shall be distributed by individuals who do not approve timesheets, are not responsible for hiring and firing, and do not control the preparation of payroll.

Changes in Payroll Data

All of the following changes in payroll data are to be authorized in writing:

- New hires
- Terminations
- Changes in salaries and pay rates
- Voluntary payroll deductions
- Changes in income tax withholding status
- Court-ordered payroll deductions

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the appropriate Department Director and the Executive Director.

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee.

Any changes that affect payroll processing will be forwarded to the Bookkeeper once they have been entered into the automated master file by Personnel. The Bookkeeper will not have access to make changes to rates of pay or payroll deductions. Documentation supporting any changes to the payroll status of an employee will be permanently maintained in the employee's personnel file.

To assure that changes are implemented accurately, the Bookkeeper will distribute a preliminary register to the HR Specialist for review and approval before posting the payroll and disbursing payments. The Payroll Specialist will submit the recommendation for disbursement of the payroll direct deposits to the Administrative Assistant of the Executive Director for release of payment.

Tax Reporting

The Executive Director shall be responsible for identifying all filing requirements and assuring that Total Communicator Solutions, Inc. "TCS" follows all such requirements. The Organization will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

- W-2's and 1099's - Annual report of employee and non-employee compensation, based on calendar-year compensation, is prepared on a cash basis. The bookkeeper will gather the information from the accounting software and prepare the W-2 and 1099 forms before the due date. These information returns are due to employees and independent contractors by January 31 and to Federal Government by February 28.
- Form 941 - Quarterly payroll tax return filed with IRS to report wages paid to employees and Federal payroll taxes. The Finance Director will print a quarterly information from payroll and prepare Form 941 before the due date. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter.

Property and Equipment

Capitalization Policy

Physical assets acquired with unit costs in excess of \$ [SPECIFY] are capitalized as fixed asset on Total Communicator Solutions, Inc. "TCS"'s general ledger. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land, are subject to depreciation over an estimated useful life of 60 months. The [STRAIGHTLINE OR SPECIFY] method of depreciation is used with no residual value at the end of the useful life.

Establishment and maintenance of fixed asset

All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset:

- Date of acquisition
- Cost
- Description (including color, model, and serial or other identifying number)
- Funding source of the equipment (including percentage of Federal Participation)
- Location of asset
- Use and Condition of the equipment
- Date of Disposal/Sale Price.

A physical inventory of all assets capitalized under the preceding policies will be taken every two years by Total Communicator Solutions, Inc. "TCS". This physical inventory shall be reconciled to the property log and adjustments made as necessary.

Depreciation and useful lives

All capitalized assets are maintained in the special property and equipment account group and are not included as an operating expense.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month

For accounting and interim financial reporting purposes, depreciation expense will be recorded on a monthly basis.

Repair of property and Equipment

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

Dispositions of property and equipment

If equipment 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" (purchase price less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain (if the money received is more than the book value).

Cash, Deposit & Transfer

Cash Receipts

Cash receipts generally come from contracts and provision of services. Accurate internal control of cash receipts and deposits must be maintained at all times. Cash deposits must be made within 24 hours of receipt.

The main steps in the collection procedure are as follows:

- The receptionist receives incoming mail and forwards it unopened to the Finance Director. The Finance Director opens, dates and distributes the mail. The Finance Director records all cheques in a logbook, stamps all cheques "for deposit only" and makes two (2) copies of each cheque. The cheques are kept in a locked cabinet until they are given to the bookkeeper for processing and deposit.
- Each week, the Finance Director shall submit the following to the bookkeeper for processing: the endorsed cheques, the deposit register and the correct account allocation for each deposit. The bookkeeper processes the deposit and brings it to the bank for deposit. A copy of the deposit slip is attached to the deposit. Deposits are placed in a file to be attached to the bank statement. The deposit logbook is returned to the Finance Director.
- All cash received will be counted, verified and signed by the Finance Director and another available staff member. The cash will be immediately accounted for using the appropriate allocation. A receipt will be given to the payer and a copy will be kept for internal purposes. The money will be kept in a locked and secure location and deposited within 24 business hours.

Petty Cash

To facilitate minor business expenses, a petty cash fund will be available to employees. The Finance Director act as custodian of the petty cash fund.

To prevent access by anyone except the Finance Director, petty cash must be kept in a locked strong box in a locked desk or cabinet whenever not in use or whenever the Finance Director is absent.

When an employee requests a petty cash draw, the Finance Director will record the amount advanced, date of disbursement, reason for the draw and name of the employee receiving the advance.

At the end of each month or whenever the petty cash fund drops below a balance of \$100.00, the Finance Director completes the replenishment paperwork from the journal with the itemized descriptions of expenses and attaches all vouchers and submits to Accounting for review.

Deposit

The Bookkeeper prepares the deposit slips and make the deposits to the company's authorized bank.

The final net cash deposit must reconcile with the original accounting department log.

Inter-bank transfer

The Finance Manager monitors the balances in the bank accounts to determine when there is a shortage or excess in the checking account. The Finance Manager recommends to the Executive Director when a transfer should be made to maximize the potential for earning interest. The Bookkeeper is directed in writing when to make a transfer and in what amount. A copy of the transfer is given to the Finance Manager.

Credit Card & Accrual

Credit Card & Charges

All staff members who are authorized to carry an organization credit card will be held personally responsible in the event that any charge is deemed personal or unauthorized. Unauthorized use of the 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, and regulations, and the entities from which Total Communicator Solutions, Inc. "TCS" receives funds.

The receipts for all credit card charges will be given to the Finance Director within two (2) weeks of the purchase along with proper documentation. The Finance Director will verify all credit card charges with the monthly statements. A record of all charges will be given to the Bookkeeper with applicable allocation information for posting. A copy of all charges will be attached to the monthly credit card statement when submitted to the Executive Director for approval and signing.

Accrual

To ensure a timely close of the General Ledger, Total Communicator Solutions, Inc. "TCS" may book accrual entries. Some accruals will be made as recurring entries.

Accruals to consider:

- Monthly interest earned on money market accounts, certificates of deposits, etc.
- Recurring expenses, including employee vacation accrual, prepaid corporate insurance,
- Depreciation, etc.

Month End Closing

Overview

Total Communicator Solutions, Inc. “TCS”’s fiscal year begins [SPECIFY] and ends [SPECIFY]. Total Communicator Solutions, Inc. “TCS” closes its books at the end of each calendar month.

The policies and procedures for closing the books on a monthly basis are included in this section; however, these procedures will not always apply at the end of the fiscal year.

Closing Process

The following closing process summarizes the monthly closing activities. Each month will be closed by the end of the first week of the following month.

- Prepare and enter journal entries
- Prepare all cost allocation entries
- Revenue Recognition, i.e. revenues are earned as expenses are incurred. Interest income is accrued through the various investments.
- Preparation of monthly Financial Report
- Submit monthly Financial Report to Executive Director for review and the Board of the Directors for approval.

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the Organization. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

Total Communicator Solutions, Inc. "TCS" prepares monthly reports that are distributed both internally and to the Board of Directors. The monthly report is a Financial Status Report that reflects budget to actual comparisons of revenues and expenditures and changes. Included is a footnoted variance analysis that provides explanatory information on material differences between budget and actual.

Year End Closing and Annual Audit

Year End Closing

Total Communicator Solutions, Inc. “TCS” closes the books on a fiscal year-end basis in connection with the annual audit. It is Total Communicator Solutions, Inc. “TCS”’s policy to perform all of the work necessary to close the books and compute the year-end balances for the annual audit. The goals of the closing are to:

- Identify material discrepancies
- Review accuracy of data
- Verify completeness of data
- Correct classification of data

During the closing process, the accounting department will notify each department of the deadlines for submitting any outstanding invoices or billings. The reconciliation of balance sheet accounts and yearend financial reports will be prepared after the closing of accounts payable, accounts receivable and payroll.

Preparation for the annual audit

Total Communicator Solutions, Inc. “TCS” shall be actively involved in planning for and assisting with the Organization’s independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the Accounting Department shall provide assistance to the independent auditors in the following areas:

Planning: The Executive Director is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. Assignments shall be based on the list of requested schedules and information provided by the independent accounting firm.

Involvement: Organization staff will do as much work as possible in order to assist the auditors thereby reducing the cost of the audit. All financial statements, schedules and footnotes will be prepared by the Accounting department. Throughout the audit process, Total Communicator Solutions, Inc. "TCS" will make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

Conclude the audit

Total Communicator Solutions, Inc. "TCS" and the independent auditor will review the draft of the financial statements, footnotes, and required audit letters consisting of the following procedures:

- Carefully read the entire report for typographical errors.
- Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of Total Communicator Solutions, Inc. "TCS".
- Review each footnote for accuracy and completeness.

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Executive Director.

It shall also be the responsibility of the Executive Director to review and respond in writing to all management letters or other internal control and compliance report findings and recommendations made by the independent auditor.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the independent accounting firm upon completion of the audit, after the financial statements have been reviewed and approved by the Executive Director. The Board will review and accept the audited financial statement to conclude the audit.