

## Fiscal Management

### 10.1 Dictionary of Budget Terminology

#### 10.1.1 Personnel

**Salaries** - gross (before federal, state, local taxes) amounts paid to employees for work performed who are considered to be in positions of a permanent nature. These amounts can be paid on an hourly or salary basis.

**Benefits** - amounts paid by the center on behalf of employees for fringe benefits. These amounts are not included in gross salary but are over and above and are generally not paid directly to employees. Examples: health insurance, dental insurance, life insurance, employer paid FICA and Medicare, worker compensation, unemployment insurance, disability insurance, and retirement plans.

#### 10.1.2 Accounting

Fees paid for contractual services by persons or organizations that perform the activities of designing and maintaining financial, staff, program or property records. Included would be the tasks of summarizing, analyzing, verifying, controlling, and certifying expenditures and receipts. Costs incurred for the performance of financial audits and agreed upon procedures would also be appropriate.

#### 10.1.3 Training

**Mediator** - expenses incurred while providing volunteer mediator training. Examples: trainer fees and expenses, textbooks and manuals, periodicals, refreshments, and location rental.

**Technical Assistance** - training provided to staff or board members that is recommended by SCAO. Also eligible are training events sponsored by the Accounting Aid Society and the Michigan Nonprofit Forum provided the maximum cost does not exceed \$500 per year per center. Any other staff or board trainings must be pre-approved by SCAO.

#### 10.1.4 Contractual

Amounts paid for services rendered by persons who are not on payroll. This category is also appropriate for the services of an interpreter to make accommodations under the American Disabilities Act. The center board is responsible for determining if the relationship is that of a contractual nature or employee per IRS regulations.

#### 10.1.5 Travel

Travel expenses incurred as a result of the regular duties of staff and mediators may be identified here. CDRP grant funds may be used to reimburse a maximum mileage rate of \$0.329 per mile.

Although this category is appropriate for the cost of travel to conferences including meals, parking fees, bridge tolls and lodging, CDRP funds may not be used for such expenses. The only exceptions to this are: (1) if they are incurred by a traveler while attending an SCAO sponsored training; or (2) if it is in conjunction with a volunteer mediator traveling more than one hour to conduct a mediation during what would normally be considered the breakfast, lunch, or dinner hours. Maximum rates may not exceed the following amounts and reimbursement should be supported with receipts. Breakfast \$7.25, Lunch, \$7.25, Dinner \$16.50. Alcoholic beverages may not be reimbursed. Reimbursements using CDRP grant funds may not exceed the available SCAO rates. Any reimbursements over these amounts, or meetings and conferences not sponsored by SCAO must be paid by other sources and used as match.

#### 10.1.6 Equipment - the lease or purchase of equipment.

Examples:

- Office**                      Adding machine, phone, copy machine, computer, software, equipment maintenance contracts
- Furniture**                Desk, chair, file cabinet, table, display easel

#### 10.1.7 Operating Expenses

**Occupancy - including:**

- Rent**                        Expenditures for office space or mediation facilities.
- Maintenance**          Expenditures for repairs and maintenance services that are not provided directly by personnel or landlord.
- Utilities**                  Expenditures for services usually provided by public utilities such as water, sewage, electricity, gas and garbage.
- Supplies**                  Expenditures for all supplies that are necessary for operation of the center. Examples: pens, paper, printer paper, and disks.

- Telephone** Expenditures for telephone service including both local and long distance charges and internet service provider fees. CDRP funds may not be used to pay the cost of 800 numbers provided by individual centers.
- Postage** Examples: bulk mailings, postage stamps, and express mail.
- Printing** Expenditures for job printing, brochures, newsletters, and binding.
- Insurance**
  - Liability  
Insurance that protects the center in the event of property loss or damages.
  - Board or Mediator  
Insurance that protects mediators from suits filed by disputing parties.
- Advertising** Expenditures incurred while advertising a CDRP center. Examples: paid radio or television spots, advertising space purchased in phone books, magazines and newspapers, and website hosting fees.

#### 10.1.8 Other

Expenses that are not related to any of the previously mentioned categories. These must be itemized and described separately.

#### 10.1.9 Funding Sources

- CDRP Funds** Financial support received from SCAO.
- Agency Funds** Financial support contributed to the center by itself or an umbrella organization. Examples of agency funds are: service contracts, e.g. A/V, civil rights; money centers raise by fund raising or providing training; interest; and financial support given by umbrella organizations to the center.
- Other Grants** Financial support received by other granting organizations. Examples: foundations, corporations, and units of government. This is also appropriate for documenting expenses incurred while administering sub-grants such as agricultural mediation, or permanency planning mediation.
- In-kind** Support that is given in which no cash transaction is realized. Examples of in-kind support are: volunteer time, donated office space, and donated furniture.

10.1.10 Use of Receipts

Money received for providing dispute resolution services, mediator training, and dispute resolution workshops conducted by Grantees shall offset any such expenses.

Example: a mediator training session is conducted at a cost of \$1,700 and fees received are \$1,800.

<u>Correct</u>		<u>Incorrect</u>		<u>Incorrect</u>	
Revenue	\$1,800	Revenue	\$1,800	Revenue	\$1,800
SCAO Grant	\$0	SCAO Grant	\$1,700	SCAO Grant	\$1,000
Center Exp	\$1,700	Center Exp	\$0	Center Exp	\$700
Center Gain	\$100	Center Gain	1,800	Center Gain	1,100

**10.2 Accounting Requirements**

Each yearly contract awarded to a center creates a separate legal entity and funds for this entity should not be commingled with funds of any other entity. Regardless of when an award is granted, the Community Dispute Resolution Program calendar year is January 1 to December 31.

Although the SCAO recognizes there are several types of bookkeeping systems implemented by its contractors and encourages projects to adopt systems most appropriate to their individual needs, certain requirements are mandatory. These requirements are in accordance with sound accounting principles.

Center Grantees must:

- 10.2.1 Maintain records for each grant in a manner consistent with generally accepted accounting principles. The only exception allowed by SCAO is that a center may choose to use either a cash based accounting system or an accrual based system.
- 10.2.2 Use revenue generated from mediation fees, training, and interest (including that generated from CDRP grant funds) only for program purposes.
- 10.2.3 Maintain a schedule of all funds received under this contract, including a description of the source, date funds are received and amounts (Cash Receipts Journal).
- 10.2.4 All disbursements must be made by check, and a schedule must be maintained of all funds disbursed under this contract, including payee and amount (Cash Disbursements Journal). Any payments made after the termination date of the contract must be for expenditures incurred and encumbered during the contract period. Any cost incurred before the starting date of the contract will not be reimbursed unless specifically allowed by SCAO in writing.

- 10.2.5 Maintain accurate and complete original documentation to support revenues and expenses. (For example: bank deposit slips, invoices, time sheets, employee reimbursement vouchers, etc.) In-kind donations are considered expenses in view of this requirement, and must be supported by time documentation and statements of value of donation by donor.
- 10.2.6 Maintain accurate and complete time records for all employees under this contract, including the program director and agency match employees. "Shared employees" that provide services for both the mediation program and umbrella organization who's salary is prorated between the two, must keep time documentation that also lists the services provided to the mediation program. At a minimum, this documentation should indicate the date, the actual time spent and the specific services provided.
- 10.2.7 Submit to SCAO an accurate, complete annual inventory of equipment purchased with CDRP grant funds. This should be completed on the CDRP16.
- 10.2.8 Not exceed any budget category by more than two thousand dollars (\$2,000) without submitting a budget amendment and receiving written approval by SCAO prior to the commitment of funds. For purposes of this Community Dispute Resolution Program, the budget categories may only be exceeded if the items being charged have been described in the budget narrative.
- 10.2.9 Submit biannual financial and quarterly statistical reports by the twentieth day of the month following the quarter's end in order to have funds released. Failure to submit these documents by this date will result in notice of "intent to cancel contract" being sent to the grant recipient's board of directors.
- 10.2.10 Annually undergo an agreed upon procedures financial review at the direction of SCAO. If this engagement is not provided by SCAO, CDRP grant funds may be used to pay for the review. If this requirement is waived, the center will be notified by SCAO. An annual financial audit of the organization is also strongly recommended.
- 10.2.11 Retain all financial records, receipts, and vouchers at least five years after SCAO audits are complete and the contract is closed by SCAO.
- 10.2.12 The program director must have direct knowledge and involvement of the fiscal management of the program. Also, it is strongly recommended that centers contract with an accountant or accounting firm for assistance in maintaining financial records and creating balance sheets, general ledgers, and income statements.
- 10.2.13 Centers must periodically review their internal control policy.
- 10.2.14 Centers must employ a centralized fund accounting system. Employees should not be allowed to keep their own "program" books. Before invoices are paid and transactions are posted, invoices should be processed following a specified approval process that includes the authorizing official's signature.

**10.3 Recommended Financial Management Procedures**

These recommendations are made in an effort to avoid some of the problems that have been detected at CDRP funded centers.

- 10.3.1 Eliminate petty cash accounts and do not establish or use corporate charge cards. If your board has chosen to use these as a method of payment, its use should be limited (likely only the program director). An itemized receipt should be received from the employee immediately after use and the monthly statements should be reviewed by the center director and board treasurer.
- 10.3.2 Check books, savings accounts, cash, checks, and signature stamps should be kept in locked drawer with the key accessible to only authorized individuals.
- 10.3.3 Do not authorize invoices for payment without proper documentation.
- 10.3.4 The accountant or board treasurer should review copies of cancelled checks when the bank reconciliation is performed to check for forgery and to insure all necessary signatures have been secured. Endorsement of checks should also be reviewed.
- 10.3.5 The center’s general ledger should be monitored at least monthly and the approved budget should be compared to actual expenses incurred at the center. Anything unusual from what would normally be anticipated should be investigated and explained.
- 10.3.6 Before a case fee or training fee refund is issued, the person authorized to make such refunds (generally the board treasurer or center director) should verify that the fee was received by the individual making the request. The individual seeking the request should submit a signed refund request in writing to the center director.

**10.4 Summary of Non-Reimbursable CDRP Grant Expenses**

Category	Expenditures
Personnel	<ol style="list-style-type: none"> <li>1. Wages for time in excess of 40 hours per week.</li> <li>2. Wages for current members of board of directors or officers.</li> <li>3. Wages for relatives of current officers, directors or staff without prior written permission from SCAO.</li> <li>4. Wages paid to staff prior to the work being performed, otherwise known as pay advances.</li> <li>5. Loans to staff or board members.</li> <li>6. In-kind for board members' or committee members' attendance at monthly board meetings or committee meetings.</li> <li>7. In-kind for volunteer mediators' time attending the basic 40 hour training.</li> <li>8. Bonus payments.</li> <li>9. Honorarium to board members or staff.</li> <li>10. Severance pay.</li> </ol>

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| Training/Contractual | <ol style="list-style-type: none"> <li>1. Professional development and conference fees for staff. The only exceptions are those items listed in section 10.1.3 in the CDRP Policies and Procedures Manual.</li> <li>2. Fees for fund raising services.</li> </ol>   |
| Travel               | <ol style="list-style-type: none"> <li>1. Conference or workshop expenses for paid staff.</li> <li>2. Any travel expense with the exception of those described in section 10.1.5 unless approved in writing by SCAO.</li> <li>3. Any travel expense that exceeds SCAO guidelines.</li> <li>4. Out of state travel.</li> </ol>   |
| Other                | <ol style="list-style-type: none"> <li>1. Professional or association dues, memberships, contributions or donations, fines and penalties, and security deposits.</li> <li>2. Self insurance pools.</li> <li>3. Parking fees for employees at their place of employment.</li> <li>4. CDRP funds may not be used for meals eaten at board meetings or conferences.</li> <li>5. Alcoholic beverages.</li> <li>6. Attorney fees related to defending actions brought against a grantee, its volunteers and/or its board members.</li> <li>7. Costs incurred before the award date of the grant.</li> <li>8. Moving expenses.</li> <li>9. Petty cash.</li> <li>10. Indirect cost charges or flat administrative fees.</li> </ol> |

**10.5 Grant In-kind Match Allowances**

Donated goods are allowable as in-kind match at the fair market value of the item taking into consideration the depreciation and age of the item. Fair market value can be determined by: obtaining a signed statement from the donor; obtaining an appraisal of the item donated; or, conducting a market survey (which should consist of at least three survey sources).

Donated services are allowable as in-kind match at the fair market value of the service provided, given the individuals do not receive compensation by the organization for their efforts and the tasks they are providing directly benefit the program. Time sheets must be maintained for each volunteer and must be signed by the volunteer and the volunteer's supervisor or the program director.

The rate used for in-kind purposes shall be valued at rates consistent with the rates normally paid for similar work in the recipient organization.

If the donated services provided by an individual are tasks normally accomplished in the individual's normal line of work, the services may be valued at the individual's regular rate of pay.

If there is no similar work in the recipient organization, the CDRP center may use the in-kind hourly rates listed below.

Volunteer Classifications

Clerical	Any support position such as a secretary, file clerk, or receptionist.
Mediator	Any position which performs mediations, facilitations or arbitrations. The original 40 hour training to become a volunteer mediator may not be counted when calculating the in-kind match.
Mediator Trainer	Any position which trains volunteer mediators.
Specialist	Any position which provides case intake, case work, statistical compilation, or promotion/outreach.
Coordination	Any position which provides coordination or administrative services.

Volunteer Wage Rates

Clerical	\$9.50/hour	Specialist	\$12.00/hour
Mediator	\$150.00/hour	Coordination	\$16.00/hour
Mediator Trainer	\$150.00/hour		

**10.6 Budget Modification**

10.6.1 Applications for budget amendment may be made, however they must be made prior to commitment and expenditure of funds on form CDRP15. Applications for budget amendment may be made for requests to increase or decrease the level of funding or to change the allocation of a center's use of line item categories that exceed two thousand dollars of the most recently SCAO approved budget. Budget modifications must also be requested if the line item dollar value will remain the same but award funds will be spent on something other than that identified in the budget narrative.

Centers may make one application for budget amendment within a contract year. The modification application must be made prior to July 1st of the contract year. There are two exceptions to this policy. The first is centers requesting increases because previously un-served counties have been added to their service area. This budget modification should be made 30 days prior to the intended service date of the new counties. The second exception is centers that wish to clarify budget line items that were cut from the their original grant proposal due to lack of sufficient documentation in the interest of getting a contract to the center as early as possible for the new funding year. This application must be made with 45 days of the contract being offered by SCAO.

- 10.6.2 Form CDRP15 must be submitted to SCAO with the Budget Form. When using form CDRP15 the applicant center must complete the budget narrative and itemization for each of the budget categories in which a change is requested. The narrative should include any information that would be requested in the grant application for the line item to be changed. The Budget Form must be completed to incorporate the amendment request and any information that remains correct from the previously approved Budget Form.
- 10.6.3 When requesting an increase to the CDRP award, the center may only apply for the amount shown currently available according to the CDRP funds available worksheet distributed by SCAO.
- 10.6.4 Expenses incurred in order to make ADA accommodations for mediation participants do not have to be requested through a budget modification prior to the expenditure, provided the expenditures will total less than \$1,000. The expenses should be classified under the appropriate line item (e.g., sign language interpreter charged to the consultant line item) and should be explained in the center's next budget modification if one is requested before the end of the year.

## **10.7 Unexpended Funds from a Previous Year**

- 10.7.1 Upon receipt of the Community Dispute Resolution Program's agreed upon procedures engagement, financial audit or final expenditure report, SCAO will mail a notice to centers advising them of any grant funds from the previous year that were unexpended and/or disallowed.
- 10.7.2 Based on the agreed upon procedures engagement, financial audit or final expenditure report, any funds that were unspent from a previous contract year must be returned to SCAO. Upon receipt of the check, the under expended funds less any disallowed expenses will be credited back to the appropriate counties' funds available.
- 10.7.3 Based on the agreed upon procedures engagement, financial audit or final expenditure report and the center's board of directors response (if applicable), any expenditures determined to be disallowed will be returned to the CDRP general fund and will not be credited back to the counties' available funds.