



**DNA - PEOPLE'S LEGAL SERVICES, INC.**

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## **ACCOUNTING MANUAL**

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**DNA - PEOPLE'S LEGAL SERVICES, INC. (DNA)  
ACCOUNTING MANUAL**

**INTRODUCTION**

This manual, prepared in compliance with the *LSC Accounting Guide for Recipients*, is intended to comply with the LSC Regulations at Section 45 CFR Part 1600 et, seq., and will be updated from time to time. It is the policy of DNA to abide by these regulations always. Regardless of the stated policy, if a conflict should arise, the position stated in the *LSC Accounting Guide for Recipients* will prevail.

All DNA employees are bound by these policies and any deviation from the established policy (with the exception noted above) is prohibited. In the event an item is not specifically covered in this manual, please refer to Section 45 CFR Part 1600 ET. Sees.

## **PROGRAM OVERVIEW**

### **MISSION:**

DNA People's Legal Services (DNA) is a non-profit with IRS 501(c)(3) status and organized under the laws of the State of Arizona. DNA's mission is to serve client communities as advocates and teachers in order to address the causes and symptoms of poverty, foster individual independence and dignity, and protect and promote tribal sovereignty. Services must help clients develop the resources necessary to meet external challenges, and help off-reservation communities and businesses better understand clients and respect their rights. DNA focuses on the most vulnerable, to achieve long-term benefits by breaking the cycle of poverty.

### **MAJOR FUNDING SOURCES:**

- Legal Services Corporation (LSC) a private non-profit corporation which receives funds from Congressional appropriations through the Department of Justice.
- Other Grant and Contracts from local, state and federal sources as well as private foundations and organizations.
- Contributions

### **TYPICAL CASES:**

DNA provides free legal services that help low-income individuals and families with critical legal needs, ensuring that people in poverty have a voice in the justice system. We provide a full range of legal assistance from community legal education to individual representation in substantive areas of law that disproportionately impact on living in poverty. Typically, DNA handles the following types of cases for clients: Consumer, healthcare, education, housing, public benefits, family, individual rights and youth.

### **HISTORY:**

DNA - PEOPLE'S LEGAL SERVICES, INC. (DNA) was founded on the Navajo Nation in 1967. We currently serve seven Native American tribes in three states, plus off-reservation portions of San Juan County, New Mexico and Coconino County, Arizona. DNA has seven offices to serve portions of three states. Four offices are in Arizona and two are in New Mexico. Five of these offices are in the Navajo Nation, two are on the Hopi reservation, one is in the Jicarilla Apache Nation and the remaining two are in Flagstaff, Arizona and Farmington, New Mexico.

DNA is governed by a Board of Directors of twenty (20) people representing Bar Associations in New Mexico, Utah and Arizona as well as the Navajo Nation Bar Association and client and tribal representatives from the tribes included in our service area. One third of the members of the Board are client representatives appointed by their communities and are income eligible at the time of their appointment. Two thirds of the members are attorneys representing the bar associations of the communities we serve. The

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Board of Directors meets quarterly. The Budget Committee and Audit Committee are actively involved in the financial planning and oversight of DNA.

**SECTION I**  
**ACCOUNTING PRINCIPLES**

### **ACCOUNTING PHILOSOPHY:**

The accounting philosophy of DNA is:

- To provide standards that allow program personnel evaluate performance in the financial area in accordance with consistent criteria.
- To make improvements as needed in order to safeguard assets against unauthorized use or disposition.
- To provide reliability of financial information and reporting.
- To maintain compliance with regulations and laws that has a direct and material effect on the program.

### **RESPONSIBILITIES:**

- **Board of Directors:** The ultimate responsibility for the Program financial statements rests with the Board of Directors who defines appropriate parameters for fundamental financial decisions. All financial decisions within those parameters will be recorded in the minutes.

The Board of Directors reviews and approves the annual budget, authorizes all bank accounts and approves all signatures.

The Board reviews the Program's financial reports, which compare actual expenses against projected expenditures at least quarterly.

- **The Audit and Finance Committee:** The Audit and Finance Committee consist of members appointed by the Board and is chaired by the Treasurer. The Committee has both audit and financial oversight responsibility as follows:
  - **Audit Responsibilities:** Hire the auditor, set the compensation of the auditor, Review the annual IRS Form 990, Ensure DNA operations are conducted and managed in accordance with applicable laws, regulations and policies.
  - **Financial Responsibilities:** Review the budget make recommendations for changes if necessary and recommend the final budget for approval to the full board of directors; Review monthly financial reports with the Director of Finance; Review accounting and control policies and make recommendations for changes and/or improvements; Review the audited financial statements, management letter and management responses with the staff and auditor; Regularly review and make recommendations about investment policies and Coordinate board training on financial matters. Act as liaison between the full board and staff on fiscal matters.
  - **Executive Director:** The Executive Director, hired by the Board, is responsible for hiring competent staff and overseeing the appropriate procedures for

establishment of records which ensure the integrity of accounting, reporting and financial systems are maintained.

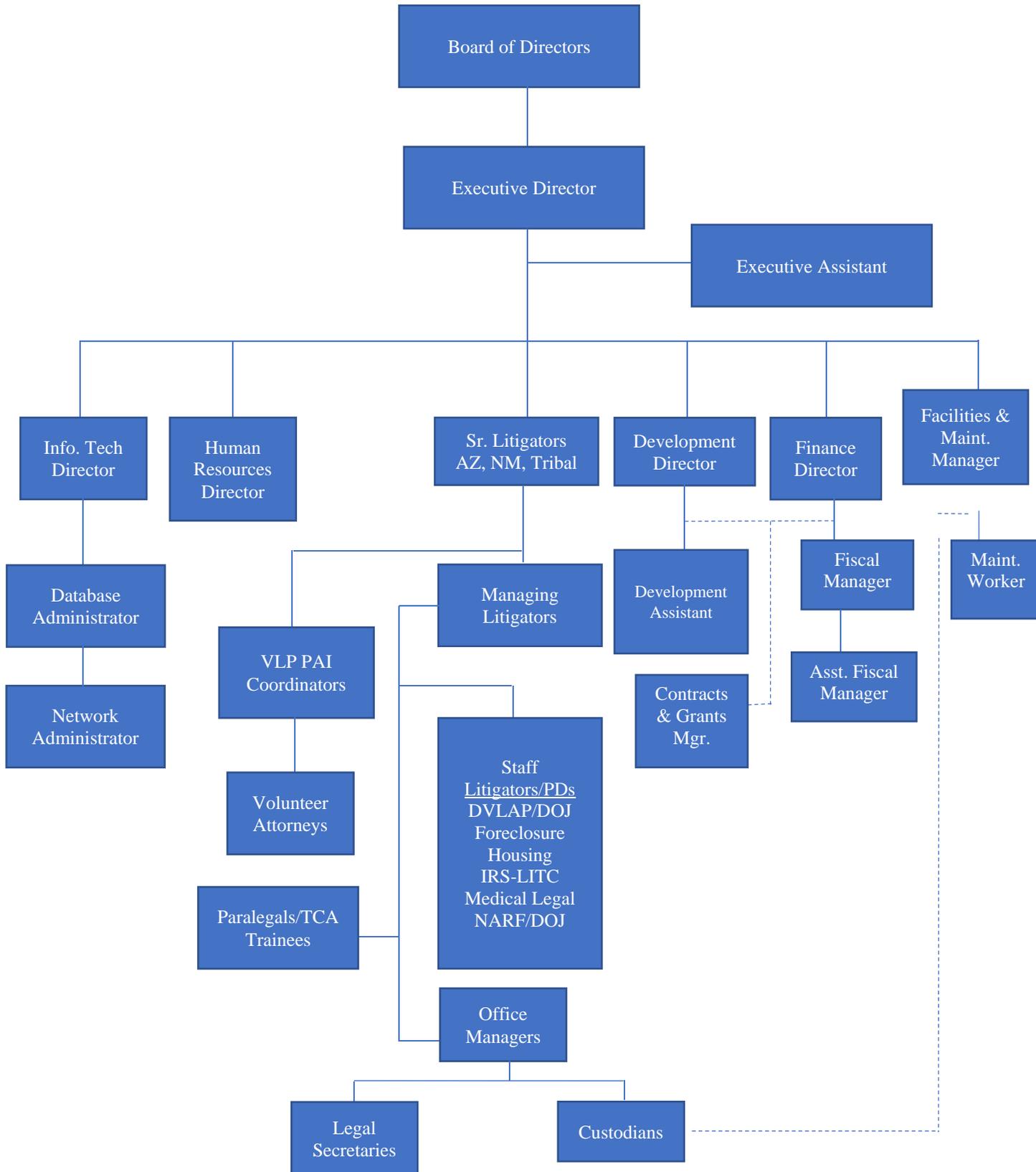
- **Director of Finance:** Responsible for establishing procedures to properly document, record, and report financial transactions. Ensures that monthly financial statements correctly reflect the organizations resources. Establish the annual budget and oversee allocation of expenditures by funding source. Interact with funding sources regarding financial reports, invoices and compliance. The Director of Finance also carries out the policies and procedures established to present accurate financial statements; ensure proper payment of payroll, vendor and employee invoices; maintain adequate files for audit and monitoring purposes.

The Executive Director also keeps the Board informed of the financial position of the Program.

The Executive Director is responsible for negotiating contracts, accepting grants and/or contracts and reporting such transactions to the Board of Directors.

**ORGANIZATION CHART**

**DNA People's Legal Services Organizational Flowchart 2017**



## **INTERNAL CONTROL – FINANCIAL**

### **POLICY:**

It is the intent of DNA to establish and maintain policies and procedures to safeguard all corporation assets against unauthorized use or disposition. To that end, at least two persons will be involved in all cash receipt, payroll, cash disbursement and purchasing transactions. As outlined in policies and procedures throughout this manual, a person who is responsible for incurring an expense or receiving cash will not be responsible for processing the item in the accounting system or final deposit or disbursement of the check. Periodically, all internal controls will be reviewed by Management to ensure that adequate internal controls are in effect and changes will be made where necessary.

Throughout this manual, policies and procedures will elaborate on the internal control to be followed in the following areas:

Cash Receipts

Purchasing

Cash Disbursements

Bank Reconciliation

Payroll

## **INTERNAL CONTROL – COMPUTERIZATION**

### **POLICY:**

Full system backups are to be run daily. Full system backup tapes are stored in the computer server room. At least once per week, a backup of DNA computers is run on the Flagstaff or Farmington servers and stored there. Backups include the accounting system, as well as word, excel and other program files. The case management system is stored on the cloud with Venture Technologies, the company recommended by John Kemp.

All accounting software will be password protected and only authorized personnel (Executive Director, Director of Information Technology and Director of Finance) will have access passwords. Each accounting staff member will only have access to accounting processes he/she is responsible for maintaining. Only the Director of Finance will have access to Vendor set up and Maintenance programs. Posting to the General Ledger will be controlled by the Director of Finance.

Employees are expressly prohibited from loading any unauthorized software on the network or any DNA owned computer. Unauthorized software is that which a license has not been purchased by DNA. The Network Administrator will be responsible for all software installations on DNA computers.

Any flash drive or CD, which has been used off site must be scanned for viruses every time before use on DNA owned computers. The Network Administrator or his/her designee must perform the scanning.

All software purchased by DNA will require input from the department(s) to use the software and the Network Administrator. Final approval for all software purchases will be the sole responsibility of the Executive Director.

## **BONDING**

### **POLICY:**

DNA will maintain fidelity insurance coverage on all employees who handle cash, sign checks, and/or have purchasing or other financial responsibilities or access to financial records and assets. Insurance will be equal at least to the Legal Service Corporation minimum.

### **PROCEDURE:**

The Director of Finance will be responsible for reviewing LSC policy to determine the minimum coverage required and ensure that the program has coverage equal to at least that amount. The Director of Finance will identify all personnel involved in financial matters and ensure that they are covered under the blanket bond.

## **PRIVATE ATTORNEY INVOLVEMENT (PAI)**

### **POLICY:**

DNA collaborates with local bar programs in each Coconino County, Arizona and San Juan County, New Mexico. DNA staff assists with recruitment and retention of volunteers, foster positive relations with local bar associations to support the PAI effort, and helps to ensure efficient and effective means of providing pro bono services in the delivery of legal aid to the indigent.

DNA also collaborates with the various law schools' Career Services, so that new law graduates who are eligible for three plus month paid fellowships know about DNA.

DNA works with leaders of local bar associations to plan and present CLE sessions on issues affecting low income clients from Arizona and New Mexico as a recruitment tool for pro bono attorneys. Expected outcomes of the provision of training to volunteers include recruitment of new and additional pro bono attorneys, the opportunity for private attorneys to get high quality, free CLE, increased collaborations between DNA and local bar associations and attorneys trained to meet the legal needs of low income clients in New Mexico and Arizona.

DNA continues to encourage and assist the volunteer attorney in every way possible to guarantee that "high quality" legal assistance is provided to low-income people.

There will be a continuous need to provide training opportunities for the DNA PAI Coordinators, both full-time and part-time, to enhance their knowledge and professional skills in serving clients as well as manage the local pro bono project to increase volunteer participation. DNA will:

- Conduct quarterly coordinator's meetings to update PAI staff regarding LSC PAI requirements and case management procedures, and to share recruitment/retention techniques and ideas that can be replicated in other DNA branch office service areas;
- Utilize the quarterly Coordinator's meetings to design, schedule, conduct, and evaluate any needed staff training as well as address program issues related to pro bono delivery mechanisms;
- Earmark funds in the PAI budget for Coordinators to attend the annual American Bar Association and National Legal Aid & Defenders Association Equal Justice Conference that offers training on recruitment and retention trends that impact volunteer participation, developing innovative pro bono projects to increase client services, and building professional skills to better manage a pro bono program.

DNA will account for the PAI program through both direct and indirect expenditures including salary and benefits of staff involved, direct expenses in recruitment, planning and

implementation of each facet of the plan. Indirect expenses (overhead) will be applied to the direct costs of the PAI program based on a percentage of personnel costs for PAI to total personnel costs. PAI direct expenditures will be recorded in the MIP Accounting Software program. Indirect expenditures will be applied on a regular basis (at least quarterly) on an Excel worksheet to ensure that the 12 ½% expenditure of LSC Basic funds has been met. The Director of Finance will be responsible for preparing the quarterly report of PAI and forwarding it to the Executive Director and other appropriate management staff.

**PROCEDURE:**

All staff involved with PAI will record the hours worked in the timekeeping system daily. Monthly, Accounting will calculate the hours worked on PAI by employee and multiply that times the employee's hourly rate of pay. The results will be charged to the appropriate salary line item in the PAI account number. Payroll taxes and payroll benefits will allocated based on the PAI salary calculations. Personnel expenses will be posted to the General Ledger each month.

Direct expenses will be recorded based on the documentation received from staff. Travel reimbursements, meals, parking, supplies, etc., should all have an indication on the document that the expense is to be charged to PAI.

Indirect expenses will be allocated to PAI based on the FTE of staff charged directly to PAI at least quarterly. The Director of Finance will calculate the FTE percentage of PAI staff to total staff and apply that percentage to appropriate expense items such as rent, telephone, office supplies, postage, library and professional liability insurance for the offices affected and overall administrative expenses involved in the PAI effort.

Financial Statements will be prepared for PAI in both Arizona and New Mexico and will be forwarded to the PAI coordinator and Executive Directly monthly. Any deficiency in PAI expenditures will be rectified in the remaining months of the calendar year.

## **WHISTLEBLOWER POLICY**

DNA - PEOPLE'S LEGAL SERVICES, INC. requires directors, officers, and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the DNA, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

### Reporting responsibility

If any employee, director or officer reasonably believes that some policy, practice or activity is in violation of law, he/she must report their concerns to an appropriate person. Anyone filing a complaint concerning a violation or suspected violation of the Policy must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Policy. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

### Confidentiality

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

### No retaliation

No director, officer or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Organization prior to seeking resolution outside the Organization.

## **PROCEDURE:**

This policy addresses the organization's open-door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee's supervisor is in the best position to address an area of concern. However, if you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you are encouraged to speak with Executive Director or anyone in management whom you are comfortable in approaching. Supervisors and managers are required to report suspected violations of Policy to the DNA's Chair of the Audit Committee, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, or when you are not satisfied or uncomfortable with following the Organization's open-door policy, individuals should contact the Organization's Chair of the Audit Committee directly.

The Chair of the Audit Committee is responsible for investigating and resolving all reported complaints and allegations concerning violations of the Policy and, at his/her discretion, shall advise the Executive Director and/or the Audit Committee.

The Audit Committee of the Board of Directors shall address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing. Management shall immediately notify the Audit Committee of any such complaint and work with the Committee until the matter is resolved.

#### Handling of reported violations

The Chair of the Audit Committee will notify the sender and acknowledge receipt of the reported violation or suspected violation within seven business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

## **BANK AUTHORIZATIONS**

### **POLICY:**

All bank accounts require approval from the DNA Board of Directors. To establish a new bank account, Management will present a Motion to the Board to open the account. The Motion will contain the purpose of the account, the authorized signatories (two signatures required on all checks) and the name and address of the bank.

The Director of Finance will be responsible for obtaining all the appropriate signatures and forms to open a new account after the Board motion has been approved. He/she will also be responsible for notifying the bank in writing of any changes to the signatories on the account.

### **PROCEDURE:**

The Executive Director will prepare a Motion for Board approval whenever a new bank account is needed. The motion will include the bank name and the purpose of the account as well as the proposed signatories on the account. Upon approval of the motion, the Director of Finance will be responsible for obtaining the appropriate forms and signatures to open the account.

The Director of Finance will be responsible for notifying the bank of any changes to the authorized signatories. A letter will be written immediately upon termination of any signatory from the employ of DNA. New signature cards will be completed when there is a change of approved signatures on any bank account.

## **SECTION II**

### **REPORTING AND RECORD KEEPING**

## FILE RETENTION AND DESTRUCTION

### POLICY:

#### Introduction

Various federal, state and tribal laws require DNA to keep various records for periods of time. After thorough research of the various laws, this policy is adopted to assure that DNA abides by those laws, to allow for extra assurance for meeting those requirements, and to provide DNA administration and staff with direction.

### CLIENT RECORDS:

1. Client notice. DNA does not keep any original documents in our files; they are always given to the client. Clients will be notified, either by copy of this policy, in a closing letter, or as a last resort by Legal Notice published in the local newspaper, of when their files will be destroyed, and that they have the right to request a copy of documents from their file (which are not attorney work product) before the destruction date.
2. Civil cases. Generally, all civil case files will be destroyed 7 years after the case is closed, with the following exceptions:
  - a. ***Custody or child support:*** In all cases where custody of a minor child or children or child support was at issue, the file will be destroyed on the youngest child's 19<sup>th</sup> birthday.
  - b. ***Civil cases brought on behalf of a minor:*** Minor children retain causes of action until they reach the age of majority, and statutes of limitation often therefore begin at the age of majority. In a civil case brought on behalf of a minor, the file will be destroyed on the minor child's 28<sup>th</sup> birthday.
  - c. ***Probate cases:*** If DNA prepared a Will for the client, the original will should never be kept in the file. The original will should be given to the client, or to the person the client designates, or should be filed with the appropriate probate court. All probate or estate cases will be destroyed 15 years after the case is closed.
3. Criminal cases. All criminal cases will be destroyed 10 years after the case is closed.
4. Procedure for file destruction. After appropriately notifying the client of the file destruction (see section 1 above), each DNA litigator, upon closing client files, will indicate in DNA's case management system, when the file will be destroyed. On a quarterly basis, DNA support staff will:
  - a. Run a report from the case management system as to which files are ready to be destroyed;

- b. Review the physical file to ensure we do not have any original client documents, and if we do, return them to the client. If documents are returned as undeliverable, staff will look in Westlaw or Lexis' "people finder" or a similar service (without additional cost to DNA) to find the last known address for a former client, and re-send the originals. If originals absolutely cannot be delivered, they will be kept in a file in the Window Rock administrative office, alphabetically by client's name;
  - c. Destroy the papers in the physical file, by shredding, burning, or delivering the documents to a service which will shred or otherwise destroy the papers in the file immediately; and
  - d. To reduce DNA's operating costs, file folders and paper clips will be re-used whenever possible.
5. Electronic records. The information in DNA's CMS will not be deleted on the file destruction date. If client documents were scanned or otherwise kept electronically, those documents will be deleted on the appropriate file destruction date.

**SUBSTANTIVE LAW RECORDS:** DNA offices accumulate files which are informational in nature, such as continuing legal education materials, LSC opinion letters, and other substantive materials and periodicals. Per Section XVII(B) (10) RESIGNATION of DNA's Personnel Policies & Procedures Manual, such accumulated records are to be disposed of by the resigning employee before their last day of work. Books which are part of DNA's library inventory may be recycled after consultation with the Executive Director, and after a list of the books to be recycled are forwarded to DNA's Director of Finance.

**EMPLOYEE-RELATED RECORDS:**

1. Employee records. Generally, DNA will keep employee-related records for 7 years following the employee's last day of employment at DNA. After 7 years, only a computerized record will be kept, including:
  - a. Employees' name
  - b. Employees' Social Security Number
  - c. Hiring Date
  - d. Position(s) held at DNA, and at which office(s)
  - e. Termination Date
  - f. Reason for termination (i.e. resignation, fired for cause, laid-off)
  - g. Jurisdictions in which employee was licensed, if applicable, including bar number(s).

DNA will keep this computerized information for the purpose of giving references in the future, whether for prospective new employers or prospective new bar jurisdictions. Such computerized record will be maintained by the Administrative Assistant, who will ensure that the computerized record can always be accessed by current software.

Exceptions to this 7-year general rule are:

- a. If an employee no longer works at DNA because of a work-related injury, records related to the injury may need to be kept longer than 7 years;
  - b. If an employee no longer works at DNA but keeps her/his pension, 401(k) etc. with DNA, the records related to the pension will need to be kept longer than 7 years;
  - c. In the unlikely event that DNA has an employee's medical records (such as medical records related to exposure to toxic substances or harmful physical agents, or to a Worker's Compensation claim), those records will be kept for 30 years beyond the employee's last day of employment at DNA; and
  - d. If an official investigation is underway or even suspected, management must stop any document destruction immediately to avoid criminal obstruction charges.
2. Applicants (not hired). Applicant materials (application, resume, cover letter, correspondence etc. will be destroyed after 3 years from the date of application.

After the appropriate length of time, such employee/applicant records will be destroyed by the Administrative Assistant, by shredding, burning, or delivering the documents to a service which will shred or otherwise destroy the papers in the file immediately. To reduce DNA's operating costs, file folders and paper clips will be re-used whenever possible.

## **FINANCIAL/CORPORATE RECORDS**

The following chart shows the length of time that various financial and DNA corporate records will be kept. All time periods, unless otherwise specified, are after the calendar year end. Records will be kept at the Window Rock DNA central office.

After the appropriate length of time, such records will be destroyed by administrative staff, by shredding, burning, or delivering physical documents to a service which will shred or otherwise destroy the papers in the file immediately. To reduce DNA's operating costs, file folders and paper clips will be re-used whenever possible. Where records are electronic, after the appropriate length of time, such records will be deleted from DNA's computer systems.

### ACCOUNTING RECORDS

General journal	PERMANENT
General ledger	PERMANENT
Cash receipts ledger, log and/or book	7 years
Cash disbursements ledger	7 years
Bank statements & canceled checks, and bank reconciliations	7 years
Billings for services	7 years
Employee travel & expense reports	7 years
Expense bills (source documents)	7 years
Petty cash records	7 years
Financial statements – annual	PERMANENT
Financial statements-monthly or quarterly	7 years
Audit reports	PERMANENT
Inventories	7 years
Indirect Cost Allocation documentation	7 years

### RECORDS OF FIXED ASSETS

Land and buildings	PERMANENT
Equipment, whether or not traded in (after disposition)	3 years
Depreciation schedules	PERMANENT

### CONTRACTS

Leases (after termination)	7 years
Grant agreements and all other grant documents (after expiration of grant)	6 years
Grant applications which were not funded	6 years
Restricted funds documentation (after use of funds)	7 years

### TAX RETURNS

Federal Form 990 and working papers	PERMANENT
State information returns and working papers	PERMANENT
Payroll tax returns	4 years
Withholding tax statements (W-2 and 1099)	4 years

**CORPORATE ORGANIZATION RECORDS**

Corporate charter and certificate of incorporation	PERMANENT
Bylaws and Articles of Incorporation	PERMANENT
Minutes of Board of Directors meetings	PERMANENT
Annual reports	PERMANENT

## GENERAL JOURNAL

### POLICY:

Entries into the General Ledger will be made from one of the following sources:

- Accounts Payable – entry of an invoice or credit memo to book an invoice or check request in the Accounts Payable Module.
- Cash Receipts – entry originating from cash received and deposited to a bank account in the General Ledger module – Cash Receipts program.
- Accounts Receivable invoicing and payments – entry originating the Accounts Receivable Module will record any income from grants, pledges or contracts. Payment of a Receivable will be recorded in the Accounts Receivable Module which will be posted into the General Ledger.
- Cash Disbursements – recording of a check issued in payment of an invoice/check request or to record a manual check issued for any purpose in the Accounts Payable Module.
- Payroll – recording all payroll transactions including gross salary, benefits, voluntary and mandatory deductions as well as cash in the Payroll Module.

Any other entry to the General Ledger will be made by way of a General Journal. Standard general journal entries are:

- Depreciation – to record the annual depreciation of assets.
- Other Fixed Asset entries – to record the sale or other disposition of an asset and its applicable depreciation.
- Receipts and disbursements for all Client Escrow and litigation accounts.
- Electronic transfers between savings and checking accounts, purchase/disposal of Investment Instruments and other adjustments such as interest earned or service charged, canceled checks, etc.
- Prepaid Expenses including insurance.
- Bank Charges and Interest Income.

All Journal Entries are accompanied by a thorough description of the transaction and approved by the Director of Finance.

- Description of monthly standard Journal Entries:
- 1 – TO RECORD ELECTRONIC TRANSFERS TO AND FROM GENERAL ACCOUNT AND STATEMENT SAVINGS. Record telephone transfers between savings account and other accounts such as the general account, payroll account and litigation account.
  - 2 – TO RECORD SERVICE CHARGES, TRANSFER CHARGES AND INTEREST EARNED IN GENERAL AND SAVINGS ACCOUNTS. To record interest earned on monies held in statement savings and checking accounts.
  - 3 – TO RECORD INVESTMENT ACCOUNT ACTIVITY. Record investment acquisitions and **disposals** and interest earned thereon.
  - 4 – TO RECORD LSC AND OTHER DIRECT DEPOSIT. LSC and other funding source monthly checks are automatically deposited to general account.
  - 5 – RECORD CLIENT TRUST ACCOUNT ACTIVITY. To record receipts and disbursements from all client trust accounts.
  - 6. – RECORD MONTHLY EXPENSE FROM PREPAID ACCOUNTS. To record the monthly expense for items such as insurance from the prepaid accounts.
  - 7. – ALLOCATE SALARIES BASED ON ACTUAL HOURS WORKED.

## GENERAL LEDGER

### POLICY:

The General Ledger will be posted throughout the month from the Accounts Payable, Payroll, Purchasing and Accounts Receivable modules.

Balance Sheet Accounts will be reconciled at least quarterly. The Director of Finance will maintain reconciliations until the annual audit is complete for that year.

### PROCEDURE:

The Director of Finance will be responsible for ensuring that the General Ledger is posted up to date daily from the General Ledger, Accounts Payable, Purchasing, Accounts Receivable and Payroll Modules.

The Director of Finance will maintain the following Balance Sheet accounts on a regular basis, at least quarterly:

- **All Cash Accounts** – To be reconciled monthly for all cash, investment and health insurance cash accounts. Reconciliations from Regional Offices for Client Trust accounts will be compared to the General Ledger monthly and a Journal Entry will be prepared to record any transactions.
- **Receivable Accounts** – To be reconciled monthly for all Travel Advances and other receivables. Follow up must be made for repayments, which have not cleared within thirty (30) days of issuance.
- **Grants Receivable** – To be reconciled monthly for all funding sources. Follow up must be made for any payments outstanding for more than thirty (30) days from the billing date.
- **Prepaid Expenses** – To be reconciled at least quarterly for all prepaid expenses. Entries should be made to expense the appropriate portion of the expenditure to the current operating expenses. Examples of these expenses are liability insurance, malpractice insurance, property taxes, and Xerox rental.
- **Accounts Payable** – A listing from the Accounts Payable module must be compared to the General Ledger monthly to ensure that the liability account is in balance with the detail. Any discrepancies should be adjusted within the system.
- **Other accrued expenses** – To be reconciled at least quarterly to ensure that the amount in such accounts (such as accrued vacation, etc.) are in balance with the detail.

## CHART OF ACCOUNTS

### POLICY:

The Chart of Accounts is designed to classify all income, expense, asset and liability by type, funding source and restriction. Income and Expenditures will require the full Fund, Account Number, Funding Source and Location. The full Chart of Accounts can be found in (Appendix 1).

Additions and/or changes to the Chart of Accounts may only be made by the Director of Finance. Any proposed addition/change should be submitted to the Director of Finance for review, approval and implementation.

A valid account number in the DNA Accounting System is made up of four segments. All four segments will be entered for every transaction into the system. All entries will include the Funding Source, Program, Restriction and Location along with the Account number to be charged.

- XXXX Account Number
- XXX –XX-XX-X Funding Source, Program, Location, Restriction

### ACCOUNT NUMBER:

**(1XXX Assets, 2XXX Liabilities, 3XXX Net Assets, 4XXX Revenue, 5XXX-8XXX Expenditures) See listing for detailed Asset, Liability and Net Asset accounts. See listing for details of all revenue and expense accounts.**

- **Revenue**

40XX Grant Revenue	Revenue received/earned for the current year
41XX Investment Income	Interest/dividends earned on investment and/or checking accounts and Gain/Loss adjustment to Market Value at year end
44XX	Contributed Income
46XX-49XX	Other Income not included in the above

**Basic Expense Types – These descriptions are shown for the purpose of itemizing the natural classifications of expenses, and are universal regardless of function, location or funds. See Appendix for the full Chart of Accounts.**

EXPENSE TYPE	DESCRIPTIONS
5005 Salary - Attorney	Attorney compensation including wages and sick pay
5015 Salary - Advocates	Advocate compensation, including wages and sick pay
5025 Salary – Administrative	Administrative staff compensation, including wages and sick pay
5030 Salary – Other Staff	Other Staff compensation including wages and sick pay
5035 Janitor Wages	Wages for Janitorial staff including wages overtime and sick pay
5040 Student Wages	Wages for students including overtime
5050 Severance Pay	Severance pay for laid off employees
5080 Loan Forgiveness Expense	Compensation paid under Loan Forgiveness benefit plan
5090 Salary – Annual Leave	Value of increase or decrease in accrued vacation liability
5105 Payroll Taxes	Employers payroll tax expense
5115 – 5120 Payroll Benefits	Employers expense for payroll benefits
5205 – 5290 Occupancy expenses	Expenses for mortgage interest, land and building rent/lease, utilities and maintenance for office space
5405 Professional Fees- Legal	Cost of legal services provided to program
5411 Professional Fees-Accounting	Cost of consulting fees for accounting
5415 Professional Fees-Audit	Cost of annual audit from independent CPA
5425 Professional Fees – Computer	Cost of consulting fees for computer hardware and software
5435 Professional Fees – Other	Other professional fees to the program
5505-5516 Travel - Staff	Cost of mileage, airfare, per diem for staff
5525-5540 Travel – Board	Cost of mileage, airfare, per diem for Board

EXPENSE TYPE	DESCRIPTIONS
5550-5555 Hotel	Hotel expense for staff and Board
5615-5620 Training	All training expense including conference fees, and other expenses for training but not including travel, per diem or hotel expenses
5706-5707 Office Supplies	Cost of all supplies required to run the office such as paper, pens, paper clips, and computer supplies including printer cartridges
5725 Postage and Delivery	Cost of postage and delivery such as UPS, Fed Ex, DHL, etc.
5715-5720 Small Equip & Software	< \$5,000 Cost of equipment, furniture and software purchased for less than \$5,000
5735 Printing	Cost of outside printing and duplicating
5805 Litigation Expense	All litigation expenses
5905 – 5910 Library	Cost of subscription renewals and On Line legal research
6005 Equipment Rent	Cost to rent equipment such as duplicating machines, postage machines, etc.
6006-6015 Equipment Repair	Cost of repair to equipment and cost of maintenance contracts for equipment and software
6105 Telephone	Cost of land line and cell phone telephone local and long-distance calls as well as T-lines and other telephone charges
6110 Internet/E-Mail	Charges for Internet access and E-Mail access
6205 – 6215 Dues	Cost of Bar Dues for Attorneys, Other professional dues for staff including CPA dues, Notary Dues, etc., and Organizational dues such as NLADA, etc.
6305-6320 Insurance	Premiums for Professional liability, general liability, crime, and Directors and Officers Insurance (does not include Workers Compensation which is recorded in Payroll Benefits)

EXPENSE TYPE	DESCRIPTIONS
6505 Advertising – Personnel	Cost of advertising for staff
6510 Radio	Cost of radio advertising
6520-6530 Meeting Expense	Cost of Staff, Board and other meetings including food, supplies, etc.
6540 Late Fees	Fees charged for late payments
6550 Interest Expense	Interest charged on accounts – does not include Mortgage Interest which is recorded under Occupancy Expenses
6555 Fees and Licenses	Cost of any fees or licenses
6560 Marketing/Promotions	Cost of any marketing or promotions not recorded under Radio 6510
6570 Gain/Loss on Sale	Gain or loss recognized upon the sale of either assets or investments
6580 Depreciation	Annual depreciation expense for building, equipment, furniture, computer equipment, leasehold improvements and trailers
6590 Miscellaneous	Other expenses not included in any of the preceding expense categories (this should be used very rarely)
6905-6950 Capital Purchases	Cost of Capital Additions – over \$5,000 which are capitalized and depreciated and monthly principal payment on any mortgages

**FUNDING SOURCES:**

- 000-199 Unrestricted Funds
- 201-299 Federal Funding Sources
- 300-399 State Funding Sources
- 400 Local Funding Sources
- 500-900 Private Funding Sources

**PROGRAM:**

10 Program	Used in almost all instances for expenses and income except for Matching expenses to various grants, PAI expenses, Administrative and fundraising functions and Community Education
20 PAI	All income and expenses related to PAI activities regardless of funding source
30-35 Matching Funds	All expenses used for Matching requirements for various grants regardless of funding source
60	Administration (Accounting, Reception, Human Resources, ED)
70	Information Technology
80	Fund Raising

**LOCATION:**

00-60 Locations	All expenses and income for a specific location regardless of funding source
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## **ANNUAL BUDGET PREPARATION**

### **POLICY:**

A budget will be prepared annually by location, funding source and program detailing expected revenue, personnel and non-personnel expenditures. The budget will be presented to the Board of Directors prior to the beginning of the new fiscal year for approval.

### **PROCEDURE:**

The Executive Director, Director of Finance and appropriate management personnel will begin the budget process no later than September 1<sup>st</sup> for the following years' budget. General assumptions for revenue and expense will be determined including salary projections, capital additions, new personnel considerations etc. A review of current year expenditures will be made to determine whether there should be significant changes to line item assumptions for the coming year.

The Director of Finance will prepare an initial draft of the budget based on the assumptions made in the planning meeting discussed above. The Director of Finance will work closely with the Grants Management staff regarding potential sources of funding and expenditure requirements for each fund included in the budget. He/she will also work closely with the Human Resources Director regarding personnel, benefits and related expenses. The Executive Director and appropriate program staff to allocate each staff member to funding sources based on the type of work they are doing and the funding source that will cover that work. The initial draft will be forwarded back to the Budget Committee for review and revisions as necessary.

The completed budget will be sent to the Finance Committee of the Board of Directors for review and discussion and then to the full board for approval. The approved budget will be input to the MIP accounting system to prepare actual vs. budget financial reports.

## **MANAGEMENT REPORTS**

### **POLICY:**

Monthly reports, including at a minimum, a Balance Sheet and a Statement of Revenues and Expenses, showing Funding Source, Budget, Actual and Variances, are to be submitted to the Management staff, by the 15<sup>th</sup> working day following the end of the month, or as soon thereafter as reasonably possible (Appendix 2). The responsibility for producing such reports lies with the Director of Finance.

The annual approved budget will be input to the accounting system by line item and funding source as soon as the budget has been approved by the Board of Directors. New or renewed grant budgets approved during the year will be input to the accounting system as soon as they have been approved by the funding source.

The Director of Finance will work with appropriate staff to prepare projections of income and expenditures to year end on a quarterly basis.

### **PROCEDURE:**

To produce monthly financial statements in a timely manner, all invoices received **after** the 10<sup>th</sup> of each month for the previous month will be accounted for in the current month. In other words, an October invoice received on the 10<sup>th</sup> of November will be treated as a November expense. In January to account for all December expenses in the yearend audit, Accounts Payable will be held open until all expenses have been received. For grants that have a yearend different from the DNA year end, expenses should be recorded in the proper accounting period to ensure that all expenses are included prior to the final grant report submission. This may result in minor changes to monthly financial statements which are produced on the 15<sup>th</sup> working day of each month.

The Director of Finance will be responsible for producing monthly financial statements for Management review. Each report will show actual expenditures compared to budget for the current period and year to date as well as a variance from budget. Each report will show both income and expenditures. Reports will be distributed to Management staff responsible for managing the budget for the organization, location and/or funding source. Project reports will be prepared and distributed to Project Directors.

The Director of Finance will review each financial statement prior to distribution to ensure accuracy. Along with the reports, the Director of Finance will explain any obvious variances between budget and actual.

Project Managers will be responsible for reviewing the financial reports for their project and will work with the Director of Finance to ensure that any coding errors have been corrected.

Budgets by funding source and location will be entered into the accounting system as soon as the annual budget has been approved by the Board of Directors. Each line item will be entered by funding source and location so that reports can compare budget to actual for the month and year to date. Any new or renewed grants not included in the annual budget or

varying from the annual budget will be entered into the system to reflect the approved budget from that funding source. The Director of Finance will work with the Human Resources Director and Development Director to ensure that all current budgets are included in the financial statements.

On a quarterly basis, the Director of Finance will prepare a projection of income and expenditures to the end of the year based on the most current information available and history. The Director of Finance will work with the Human Resources Manager and Development Director as well as Project Directors and other management staff to gather the most current information about funding sources, expenditure patterns, staffing and other expenditures. Projections to year end will be included with quarterly financial statements for presentation to both the DNA Management staff and the Board of Directors.

## **ANNUAL FINANCIAL REPORTS**

### **POLICY:**

DNA - People's Legal Services, Inc. will be audited annually by a Certified Public Accounting firm. The annual audit will comply with requirements set by various funding sources including OMB A-133 and LSC Audit Guides and will contain appropriate statements, comments and reports. The CPA firm will perform compliance testing in accordance with grant requirements and submit the report within the time frame set by funding sources.

DNA staff will prepare financial statements for audit and compliance testing in a timely manner to meet time constraints of the auditing team and funding source deadlines.

### **PROCEDURE:**

The Director of Finance will ensure that all Balance Sheet accounts are reconciled and appropriate entries have been made to the General Ledger. He/she will ensure that the beginning balances of all Asset, Liability and Net Asset accounts agree to the ending balances from the prior audited financial statements.

The Director of Finance will prepare the financial statements in the format presented in the annual audit - including the Statement of Activity, Functional Expense Statement, Statement of Financial Position and individual grant expenditure reports. He/she will review the prior year Notes to the Financial Statements and make appropriate changes where necessary. All financial statements will be complete prior to the arrival of the outside auditors on DNA premises.

The Director of Finance will review and approve all proposed audit journal entries before the draft financial statements are prepared. He/she will be responsible for reviewing the draft financial statements with appropriate management staff prior to submission to the Board of Directors for final approval.

The Director of Finance will assist the outside auditors with preparation of the annual State and Federal tax returns as requested.

## **BUDGETS IN ACCOUNTING SYSTEM**

### **POLICY:**

The Director of Finance will be responsible for ensuring that the annual approved budget for DNA has been entered into the accounting system as soon as the Board of Directors has approved the numbers.

Budgets will be input by funding source, line item, location where applicable and month.

During the year, budgets for either new or renewed grants will be entered into the accounting system for the months included in the approved grant budget.

Reports will be run monthly showing income and expense compared to budget for the month and year to date.

### **PROCEDURE:**

As soon as the annual budget is approved by the Board of Directors of DNA, the Director of Finance will ensure that it is entered into the MIP Accounting System through the budget maintenance program. Budgets will be entered by line item, funding source and month for each funding source and all unrestricted funds. In addition, if a grant is specific to one or more locations, the budget will be entered for that location(s). The Director of Finance will ensure that the budget for each funding source matches the approved budget for that funding source.

As funding sources are added or renewed during the calendar year, the Director of Finance will ensure that the approved budget for that funding source is entered into the accounting system. The budget will be entered for the grant period approved in the grant documents monthly. If a budget is revised and approved by the funding source, the adjusted budget will be input to the accounting system.

Monthly reports will be run showing the current month actual compared to current month budget and year-to-date actual compared to year-to-date budget. Monthly reports will be distributed to Project Managers as well as Senior Management of DNA.

## **FINANCIAL PROJECTIONS TO YEAR END**

### **POLICY:**

On a regular basis, at least quarterly, the Director of Finance will gather pertinent information from the Development Director and Project Managers to prepare a financial projection to year end for senior management. The projections will include both revenue and expenses for every funding source. A report will be prepared showing the approved budget, the actual expenditures to date and the projected expenditures to the end of the calendar year.

### **PROCEDURE:**

At the end of each quarter, the Director of Finance will request information from the Development Director regarding any new or renewed funding sources projected through the end of the calendar year. The Development Director will include any projected income which has changed from the approved budget and is assured to be approved within the calendar year. This will include contributions as well as grants and contracts. In the case of grants and contracts, a copy of the approved budget for both income and expense will be forwarded to the Director of Finance.

The Director of Development will provide any updated information regarding current funding sources by line item.

Project Directors will be asked to determine what the expenditures will be for the balance of the grant year. Any significant changes will be incorporated into the projections prepared.

The worksheet will include the following columns:

<b>DESCRIPTION</b>	<b>APPROVED BUDGET</b>	<b>CURRENT TO DATE</b>	<b>PROJECTED TO YEAR END</b>	<b>REVISED BUDGET</b>
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The Director of Finance will gather all the information by funding source and make projections to the end of the calendar year for each funding source and then consolidate that data into a corporate wide revised budget. Estimates of expenditures for line items will be based either on contract, experience or projections by Project Managers and other senior management personnel. As the year progresses, these estimates may change based on many factors such as types of cases accepted, number of personnel employed, new or renewed grants, grants that were not renewed, etc. The Director of Finance will attempt to make the projections as accurate as possible so that Management can review the statements and adjust expenditures where necessary.

**SECTION III**  
**FINANCIAL POLICIES AND PROCEDURES**

## **CASH INVESTMENTS**

### **POLICY:**

All funds held for immediate operating expenses will be maintained in a federally insured bank account. The balance in that account will not exceed the amount covered by FDIC insurance. However, it is understood that the account may require a balance more than that amount when payroll or accounts payable checks are to be issued, and that the balance will exceed the limit for only a short period of time.

Funds, more than those needed for immediate operating expense, will be invested in federally insured accounts. Investments may be in the form of certificates, U. S. Treasury notes or bills, money market accounts or other U. S. government securities. Morgan Stanley, Merrill Lynch or such other comparable investment company will hold and process investments for DNA. Monthly investment statements will be reconciled to the General Ledger and entries will be made for realized and unrealized gains (losses) and interest and dividend activity.

Any investment policy adopted outside these stated policies must be acknowledged by resolution of the divergence from LSC's authorized policy (stated above), and recorded in the minutes. In such cases, the Board accepts full responsibility for the security of those investments.

Investments are accounted for in accordance with Statement of Financial Accounting Standards #124.

### **PROCEDURE:**

A committee consisting of the Executive Director, Finance Director and Audit Committee of the Board will make decisions of what actions to take with invested funds. The Executive Director and the Board of Directors have designated the Director of Finance to make all investment transactions about maturity dates and amounts to invest in accordance with Board policy. The Director of Finance is also responsible for the reconciliation of the account and recording of maturities and interest income.

## **CLIENT TRUST ACCOUNT**

### **POLICY:**

Each DNA office will maintain a Client Trust Checking Account for all client funds. All Client funds received by DNA will be kept in a Client Trust Checking Account in accordance with the appropriate Rules of Professional Conduct for Arizona, New Mexico and Utah. Basically, this rule states that it is mandatory for every law practice in each state maintain an interest-bearing trust bank account as a depository for client funds.

The Board of Directors of DNA will authorize Client Trust Accounts and appropriate signatories on the account. All checks will require two signatures prior to disbursement.

Client Trust accounts will be reconciled monthly in Accounting. The Director of Finance will designate a staff member in accounting to complete the bank reconciliation and compare it to the client reconciliation total from all offices.

Each attorney will be responsible for ensuring that the client funds are refunded to the client when the client case is being closed. Regular reviews will be performed to ensure that client funds are not held when there is no purpose for the funds.

Client funds that have been inactive for a period described in each state will be escheated to the proper state in accordance with their rules. (Arizona – 5 years , Utah – 3 years, and New Mexico – 5 years after a case is closed) DNA staff must use every option to attempt to locate the client before escheating the funds to the appropriate state.

### **PROCEDURE:**

#### **Staff Responsibilities:**

The Attorney of Record (AOR) on each client case will be responsible for requesting client funds, requesting the disbursement of those funds and requesting a refund of any balance to the client when the case is complete.

The Office Manager in each office will be responsible for accepting funds from the client, issuing a receipt to the client, and depositing the funds into the Client Trust checking account. The Office Manager will maintain a record by client of all deposits received and checks disbursed showing dates, amounts and purpose of each transaction. The Office Manager will receive check requests authorized by the Attorney of Record and will prepare the disbursements checks for signature. At the end of each month, the Office Manager will complete the Client Trust worksheet and forward check copies, bank deposit slips and client receipts to accounting for reconciliation.

The Accounting Department will combine all Regional Office client reconciliations and prepare the Bank Reconciliation within ten days of receipt of the Bank Statement. The Director of Finance will review the completed reconciliation (Bank and Client) prior to filing and prepare the appropriate Journal Entry to record the activity in the account.

Check signers will be responsible for reviewing documentation prior to signing checks from the Client Trust Account to ensure that the request/invoice has been approved and that the expenditure is reasonable and accurate.

### **General Policies:**

Clients will be asked to bring in a check or Money Order – no cash will be accepted for deposit to the Client Trust Account.

A Check made payable to the Client and DNA will be held for the client. At the time the client comes to the office, he/she will be asked to sign a receipt that the check was received. A representative of DNA will countersign the check to the client. A copy of the receipt and the check will be placed in the client file for reference.

If a client is unable to pay for filing fees in advance, the program will pay such fees from its litigation budget with appropriate approvals. Under no circumstances will the Client Trust Account advance these fees. The check will be issued from the Litigation checking account and will be charged to Litigation Expense.

If the bank charges for Stop Payments and/or monthly Service Charges, these funds will be reimbursed. Every effort will be made to have the bank make these charges to the DNA major account, waive the fees or send an invoice to the program. If this cannot be enacted, a check will be issued charging the amount to Bank Fees and will be deposited to the Client Trust Account.

- **Signatories:** The Client Trust account will have at least two approved signatories. The Signatories will be at a minimum the Executive Director and Managing Attorney and one other Advocate or Attorney. The Office Manager cannot be one of the authorized signatories on the account – as that person is responsible for various accounting duties on the account.
- **Client Records:** Each client with funds in the Client Trust Account will have a record sheet to record their deposit of funds and disbursement of those funds from their account. An entry will be made every time a client deposits funds into their account and every time a check is issued on behalf of the client for costs and fees.
- **Client Receipts:** A receipt will be issued to each client for funds received and deposited to the Client Trust account. Receipts will be numerical and will be issued in sequence. The Office Manager in each office will be responsible for issuance of the receipt. The original will be given to the client; the second copy will be given to the Accounting at month end along with other the Client Reconciliation report and the third copy will be retained in the Receipt Book. The Office Manager will be responsible for recording the funds in the Client Record which will bring the balance forward as well as ensure that the funds are deposited to the Client Trust Account.

- **Cash Disbursements:** An invoice or Check Request must support Disbursement of Client Funds. The Invoice/Check Request must indicate the client name; purpose of the check and be approved by the Attorney of Record. The completed document will be forwarded to the Office Manager for processing. Prior to issuing a check, the Office Manager will ensure that adequate funds are available in the client account. If the client has insufficient funds to cover the requested check, the Office Manager will return the request to the attorney. The Invoice/Check Request will be included with the check when signatures are obtained. All supporting documents will be filed with the Client Trust account. The Office Manager will be responsible for updating the client record with the disbursement.
- **Monthly Reconciliations:** Within five (5) working days of the end of the month, the Office Manager will complete the Client Trust worksheet (Appendix 3) and compare it to the Client listing. If the total on both systems agree, a copy of the worksheet along with check copies, receipt copies and bank deposit slips will be forwarded to Accounting. If the two systems do not agree, the Office Manager will review each system, locate the differences and make the appropriate adjustment. Within ten (10) working days of the receipt of the bank statement, the Accounting staff will perform the monthly Bank Reconciliation and reconcile the bank balance to the Client Records. After the bank has been reconciled, outstanding checks will be reviewed monthly. If a check has been outstanding for more than one month, every effort will be made to contact the client/payee and assure that the check is cashed. If a check is outstanding for three months or more, the Attorney of Record will be notified so that he/she can contact the client. Accounting will produce a quarterly report to DNA Management staff of outstanding checks in the client trust account. Management staff will be responsible to ensure that client trust balances are cleared before a case file can be closed. If the outstanding check is a refund to the client and has been outstanding for five years or more, the funds will be escheated to the appropriate State in accordance with the Unclaimed Property Laws in each state. The Monthly Reconciliation will include reconciling a total of Client Trust Records to the Reconciled Bank balance. A Client Trust Accounting Report will be printed showing the total of the Client Records. This form along with the Bank Statement, Cash Receipts, Check Requests/invoices and cancelled Checks and Cash Deposits forms will be retained in Central Accounting. If the Bank Account and Client Record Balance is zero, the reconciliation form and bank statement will still be forwarded to Central Accounting.
- **Refunding Funds to the Client:** Any funds left on a client account after the case has been resolved, will be refunded to the client in a timely manner. A check will be issued to the client for the balance in his/her account. If the check has not been cashed within one month of the date of issue, the client will be contacted. If the check was lost, a stop payment

will be issued and a new check will be sent to the client. If the client cannot be located, the Office will make every effort to locate the client including the use of the World Wide Web [who/where.lycos.com](http://who/where.lycos.com).

- The Office Manager will issue a report at least quarterly of all client balances which will be forwarded to attorneys in their office. The attorneys are responsible for ensuring that all funds listed on the form are for active client accounts. If the account has been closed, the Attorney of Record will immediately forward a check request to refund the funds to the client. The Attorney is responsible for obtaining a current address for the refund.
- **Escheating funds to the appropriate state:** Balances in client accounts which are three years old or more will be escheated in each state according to the Unclaimed Property Law of that state. The Office Manager will be responsible for reviewing all client funds, which have no activity for three months or more. The Attorney of Record should be notified to determine if the case is still active – if not, the funds will be refunded to the client.
- **Monthly Journal Entry:** After the reconciliation is complete, staff will prepare a monthly journal entry to record the net changes in the Client Trust Checking Account and the Client Trust Payable account. These entries will be entered into the General Ledger on a monthly basis by the Assistant Fiscal Manager.

## **BANK RECONCILIATIONS**

### **POLICY:**

All DNA bank statements are delivered, unopened, to the Executive Director or his/her designee, who will look at the returned checks for unauthorized transfers or signatures, unusual endorsements and other such matters as may come to his/her attention.

The Director of Finance will be responsible for reconciling the investment and bank accounts to the General Ledger monthly. The Executive Director will review and approve all bank reconciliations. Completed Reconciliations must include a full description of any journal entries prepared for entries into the General Ledger.

### **PROCEDURE:**

The Executive Director or his/her designee will date and initial the bank statements and give them to Accounting after review. Banks will be reconciled no later than fifteen (15) working days after receipt.

The Director of Finance is responsible for ensuring that the reconciled bank statements agree with the General Ledger balances. All bank reconciliations for the General Operating and Payroll bank accounts will be completed within the MIP Software system. Any differences must be fully explained in a journal entry to accompany the completed reconciliation.

Stale dated (more than 3 months old) checks, which are still outstanding, will be voided in the system and a Stop Payment will be placed with the bank if appropriate. The Accounting Technician – Accounts Payable will be responsible for researching the reason the check is still uncashed and will determine whether the check should be re-issued. If the invoice is no longer valid, a debit memo will be issued in the system to reverse the charge. The debit memo will be dated as of the date the check is to be voided.

Completed reconciliations will be returned to the Executive Director or his/her designee for review and approval prior to filing. The review process will require the initials of the reviewer as well as the date of the review.

## **CASH RECEIPTS**

### **POLICY:**

All funds received in the Window Rock Office will be restrictively endorsed and entered a cash receipts log upon receipt by the Executive Secretary. Checks will be deposited at least once per week, more often if needed or large checks have been received. Funds received in a field office will be forwarded to the Window Rock Office for processing. The Manager of the field office will send an email to the Director of Finance notifying him/her of funds being forwarded to the Window Rock Office.

### **PROCEDURE:**

The Executive Secretary will open all mail in the Window Rock Office. Checks will be restrictively endorsed for deposit to General Funds Operating Account. The Executive Secretary will record all checks in the Cash Receipts Log noting name of remitter, source, date and amount and make a copy of each check received. He/she will forward the checks, check copies and any correspondence to the Assistant Fiscal Manager.

The Assistant Fiscal Manager will be responsible for preparing the bank deposit slip. The Director of Finance will take the deposit to the bank at least once per week. If large checks are received, deposits will be made the same day. All checks will be stored in a locked file until a deposit is made.

The duplicate deposit slip, bank receipt form, a copy of the deposit log and the copies of checks deposited will be forwarded to the Director of Finance who will be responsible for coding all cash receipts to the appropriate account number and funding source and determining whether the receipt should be recorded in the Receivable Module or in the General Ledger Module of MIP. The completed packets will be forwarded to the Assistant Fiscal Manager for processing through the MIP accounting system.

The full deposit packet (check copies, duplicate deposit slip, applicable correspondence and deposit log) will be filed after entry to the accounting system. The deposit reference number assigned by MIP will be entered onto the face of the deposit packet for future reference.

## **CASH TRANSFERS**

### **POLICY:**

The Director of Finance has the responsibility and authority to transfer funds from one account to another for the following purposes:

- To cover the bi-weekly payroll and tax deposits.
- To invest excess cash on hand.
- To cover Cash Disbursements.

The Director of Finance will verify the funds needed prior to making the transfer of funds. Verification of Payroll will require matching the transfer request to the MIP summary cash requirement report. To transfer funds to the Investment Account, the Director of Finance will review the projection for payroll and cash disbursements for the next month at minimum, as well as investment maturities over the next month. To transfer funds to the Operating Account, the Director of Finance will review the Cash Requirements Report from the MIP Accounts Payable Module.

Appropriate paperwork will be completed as necessary. Transfers from the Investment Account will require a standard form approved by either the Executive Director or Director of Finance.

### **PROCEDURE:**

The Director of Finance will review the Cash Disbursements report before each check run and the Payroll Register before each payroll processing to determine whether there are adequate funds in the operating and payroll bank accounts to cover all checks issued. If funds are needed, a Transfer Form will be completed with the date, amount and bank to be transferred into for approval by the Executive Director

The transfer request form and check copy will be the documentation for the journal entry to be entered by the Assistant Director of Finance into the General Ledger.

## **PAYROLL**

## **PAY DATES AND PROCESSING PROCEDURES**

### **POLICY:**

All staff will be paid on a Bi-Weekly basis on Tuesdays. If payday falls on a holiday, checks will be available the day preceding the holiday.

DNA bi-weekly payroll period is from 12:01 A.M. on Saturday through the 2<sup>nd</sup> Friday at 11:59 P.M. DNA employees, including part time employees are paid through two Fridays before payday. All employees submit timesheets by Wednesday after the end of the pay period. Accounting will issue a schedule at the beginning of each year showing paydays and timesheet submission dates.

All changes to the payroll – new hires, terminations, change in pay rate, transfer of location, and change in mandatory or voluntary deductions – will require appropriate paperwork to be completed and approved prior to processing in the payroll system.

### **PROCEDURE:**

The Human Resources Manager will submit written documentation of any changes to the gross wages, new hire and/or termination to the Executive Director for approval. The completed Personnel Action Notice will be forwarded to the Fiscal Manager for processing. The employee must authorize changes to voluntary employee withholdings. Authorization may be in the form of a revised/new withholding statement for state and/or federal income tax; an appropriate enrollment form amending deductions for voluntary withholdings or a court document for garnishments. An employee must be notified of a garnishment before any deductions can be made to the employee paycheck. Not more than a cumulative 40% of net earnings can be garnished under Federal law. The Fiscal Manager is authorized to process such information in the Payroll module.

The payroll is processed through the MIP Payroll Module by Fiscal Manager up to two days prior to payday. All changes regarding salary, voluntary deductions, tax exemptions, hours worked, etc. are indicated on the payroll prior to submission for processing and payment.

After processing, the Director of Finance will review the payroll in the Payroll Module of MIP to verify accuracy of payroll changes, deduction changes and timekeeping allocations. Upon written approval, the Fiscal Manager will print the paychecks/pay stubs and transmit the automatic deposits through the banking system. The Director of Finance will make the appropriate bank transfers to the Payroll bank account.

Each employee shall have a personnel file which will include, among other things, salary information, evaluations, I-9, signed receipt for Personnel Policies, promotions and terminations. The Human Resources Manager maintains such files.

Salary is allocated to funding sources through a Distribution Code. Changes to Distribution Code allocations will be approved by the Director of Finance prior to processing. At the end of the month, a report showing actual hours worked by each attorney, advocate and paralegal

will be used to adjust any differences between the Distribution Code allocation and actual hours worked.

Administrative and support staff will be allocated to funding sources based on the percentage of actual time spent by attorney, advocate and paralegal staff to the extent that that funding source will pay for such expenses.

## **PERSONNEL ACTION NOTICE**

### **POLICY:**

A Personnel Action Notice (Appendix 4) will be completed for any change to an employee's paycheck. The form will be used to notify Payroll of the following actions:

- New Hire
- Change in Name, Address, Compensation, Location and or Position
- Termination or Leave of Absence

Completed forms must be in Payroll at least three working days prior to payroll to be processed on that paycheck. Forms received after this deadline will be processed on the following paycheck retroactive to the effective date of the change. No payroll changes will be processed without the appropriate forms completed and approved by the Executive Director.

### **PROCEDURE:**

The Personnel Action Notice will be completed in duplicate by the Human Resources Manager and will be forwarded to the Executive Director for approval. A completed form will be distributed as follows: one copy retained in the employee Personnel File and the second copy retained in the payroll files for that pay date.

All the pertinent information must be completed on the form. For a new hire, a completed I-9 and W-4 form and corresponding State forms must be attached to the Personnel copy of the form. Any employee benefit forms requiring payroll deduction must also be included for processing. A change to position, salary/wages or location will require appropriate information be completed. A termination or leave of absence must include the last day worked, whether the leave is with or without pay, any commitment made to the employee regarding salary, pay, etc. and the reason for termination/leave.

All Personnel Action Notices must be approved by the Executive Director prior to being processed.

Personnel Action Notices received after the due date for processing will be effective on the following paycheck retroactive to the appropriate date. In the case of an involuntary termination, the employee will receive their final paycheck within twenty-four (24) hours of separation. For a voluntary resignation, final pay will be processed on the next regular payday.

## **SALARY ADVANCE**

### **POLICY:**

DNA does not allow salary advances for any employees.

## **EMPLOYEE BENEFITS**

### **POLICY:**

Accounting for employee benefits will be on an accrual method of accounting and will be allocated to funding sources in the same percentage as the salary for that employee. Therefore, expenses and corresponding liabilities associated with the vested benefits with the employee will be recorded currently. Earned but unused annual leave will be recorded in the financial statements as an adjustment to either increase or decrease the liability account – Accrued Vacation and expense the same amount in the line item called Vacation Salary. Each employee will have appropriate codes set up in the payroll system to calculate employer paid benefits which will be allocated in the same proportion as salary to funding sources.

Employee benefits will be offered to all employees in accordance with the Personnel Policy Manual.

### **PROCEDURE:**

The MIP Payroll module will allocate employee benefits at the time payroll is processed and posted to the General Ledger. The Director of Finance will review employee coding on a regular basis to ensure that salary and benefits are being coded to the correct funding source.

Vacation accruals will be updated each payday. The updated vacation accruals will be posted to the General Ledger at least quarterly.

## **LOAN FORGIVENESS PROGRAM**

### **POLICY:**

Eligible employees (see DNA Loan Deferral/Forgiveness Guidelines) will submit an Educational Loan Forgiveness Plan Application and Agreement (Appendix 5) on or shortly after June 30<sup>th</sup> and December 31<sup>st</sup> of each year. The form must be completed by the employee, have all appropriate documentation attached. Payment of the benefit will be made on a separate check in July and January of each year. Employees awarded Loan Deferral/Forgiveness ("LDF") funds will be required to complete an Educational Loan Forgiveness Program Promissory Note (Appendix 5)

### **PROCEDURE:**

The DNA Loan Forgiveness Program will be administered by the Human Resources Manager. Completed forms will be reviewed and approved by the Human Resources Manager to submission for payment to Accounts Payable. Upon receipt of the completed forms, Accounts Payable will process the payment.

Payroll taxes do not apply to the LDF payment and 1099's will not be issued for these payments.

The Human Resources Manager will be responsible for notifying appropriate management staff of loan repayment requirements in the case of a termination of employment from DNA. The terminating employee must contact the Director of Finance to arrange loan repayment prior to termination of employment in accordance with the LDF policy and DNA's Personnel Policies and Procedures Manual.

## **BAR LEAVE**

### **POLICY:**

An employee of DNA may take up to 20 work days, plus the days of the exam, to study for and take a relevant state bar examination for law school graduates, or, for a relevant tribal bar examination for advocates, each exam for the first time. Law school graduates taking a relevant tribal bar examination for the first time may either be paid to take a 5-day bar review course, or take up to 5 work days, plus the day of the exam, to study for and take the exam. Up to 15 additional work days may be taken, upon written approval of the Director of Litigation (or when there is no Director of Litigation, by the Executive Director) with a copy to Accounting, by an employee enrolled in a bar study course of longer than 4 weeks duration for the first exam, or in other exceptional circumstances. The actual number of additional work days taken is dependent upon the date on which the bar study course begins, which must be documented in the request to the Director of Litigation. Failure of an employee to pass a relevant bar exam may be cause for termination of employment. In extraordinary circumstances, which must be documented, the Director of Litigation may permit an employee a subsequent attempt, but any time used to prepare for and take the subsequent exam, and any time used in excess of the above limits for a first exam, will be charged first to annual leave and then to leave without pay.

### **PROCEDURE:**

DNA will pay an employee's salary during the time taken off to study for the bar as a loan to be forgiven over the period of time that the employee works for DNA. In order to be eligible for the compensation and loan forgiveness program, the employee must begin work prior to taking leave. The employee is required to sign a promissory note before being paid for any bar leave. By signing the note, the employee agrees to abide by the terms of the note and repay DNA for all or part of the bar leave money received if (s)he leaves DNA's employment before the loan is forgiven. The promissory note allows DNA to withhold up to 50% of the employee's last net paycheck, and up to 100% of any final annual leave check, to (begin to) reimburse DNA for bar leave debt incurred. An employee who voluntarily leaves before a bar leave loan(s) is forgiven must arrange further repayment with Accounting before the last day of work.

Bar leave loans are forgiven on the following schedule of days worked:

0-90 days	0%
91-180 days	25%
181-270 days	50%
270-365 days	75%
365	100%

An employee eligible for the Bar Leave Policy should confer with the Procedures under the Personnel Policies and Procedure Manual.

## **OVERTIME**

### **POLICY:**

In general, Non-exempt employees are entitled to overtime compensation for every hour worked in excess of forty (40) hours in a calendar week (Saturday through Friday). Accrual and use are limited by the Fair Labor Standards Act. **Supervisors must approve overtime work in advance.** A non-exempt employee earns 1 ½ hours of overtime compensation for each hour worked over forty (40) in a calendar week, or for each hour worked over either (8) in a day. If prior approval was not feasible, non-exempt employees must report all overtime hours worked to their immediate supervisor no later than the next business day after the employee works the overtime hours, and must show all overtime hours worked on their timesheet. Failure to obtain required approval or promptly report overtime hours does not eliminate the right to overtime compensation but may be grounds for discipline.

With prior written approval of the Executive Director, non-exempt staffs who work overtime may receive cash payment in the next paycheck for the overtime work. Payment is at 1 ½ times the employee's hourly wage for each hour of overtime worked. The regular hourly wage is calculated by dividing gross annual salary by 2,080 (52 weeks of 40 hours per week)

### **PROCEDURE:**

The immediate supervisor of the non-exempt employee will complete an Overtime Request form (Appendix 6) stating the reason for the overtime and the approximate hours needed to complete the project. The form will be forwarded to Executive Director for approval. No overtime will be worked without prior approval.

The employee will complete his/her timekeeping records showing the overtime hours worked. The Accounting Technician – Payroll will review the timekeeping records and ensure that all overtime has been approved in advance. Any overtime recorded which has not been approved in advance will be forwarded to the Director of Finance for appropriate action.

Overtime will be paid at time and one half for each hour or partial hour worked and will be shown as Overtime on the payroll processing.

## **FLEX TIME**

### **POLICY:**

The salary of exempt employees is intended to compensate them for as much work as is necessary to perform their job duties. However, to compensate for unusually long hours, exempt employees are allowed flex-time.

Regular exempt employees accrue one (1) hour of flex time for each hour worked above forty (40) hours per calendar week (Saturday through Friday). Leave time of any type taken during the week is not counted toward the hours necessary to trigger flex-time accrual. Accumulation of flex time is calculated on a weekly basis by total hours worked, rounded down by hour.

Any hours worked on enumerated holidays or during official administrative leave earn flex time so long as the claimed flex hours worked have been approved by the supervisor.

Flex time only accrues if an employee's time sheet and computerized time slips reflect and detail overtime hours worked.

No employee may accumulate more than forty (40) hours total flex time at any one time. Flex time hours are forfeited upon leaving DNA's employment.

### **PROCEDURE:**

The Office Manager in each office will maintain the Flex Time accumulations and uses for the staff in their office.

Staff will complete their timekeeping indicating any flex time earned and used for each period. The Office Manager will transfer that information to an Excel spreadsheet to show the accumulated Flex Time by employee. Employees will be notified monthly of their accumulated balance in Flex Time. Employees may not take Flex Time more than their accumulated balance and should verify their balance with the Office Manager prior to taking time off to ensure that they have enough time accumulated.

## **VACATION FOR ACCOUNTING PERSONNEL**

### **POLICY:**

Employees with significant accounting responsibility are required to take extended annual leave periodically, but at least annually. Extended annual leave is deemed to be at least one week in duration, during which time accounting duties to the extent reasonably possible, will be performed by another person.

Persons having significant accounting responsibilities are identified as the Director of Finance; Executive Director, Fiscal Manager and Assistant Fiscal Manager and any individual designated to reconcile any bank statements. An alternate designee will reconcile bank statements at least once yearly.

## **CASH DISBURSEMENTS**

## **PURCHASE ORDER POLICY AND PROCEDURE**

### **POLICY:**

Any purchase of goods or services in excess of \$100.00 will require a Purchase Requisition form to be completed and approved by the appropriate management staff as follows:

- Purchases of \$100 - \$500 – approval by the Managing Attorney or direct supervisor
- Purchases of \$500 - \$5,000 – approval by the Managing Attorney or direct supervisor and the Executive Director.
- Purchases over \$5,000 – approval by the Executive Director and the Board of Directors

Any purchase of item(s) in excess of \$2,500 will require two oral quotes from potential vendors. A purchase in excess of \$5,000 will require three written proposals from potential vendors.

Selection of a vendor will be primarily based on price. If the lowest bidder is not selected for the purchase, a full explanation of the rationale for the decision must be attached to the proposed bid selected. Sole source vendors may be selected for goods or services providing there are no other vendors eligible to provide a quote for the goods or services.

Documentation of all purchases will be retained in the purchasing files for a minimum of three years. Documentation will include the Purchase Requisition, any oral or written bids received and rationale for the final selection of the vendor to be used.

### **PROCEDURE:**

A Purchase Requisition form will be completed indicating the item(s) requested, an estimated price, and proposed vendor as well as the funding source to be charged for the item. The Requisition must be approved by the Managing Attorney in the office or the immediate supervisor of the staff person in the Window Rock office. The completed Requisition form will be forwarded to Central Purchasing for processing.

Any Requisition in excess of \$500. But less than \$5,000 will also require the approval of the Executive Director. A requisition in excess of \$10,000 will require the Executive Director and Board of Directors approval prior to processing.

Any item over \$2,500 will require two oral quotes for the items to be purchased. Items over \$5,000 will require three written bids. Selection of the vendor will be based on price, quality of service and history with DNA.

Once the vendor has been selected, a Purchase Order will be processed in the MIP accounting system and the PO will be sent to the vendor.

Upon receipt of the goods ordered, the packing slip will be matched to the purchase order to ensure that all items ordered were received. The Purchasing staff will record the receipt in the MIP accounting system. After all of the items have been received, the Purchase Order will be closed in the Purchasing Module.

## **ACCOUNTS PAYABLE**

### **POLICY:**

A request for check in the form of a Check Request (Appendix 7), vendor invoice or travel request or reimbursement form must be supported with sufficient documentation regarding the expenditure, must be received in Accounting with adequate time so that late fees and/or penalties are not incurred and must have funding source information and appropriate approvals to be processed. Payment requests without appropriate documentation, grant information or approval will be returned to the originator.

Accounts Payable checks will be processed weekly. Checks will be printed on Thursdays and will be available Thursday by 5:00 P.M. for disbursing. Approved invoices must be in accounting no later than Tuesday of the processing week. Invoices received after that date will be processed on the next Accounts Payable processing.

Only authorized staff members may purchase materials and/or services for the organization. Authorizations are as follows:

- The Office Manager in each field office is authorized to purchase minor supplies up to \$250.00 with approval from the Managing Attorney of that office.
- The Assistant Fiscal Manager may purchase supplies, equipment and other materials up to \$5,000 with the approval of the Executive Director.
- All purchases of materials and/or services more than \$5,000 will require the approval of the Executive Director.
- Any purchase of Equipment, Real Property, Leases and other contracts more than \$5,000 require the approval of the Executive Director and the Board of Directors.

Accounts Payable invoices, Travel Reimbursement Requests and Check Requests must be reviewed and approved in the Regional Office where the expense originates. Expenses requested by the Executive Director will require approval by a member of the Board of Directors prior to processing. Upon completion of the review and approval procedures, they will be forwarded to Accounting for processing and payment.

### **PROCEDURE:**

Invoices received in a field office will be matched with Purchase Orders (Appendix 8) (if applicable), receiving documents, etc. and reviewed by the Office Manager for accuracy. If the invoice is issued incorrectly, the Office Manager will be responsible for communicating with the Vendor for a correct invoice. Invoices of \$500.00 and less need only the approval of the Managing Attorney and may be forwarded directly to Accounting for processing.

Invoices for items purchased through the Assistant Fiscal Manager in Window Rock will be matched with Purchase Orders (if applicable) receiving documents, etc. and be reviewed by the Director of Finance for accuracy. If the invoice is issued incorrectly, the Assistant Fiscal Manager will be responsible for communicating with the Vendor for a correct invoice.

Invoices over \$2,500 will require the approval of the Executive Director prior to forwarding to Accounting.

Invoices for other materials or services not processed by the Assistant Fiscal Manager will be forwarded to the Managing Attorney, Project Manager or supervisor for review and approval.

Invoices, check requests or travel reimbursement requests must contain the following information:

- Name of Payee
- Address of Payee
- Receiving documents showing that material was received, or approval showing that services was rendered, if applicable.
- Amount to be paid
- Purpose of payment
- Funding source to be charged (if applicable)
- Whether the cost can be attributed to Private Attorney Involvement, fundraising or match expense under a grant.
- Monthly invoices such as Rent, Benefits or Utilities – These invoices will be forwarded directly to Accounting and processed per leases, contracts, etc. Benefit invoices will be reviewed by the Fiscal Manager to ensure that all employee additions, changes and/or terminations are included in the monthly invoice.

All supplies will be ordered by the Office Manager through the business designated by DNA's Executive Director. All orders over \$250 must be reviewed and approved by the Assistant Fiscal Manager in the organization's on-line system. Supplies will be delivered to the individual offices. The Office Manager will be responsible for receiving the supplies when delivered and verifying that items received were ordered, and vice-versa. The Office Manager will initial and date the packing slip, attach it to any purchase Order and forward it to the Accounting for processing.

Coding to appropriate expense line items or grants and projects if not indicated on the invoice is done by the Director of Finance and Fiscal Manager before any checks are issued.

Emergency checks should be kept to a minimum. A request for a check outside of the above guidelines will require approval from the Executive Director prior to arriving in Accounting. Providing signatories are available, a check will be produced as quickly as possible. Staff should make every attempt to plan when requiring a check for services or materials. A request for an emergency check that could have been paid within the above time frames will not be approved unless late fees will be incurred.

In no event will late fees be paid with LSC funds.

Accounting will make every effort to pay invoices according to vendor terms to take advantage of good cash management techniques. In other words, if an invoice is due on the 30<sup>th</sup> of the month, but is received in Central Accounting by the 6<sup>th</sup>, Central Accounting will pay the invoice on the last check run. This procedure will allow the program to utilize its' cash flow to the advantage of the program and yet meet vendor payment requirements. Unless the field office notifies Accounting of a need to pay the invoice sooner, vendor due dates will take precedence over check run dates mentioned above.

Prior to processing checks, the Assistant Fiscal Manager will produce a Preliminary Check Register that must be approved prior to running checks. This register will be given to the Director of Finance for review and approval. Invoices may be added or deleted from this check run by the Director of Finance. Adjustments will be made to the check run prior to printing checks.

Printed checks will be matched to the invoice packet and reviewed to ensure accuracy by the Assistant Fiscal Manager. The full check packet will be arranged in numerical order and will be forwarded to appropriate staff personnel for review and signature. The signed checks and invoice packets will be returned to Assistant Fiscal Manager for distribution and mailing and filing.

Check stubs and vendor invoice packets will be filed alphabetically after the check has been printed, signed, disbursed and scanned into pdf format.

## **CONTRACTS**

### **POLICY:**

DNA utilizes professional services as needed for such items as legal, accounting, expert witnesses, Private Attorney Involvement and computer technology services. All professional services will require a Professional Fee Contract (see Appendix 9 for a sample contract) The contract will contain the type of service being rendered, the beginning and approximate ending date, the hourly rate of payment and maximum amount of contract as well as the contractors' name, address and Social Security or EIN number. All contracts require approval by the Executive Director prior to commencement of any work. Annually, the Executive Director will review Professional Fee Contractors providing legal services to clients to ensure that they do not earn more than 50% of the total income from DNA. The Executive Director will take appropriate actions for any consultant that earns more than 50% of their income from DNA.

### **PROCEDURE:**

Any request for professional services must be forwarded to the Executive Director processing. A request for approval must contain the work to be accomplished, the recommended person or business to be utilized, the estimated contract amount and the period to be covered by the contract.

## **CONTRACTS FOR PROFESSIONAL SERVICES**

Professional services such as legal, accounting, and computer technology services over \$2,500 are subject to competitive bids. A Request for Proposal will be requested from three firms. All proposals will be retained in DNA files for three years. If the proposal selected is not the lowest bidder, the rationale for selecting that firm must be fully documented and retained.

If the proposed contract is a sole source contract, full documentation of the rationale for not obtaining competitive proposals must be presented to the Executive Director prior to approval of the contract.

All documentation and proposals will be submitted to the Executive Director for review and approval. When the proposal is approved, a contract will be prepared including the name of the contractor, dates of the services to be rendered, description of the services to be rendered, maximum amount of the contract and rate of pay.

The contract will be forwarded to the contractor for signature. The signed contract will be forwarded to the Executive Director for signature and a completed copy will be returned to the contractor with a copy to the Executive Secretary. The contract will be forwarded to the Assistant Fiscal Manager for his/her files. Any invoice received from the contractor will be reviewed by the supervisor requesting the contract to ensure accuracy of the invoice prior to processing for payment.

If the contract amount is exceeded, the Assistant Fiscal Manager will forward this information to the Executive Director. A check will not be issued to the Contractor unless a fully signed contract is on file or until an amendment to the Contract has been issued and signed by the Executive Director.

## **TRAVEL**

### **POLICY:**

Any employee traveling at DNA's expense must notify her/his immediate supervisor. Travel for any purpose other than going to another DNA office for a meeting, or to a court or administrative body for a hearing in a DNA case, requires prior written approval via a Travel Authorization form. Neither DNA nor any litigator may pay travel and related expenses for clients. No such expenses should be incurred, nor will they be reimbursed.

Travel arrangements are made by either the traveling employee or her/his Office Manager. Reservations can be made using the traveling employee's personal credit card, and get reimbursed by DNA, or by completing a Travel Authorization/Advance Request form (Appendix 10). Occasionally at DNA-wide meetings, the Executive Secretary will make hotel arrangements (often pre-paid by DNA); in this situation, if employees do not show up for a reserved room, without getting a credit from the hotel, they must pay for the cost of the hotel room.

Should an employee be unable to travel on a prepaid trip, it is the employees' responsibility to obtain a credit for the prepaid expense. If the credit is not received, the employee will be responsible for reimbursing DNA for any charge made.

Under normal circumstances, advance travel payments may be sought by submitting a Travel Authorization/Advance Request form to the Director of Litigation or the Executive Director for approval. The Director will either approve or disapprove the request, and if approved, forward it to Accounting. Advances must be submitted at least five (5) working days before travel to allow for processing. Advances must be reported on a Travel Expense Statement (Appendix 11) and cleared within 30 days of completion of the travel or the amount advanced will be deducted from the employee's next paycheck and not reimbursed. Accounting will send notification to any employee that has an outstanding advance at least two (2) weeks before any income withholding to allow the employee to clear the advance. If any travel advance is paid, and the trip is canceled, the check must be returned or payment reimbursed.

Receipts for lodging, meals (if not claiming per diem), parking, tolls and other miscellaneous travel expenditures are required for such reimbursement as well as mileage records recorded on DNA travel forms and signed by the employee. When a receipt is not possible, the employee must attach a signed document explaining the purpose of the expense and why the receipt is not available.

Wherever practicable, DNA employees should rent a car on DNA's contract with Enterprise Rental Cars in Flagstaff, Gallup and Farmington, or from another reasonably-priced rental car company. When renting a vehicle, insurance must be declined (since DNA is self-insured), unless the renting employee has been notified that they are not covered under

DNA's insurance.<sup>1</sup> When renting a vehicle, gas receipts will be reimbursed to the employee, not mileage.

Use of private vehicles on DNA business usually is reimbursed at the amount indicated on the most recent version of DNA's Travel Expense Statement. When using a private vehicle, either gas receipts or mileage will be reimbursed, but not both. If two or more employees from any office are traveling to the same location, and do not travel together in the same vehicle, mileage claims may be reimbursed at a lower rate, which will be set forth in a memo from the Executive Director.

Employees will be reimbursed for mileage and parking costs incurred while performing within the scope of their duties at the rate currently approved by the Executive Director, which appears on the most recent Travel Expense Report form. Parking costs will be reimbursed when the employee is charged for parking at their destination, so long as the employee parks at the most cost-efficient option available.

Claims for less than ten (10) miles of travel (one-way), other than normal mail/court/trash runs, are not reimbursable, nor is mileage for personal side-trips or trips between an employee's residence and the office in which the employee works. Reimbursement for mileage claims between two points exceeding that on the standard DNA mileage chart are paid at the standard chart mileage, absent an acceptable explanation for the excess mileage in the claim. For reimbursement of mail/court/trash runs, an office must designate one person for each duty. The designated person must keep a mileage log for each run. If the mileage is more than fifteen (15) miles per week, the person may be reimbursed for the mileage.

If transportation other than a personal or rental vehicle is used, reasonable actual costs will be reimbursed. The form of transportation used should be the least expensive available consistent with good sense. For example, first class air travel generally will not be reimbursed. The least expensive form need not be used where loss of time or effectiveness is disproportionate to the monetary savings.

Employees must report time of departure and return on all per diem claims. Personal time which extends the trip must be deducted. Actual, reasonable, lodging costs will be reimbursed if receipts are provided and the cost is reasonable in travel. Without a lodging receipt, lodging will be reimbursed at a flat rate indicated on the Travel Expense Statement. Reimbursement will be at a single occupancy rate, unless other occupants are also DNA employees on business. Per diem for meals is paid at the quarterly rate set forth on the Travel Expense Statement, except that reasonable actual costs will be reimbursed if receipts are provided. An employee may make a request for reimbursement based on per diem or receipts, but not both. One (1) quarter of the stated per diem will be deducted for each meal provided to the employee as part of a training or other authorized function. Quarters are computed by dividing the number of hours on the trip by six (6) and rounding to the nearest whole number, except that the first quarter must be a full six (6) hours. DNA will pay

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<sup>1</sup> If an employee has been notified that they are not covered under DNA's insurance, (s)he needs to have their own full-coverage auto insurance policy, and provide DNA with proof of that insurance before traveling for DNA business.

necessary out-of-pocket expenses such as phone calls, parking, and cab fare if expenses are reasonable and itemized, and receipts are provided. Employees attending training events or meetings in the community where their office is located cannot claim per diem and other expenses.

All requests for travel reimbursement must be signed by the employee's immediate supervisor. A member of the Board of Directors will approve all travel reimbursements from the Executive Director.

**PROCEDURE:**

**All expense reimbursement requests must be made within forty-five (45) days of the expenditure. It is DNA's express policy to deny payment of claims submitted more than forty-five (45) days after the expenditure is made.** In exceptional circumstances, expense claims received forty-five (45) days after the expenditure is made may be paid upon the specific approval of the Executive Director.

**The employee must indicate the purpose and the funding source to be charged and whether the expense can be attributed to Private Attorney Involvement,** fundraising, or a grant match. If the appropriate grant is not indicated, the Travel Expense Report will be returned to the employee to do that.

The completed form must be given to the employee's Managing Attorney for approval (and for Managing Attorney travel, the Executive Director) and then be forwarded to Accounting for processing.

## **RENTAL CARS**

### **POLICY:**

Any employee who rents an automobile for DNA travel purposes must make the reservation on line at the authorized rental car agency. A copy of the rental reservation will be forwarded to Accounting at the time the reservation is made.

Rental cars are to be used only for official DNA business and must be returned to the rental car company as soon as that business is complete. Any use of a rental car after the completion of DNA official business will be paid by the employee.

Employees will attach the rental car receipt to their expense reimbursement form whenever a rental car was utilized for the travel although the amount will not be included in the calculation of expenses to be paid. If the employee returns the rental car during off hours of the agency, a notation will be made on the rental car receipt of the time and date the car was returned.

### **PROCEDURE:**

Employees will reserve an automobile with the authorized car rental agency on line. At the time, the reservation is complete and the company has assigned a rental receipt, the receipt will be forwarded to Accounting. Accounting will accumulate the notifications to be compared to the monthly invoice from the rental car company.

At the time the automobile is returned to the rental car company, the employee will attach a copy of the rental receipt to their expense reimbursement request form. This receipt will be used by Accounting to compare to the rental car company monthly invoice.

If a rental car is returned during hours the rental car agency is not open, the employee will note the date and time the automobile was returned on their rental car receipt received at the time the picked up the car. This receipt will be attached to the employee Expense Reimbursement Request Form for use by Accounting in reconciling the rental car agency monthly invoice.

## **CONFERENCES AND TRAINING**

### **POLICY:**

Before registering for any conference or training, all DNA employees must submit a Training Request form (Appendix 12) to their immediate supervisor, and then to the Director of Finance (for support staff and administrative staff) or Litigation Director (or, if no Litigation Director, the Executive Director) (for litigators). If available, DNA employees should apply for scholarships to cover or reduce registration fees and/or travel expenses. So long as the conference or training is directly related to the employee's work or proposed work at DNA, (in the case of litigators earns them applicable CLE credits), and so long as there is money available in an appropriate grant to do so, DNA will normally pay for registration, transportation, lodging and related expenses at an approved conference.

### **PROCEDURE:**

An employee must submit a Training Request form to the Finance Director, the Litigation Director (or Executive Director) for any Conference/Training programs. The request must include a description of the training, the cost of the training/conference, travel and hotel/lodging estimates, and whether a scholarship is available and applied for. If there is a registration fee, a separate memo must be submitted justifying the registration fee (how the conference or training directly related to the employee's work and would improve the employee's performance of that work). If a training/conference is approved, a copy of the approved Training Request form is given to the Administrative Assistant for the employee's personnel file, and the original request will be forwarded to the Accounting Department for processing of the conference fee.

All travel expenses are to be at the most economical costs and can be either paid for by the program, or reimbursed to the employee. Whenever possible, reservations should be made early enough to ensure the lowest rates.

If several staff attends the same conference or training and travel costs would be minimized by driving together, whether in employee owned or rental autos, such arrangements should be made.

See the Travel section immediately preceding this Conferences & Training section for more details on Travel Authorization, Travel Advances, and Travel Expense Reports.

## **DUES AND MEMBERSHIPS**

### **POLICY:**

DNA pays for all Dues that are required to practice law in the States of Arizona, New Mexico and Utah or in tribal court. Bar dues for Colorado will be paid if licensure there is the basis for waiving into AZ, NM or UT or the basis for becoming licensed in tribal court. No other state bar dues will be paid by DNA. Dues covered under this policy will be Bar Dues, CPA Dues and Notary Dues required to practice in the relevant state. Dues qualifying under this policy may be paid from LSC funds.

Specialty bar dues will not be paid. Dues which are required to receive free or reduced-fee CLE credits such as the Coconino County Bar Associate, so long as enough CLE's are attended by the litigator to justify the dues will be paid with non-LSC funds.

Memberships to organizations such as NLADA may be paid from non-LSC funds upon approval by the Executive Director providing there is adequate budget for such memberships.

### **PROCEDURE:**

Dues and Membership invoices must be approved by the Executive Director prior to forwarding to Accounting for processing. The Executive Director will be responsible for ensuring that the proper funding source code is entered on the invoice before forwarding to Accounting.

Accounting will enter the invoice into the system with the appropriate General Ledger account number, Funding Source number, Program number and location. Corporate wide memberships will be coded to the General Administration program and the Window Rock location.

## **BANK FEES**

### **POLICY**

All fees charged by the bank must be allocated to funding sources in proportion to the funding provided by that funding source. The proportion of the fees to be charged to a funding source that will not pay for this type of expense will be charged to Unrestricted Funds.

### **PROCEDURE:**

At least Quarterly, Accounting will determine what percent of funding is provided by each funding source. The resulting calculations will be used to allocate all bank fees among those funding sources willing to pay for this type of expense. If a funding source will not pay for administrative expenses, their proportionate share of the bank fees will be charged to Unrestricted Funds.

## **CAPITAL EXPENDITURES**

### **POLICY:**

Expenditures for real and personal property in excess of \$5,000 will be capitalized, tagged, inventoried and depreciated. Real Property purchases represent purchases of buildings and land. Personal Property expenditures represent purchases of computer software and hardware, other equipment, furniture and improvements to leased and owned property.

All expenditures for capital additions must be competitively priced prior to approval and ordering. Offices on the Navajo Reservation must prefer Indian-owned business where bids are competitive, to comply with Navajo law. The person involved in the purchase will be required to obtain two telephone quotes for all purchases under \$5,000 and three written quotes for all purchases in excess of \$5,000. The selection of the vendor will depend upon quality and service as well as price, and upon Indian preference. The Executive Director must approve the final selection after reviewing the recommendations and proposals.

Capital expenditures may be charged to the Legal Services Corporation, however, any purchase of equipment or furniture in excess of \$10,000 (for a single item) or any purchase of Real Property requires prior approval from the Legal Services Corporation. Any purchase of equipment, furniture or real property in excess of \$10,000 will require DNA Board of Directors approval regardless of funding source. DNA may charge a portion of an asset of \$10,000 or more to LSC funds and the balance to another funding source without prior approval from LSC provided that LSC is charged for less than \$10,000.

All capital additions will be tagged and inventoried according to the Fixed Asset policies and procedures in this manual.

## **CREDIT CARD**

### **POLICY:**

Employees holding the following positions may have a DNA credit card issued to them: Executive Director, Litigation Director and Development Director (hereafter “authorized cardholders”). Anyone holding these positions found to have been charged with misuse shall not be able to hold a DNA credit card.

The credit limit on the credit cards will be negotiated between DNA and the issuing bank, with the credit limit for the Executive Director being no higher than \$5,000, and for the other authorized cardholders no higher than \$2,000 each.

The type of credit card obtained by DNA will be determined jointly by the Executive Director and the Director of Finance. The criteria for choosing the card will be acceptability, annual fees, monthly payment terms and interest charge terms. Rebates or accumulation of points will be a secondary concern.

The authorized cardholders are to retain sole possession of the cards. Unauthorized use or misuse of the cards is the personal responsibility of the cardholders. Personal use is an unauthorized use of the cards.

The use of the corporate credit card is to facilitate payment of reasonable business expenses, including business-related travel by the authorized cardholders; and to facilitate reasonable business expenses immediately (without the time frame required to obtain checks), or through systems that require a credit card (such as on-line business purchases).

The authorized cardholders shall retain a copy of all receipts for charges to the credit cards, and immediately upon returning to their office, shall make a note of what the charge was for, and what grant it is charged to. The authorized cardholders shall then immediately give their original receipts to the Executive Assistant, keeping a copy for their own records. Copies of the receipts shall be attached to all Travel Expense Reports.

The account balance of the corporate card should be paid in full by the “Date Due” indicated on the monthly credit card statement. Incurring interest charges or late fees should be avoided, but in unusual circumstances if they are incurred, no LSC funds shall be used to pay them.

### **PROCEDURE:**

When the monthly statement is received by the Executive Assistant it will be distributed to the appropriate authorized cardholder(s) for review. The charges must be reviewed to ensure that all charges have receipts attached to the statement, and that all charge receipts indicate what the expense was for and which grant they should be paid from.

The back-up receipts and documentation must be attached to the credit card statement and be forwarded to Accounting, at least 7 days before the “Date Due” indicated on the monthly

statement. No payment shall be made until all receipts are received in Accounting, except in emergency situations.

Failure on the part of the authorized cardholders, or Accounting staff, to follow this policy may be the basis for disciplinary action.

## **ELECTRONIC BANKING**

### **POLICY:**

DNA receives funds electronically from funding sources as well as donors. Funds are also disbursed electronically in payroll, payroll tax payments, credit card payments and investment/savings transfers. Each type of transaction requires an approval and/or documentation of receipt by appropriate management staff as well as review for proper entry into the Accounting General Ledger records.

The Executive Director and Director of Finance are authorized to disburse funds electronically, acknowledge receipt of funds, transfer funds and review the corporate banking accounts. Each bank account utilizing electronic review, disbursement and/or receipt is established with maximum safeguards to ensure that improper use is not allowed.

### **PROCEDURE:**

- **Electronic Receipt of Funds:** Upon receipt of a grant or contract, wherever possible, arrangements are made with the funding source to receive funds electronically. The Executive Director and/or Director of Finance will provide the funding source with the General Operating account bank information where funds are to be wired. The Director of Finance will review the bank account on a regular basis and print out notification of receipt of funds for entry into the accounting records. That notification will be coded with the appropriate full general ledger account and will be given to the Assistant Fiscal Manager for recording. Donations and/or other miscellaneous receipts will also be documented in the same manner with a copy of the receipt being forwarded to the Assistant Fiscal Manager. The Executive Assistant acknowledges the contribution to the donor.
- **Payroll disbursements:** Employees are encouraged to have their net paychecks deposited to their personal bank accounts. An employee will provide the Accounting Department with his or her bank information prior to the first paycheck to be deposited. The Fiscal Manager will enter the bank information into the necessary programs used to process ACH (Automatic Clearing House) deposits. Automatic Deposit of an employee paycheck will be processed each payday through the bank or payroll service DNA uses. Payroll taxes are disbursed electronically each payday to both state and federal agencies. The Director of Finance will review each payroll prior to transmission verifying the correct taxes for each taxing authority. Upon approval of the Payroll transmission, the bank or payroll service will transmit taxes in accordance with the State and Federal governmental agency procedures. Copies of the tax transmissions will be printed and retained in each payroll processing folder.

- Investment/Savings Transactions: The Executive Director or the Director of Finance make transfers from the Operating Accounts to or from designated Investment/Savings Accounts. The banking establishments are authorized to only make transfers to or from specific named accounts – any other transfers are not allowed with each banking institution. Approved electronic transactions include:
  - Transfer from the General Account to the Payroll Account;
  - Transfer to and from the Investment Account and the General Account;
  - No other transfers may be allowed. Any transfer must be prepared by the Director of Finance and be approved by the Executive Director before making the actual transfer of funds. Generally, funds are transferred between accounts to cover payroll and/or accounts payable disbursements and to set up savings and or Certificate of Deposits for excess cash on hand.
- Bank Statements: DNA Bank Statements, including Client Trust bank statements, are physically mailed to the Administrative Office in Window Rock. Field offices do monthly reports for Client Trust Accounts and for Petty Cash, and the Assistant Director of Finance disburses checks to replenish the accounts where appropriate.

**SECTION IV**  
**OTHER POLICIES AND PROCEDURES**

## **LOCAL AND LONG-DISTANCE PHONE CALLS**

### **POLICY:**

DNA recognizes the need for occasional personal phone calls, whether local or long distances, however such calls should be held to a minimum.

Long distance personal calls, which are recurring, or more than ten (10) minutes in length should be reported to the Director of Finance and payment to DNA made when the cost of the call(s) is/are determined.

Abuse in making long distance calls (or extended local personal calls) will be considered as a disciplinary action and the employee will be treated accordingly.

## **ACCOUNTING FOR CAPITAL ASSETS**

### **POLICY:**

Property acquisitions of non-expendable items with a value in excess of \$5,000 each and with a useful life of more than one year will be capitalized and depreciated. Any equipment, furniture or leasehold improvement below \$5,000 will be expensed in the appropriate account number for items <\$5,000. Items below \$5,000 need not be capitalized or depreciated.

Property inventories will be taken at least every two (2) years and more often when warranted for example when theft is suspected, or an office is moved. Results of the inventory will be reconciled to the property records and financial statements.

Property donations valued in excess of \$5,000 each and with a useful life of more than one year will be reported as unrestricted revenues, unless donor restrictions apply.

As property valued in excess of \$5,000 is purchased, the Facility Manager ensures that the item is tagged with a DNA equipment inventory control tag (Appendix 13) and is added to depreciation records, including manufacturer, model number, serial number, cost, location and useful life. It is assumed unless otherwise indicated that all equipment items are purchased with LSC funds.

Property purchases in an amount of \$10,000 for a single item to be acquired with LSC funds will require prior LSC approval pursuant to LSC Regulations, Section 1630.5. Property purchases in an amount of \$10,000 for a single item to be acquired using any source of funds will require DNA Board of Directors approval prior to purchase. Such decision will be documented in the DNA files. The Executive Director or his/her designee will request the prior approval.

### **CAPITALIZATION**

Items that are deemed to be capitalized will be recorded (usually at the time of payment of the invoice) as an expense in the fund purchasing the equipment (recorded as a debit) with the offsetting credit to accounts payable. In addition, at year-end, any acquisition of Fixed Assets will require an entry to increase the appropriate Asset account and increase the appropriate Net Asset account in the Plant Fund.

For management reporting purposes, fixed asset purchases are treated as expenses during the year and closed to the appropriate fund balance in order to show the expenditure in the fund paying for the asset. At the end of the year, the closing entries to each fund will include the asset as a part of the increase or decrease of Net Assets in that fund. In the annual audit, the purchase of capital assets is shown as a fund transfer to the Plant Fund.

## **DEPRECIATION**

Depreciable items will be expenses using a straight-line method as follow:

Computers	3 years
Furniture and Fixtures	5 years
Leasehold/Building Improvements	Term of lease or life of improvement, whichever is shorter.

## **DISPOSALS OF CAPITAL ASSETS**

Net gains or losses from the disposal of property will be reported as revenue or expense in the fund where the property was originally purchased. This only applies to items that were capitalized at the time of purchase. Gain or loss is defined as the difference between the sales proceeds and the net book value. If more than one funding source paid for the Capital Asset purchase, the gain or loss will be allocated to each funding source in the same proportion as the purchase. If a funding source has no requirement for allocating the gain or loss, that share will be coded to the Unrestricted Fund.

When an item of non-expendable property or equipment becomes unserviceable or no longer needed it shall be disposed of by one of the following methods:

Property with a fair market value of less than \$5,000, will be donated to another nonprofit corporation or sold to the highest bidder

Property with a fair market value of more than \$5,000 will be transferred to another non-profit organization servicing the poor within our community. If another non-profit organization cannot be located for the donation, the property will be advertised and sold to the highest bidder.

If no other avenues are available, the property may be sold to an employee or to a member of his/her family. When this situation occurs, all employees shall be given an opportunity to bid on the property.

If an item is unusable, it will be disposed of by recycling it, and as a last resort by bringing it to the dump.

For detailed instructions for the proper treatment of LSC furniture, buildings, equipment and improvements, see the LSC Property Management Guide.

## **COST ALLOCATION**

### **POLICY:**

Although DNA receives funds from non-LSC sources to serve specific demographic populations or to support services for specific types of litigation, we receive no funds to support work prohibited by LSC its Act or Regulations.

Direct costs are allocated to a grant to the degree that the costs were incurred to achieve the objectives of the grant, and to the degree that the cost is covered in that grant's budget. Common expenses are allocated among funding sources on the basis agreed to by the applicable funding organization's budget for DNA. In the absence of approved methods, the allocation will be fair, consistent and in an equitable manner to the individual cost centers and funds, most generally based on full time staff equivalent and the percentage of total of funds received.

Similarly, Indirect and shared expenses will be allocated among funding sources as indicated in the approved budget. In the event a funding source will not sustain the cost of Indirect or shared expense, allocation will be made to those funds which will pay for such expenditures.

Shared Expenses/Indirect expenses are deemed to be those expenses which are specifically relevant to management, such as personnel, travel and training costs for management personnel, professional services, bank fees, Management Errors and Omissions Insurance, and audit costs. In addition, a portion of routine office expense is allocated to Management and General based on full time professional staff equivalent.

Legal Services Corporation may not be charged for audit and bank fee expenses in excess of the total proportional share of its income to total income. In other words, if LSC makes up 60% of the total income of the corporation, it may not be charged more than 60% of the audit fees or bank fees incurred by the corporation.

### **PROCEDURE:**

All employees providing client services must record their time by case, matter and funding source on the Time Keeping System. This source of information will be the basis of charging the employee time to a funding source and will allow for allocation of other expenditures to the grant or to other general funding sources.

The Director of Finance and Executive Director will establish an allocation annually after the annual budget for the organization has been approved. The Allocation system will first identify all those funding sources that will pay for only specific expenditures. The second tier of allocation will be those grants that will pay a portion of overhead or administrative expenses. The final tier of the allocation system will be those funding sources that will pay any expenses (except those specifically against funding policy). Administrative expenses including Salaries, benefits and non-personnel expenses will be coded to "800 – To Be Allocated" Funding Source for each payroll. Monthly, the total expenses in the 800 Fund will be allocated to each funding source willing to pay administrative overhead in proportion to the direct salaries charged to that fund.

From the above analysis, allocations will be based on percentages established by FTE, percentage of income and/or square footage for each funding source. All costs incurred will be expensed either directly or by Distribution Code in the MIP system. The Director of Finance or Project Director will review individual funding source expenditures at least quarterly to determine that expenses have not been exceeded and are within the allowable parameters of the grant. Any changes to be made after this review will result in a Journal Entry to redistribute the costs as well as a revision to the Distribution Code in the MIP system to properly allocate expenditures for future periods.

## **REVENUE RECOGNITION**

### **POLICY:**

Revenues and contributions made to DNA are recognized pursuant to FASB 116 pronouncement (Financial Accounting Standards Board Statement No. 116 Accounting for Contributions Received and Contributions Made), and are recognized for the full amount of the contribution. Revenue restricted by the donor/grantor will be placed in the Temporarily Restricted Fund.

Services donated to DNA are recognized at a fair market value of the service. Recognition is at the time the service is provided as unrestricted revenues and expenses.

### **PROCEDURE:**

Grant Revenue will be recognized as follows depending upon the type of grant received:

- Continuous such as Legal Services Corporation – one twelfth (1/12) per month. Funds received in January for November from the Corporation will be placed in Deferred Revenue and will be brought into Grant Revenue in November.
- Cost Reimbursable – Revenue will be recognized equal to expenditures for the period being billed. Invoices should be issued monthly to the funding source equivalent to the costs incurred on the grant. A Grant Receivable will be set up to recognize the earned but not received revenue for each period.
- One Time Grants – The revenue in this type of grant will be recognized when the funds are received.

Contribution Revenue will be recognized when it is received. If there is a restriction on the contribution, it will be recorded in the Temporarily Restricted fund until the restriction has been met. If there is no restriction, the funds will be recorded as Contribution Income in the Unrestricted Fund.

In Kind Contributions will be recognized when the services or materials are received. The Director of Finance will be responsible for determining if the In-Kind Contribution should be recorded based on materiality to the program. DNA Board's Gift Acceptance Committee (or those designated by the Board President to do so) will gather appropriate information to value the services and/or materials at fair market value and forward that information to the Director of Finance who will prepare the Journal Entry to record both the income and expense.

The Executive Director will write thank-you notes to donors at the time donations and contributions are made. Per IRS regulations, DNA cannot value in-kind contributions for the donor.

LSC and other grants have a derivative income procedure which will be followed in DNA accounting records. Derivative income is any income earned from the use of funds from a funding source. In most cases, the funding source requires that derivative income earned on their money will be returned to their fund in the same proportion as the money was earned. If there is no derivative income requirement by a funding source, the percentage of derivative income for that funding source will be allocated to the Unrestricted Fund.

Examples of Derivative income to be allocated as outlined above include Interest Income, Rental Income, Attorney Fees, Gain/Loss on the sale of Fixed Assets, Gain/Loss on the sale of Investment Assets, etc. Fundraising and publication income specifically do not have to follow this rule for LSC funds, but may be allocated to Unrestricted Funds or whichever fund is designated by the Donor.

### **INTEREST AND DIVIDEND INCOME**

The interest income will be allocated to the funds in the same proportion as the comingled funds of the investment. For example, if \$100,000 is invested in a CD for one year at 4% interest and the investment is made up of \$50,000 from LSC, \$25,000 from NMCLSP and \$25,000 from Unrestricted funds, the \$4,000 of interest will be credited to LSC for \$2,000, \$1,000 for NMCLSP and \$1,000 for Unrestricted Funds. The Controller will review investments on at least a quarterly basis to determine the amount of investment attributable to each funding source and adjust the allocation of income based on the current percentages.

### **ATTORNEYS' FEES**

In a case in which Attorneys' Fees have been awarded, the case file for that client will be reviewed to determine to which account the Attorneys' Fees are to be allocated. The Executive Director will be responsible for reviewing the case file to determine which fund(s) paid for the expenses of the case and will inform the Director of Finance of the allocation of the income to each funding source involved.

All cases that are determined to be Attorneys' Fees cases will be coded as Attorneys' Fees in the case management system. Staff members working on that case will record their time contemporaneously and indicate the funding source paying for their time. At the time Attorney Fees are awarded and paid, staff will prepare a report of total hours worked on the case by funding source. A calculation of hours by funding source will be made and the Attorney Fees will be allocated to each funding source paying for the case in the same percentage as hours worked.

### **RENTAL INCOME**

Rental Income will be allocated to funding sources based on the percentage charged for the space costs for that location.

The Director of Finance will be responsible for determining if the income received is Derivative Income and which fund should be credited with what proportion of that income.

## **MONTHLY INVOICES FOR GRANTS RECEIVABLE**

### **POLICY:**

All cost reimbursable grants will be invoiced no later than the 15<sup>th</sup> working day of each month for the amount spent on that grant. The Accounts Receivable module of MIP will be used to set up the revenue and receivable for each grant once the invoice is complete.

### **PROCEDURE:**

After all entries have been made for the month and accounts payable has been cut off but prior to producing monthly financial statements, a report will be run for all cost reimbursable grants to determine the amount of the invoice. A review of all expenditures will be made to ensure that they are within the grant parameters. If expenditures have been recorded to the grant that is not allowed, an entry will be made to transfer those expenditures to some other funding source. The total of expenditures for the month will represent the amount to be billed to the funding source for that month. This amount will also be used to generate the monthly journal entry to show income and Grants Receivable for that month.

If a grant is fully expended, a review of the financial statement will be made to ensure that additional expenses have not been recorded to that funding source.

The Director of Finance will be responsible for reviewing Grants Receivable monthly to ensure that funds have been collected after invoicing has been prepared and mailed. Invoices outstanding for more than thirty (30) days must be reviewed and the funding source contacted.

## **IN KIND CONTRIBUTIONS**

### **POLICY:**

DNA will recognize contributions of in-kind materials and services that that comply with the AICPA SFAS 116 policy regarding contributions. Upon receipt of records from the Director of Development, Accounting will set up In Kind Revenue and In-Kind Expense in the unrestricted fund of DNA. Only those services and/or materials that meet the qualifications of the AICPA will be recognized in the Accounting records.

### **PROCEDURE:**

The Director of Development will notify accounting of any contributions of materials, furniture and/or equipment to DNA. The items contributed will be valued at the fair market value in the area for accounting purposes. The Director of Development will perform the necessary research to determine the fair market value of any donated materials, furniture and/or equipment.

The Director of Finance will maintain a record of all donated services that qualify for recognition in the accounting records. Services must comply with the following requirements to be recognized in the Accounting system:

- Require specialized skills
- Be provided by individuals possessing those skills, and
- Would typically need to be purchased if not provided by donation.

Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftsmen. Contributed services and promises to give services that do not meet the above criteria shall not be recognized.

The Director of Finance will research the fair market value of those services at least annually to determine the value to be set up in the accounting system. Fair Market Values will be assessed for each level of service contributed, for instance, Managing Partners, Partners, Attorneys with various degrees of experience, paralegals, etc. All contributed services will be recognized at the most current Fair Market Value for those services. The data given to Accounting will include the number of hours contributed, the FMV rate of the services rendered and the dates of the services contributed. Accounting will prepare a journal entry showing income and expense for those services.

## **SELF INSURED HEALTH INSURANCE BENEFITS**

### **POLICY:**

DNA self-insures for employee health insurance benefits. The fund is held in Merrill Lynch investment account and is administered by Summit Benefits. DNA pays \$500 per employee and \$600 for dependents monthly into the investment account. Employees pay \$25.00 for a family and \$10 for an individual on a bi-weekly basis taken from their paycheck. A check is written bi-weekly to deposit employee deductions and monthly for the employer share of the health insurance benefit.

Summit administers the account receiving employee claims and processing payment on those claims. A report is sent to DNA weekly reporting the gross amount of claims paid from the Merrill Lynch Account

DNA Accounting records employee deductions on a bi-weekly basis, employer deposits monthly and claims disbursements on a weekly basis from reports received from Summit.

### **PROCEDURE:**

In the payroll system, each eligible employee will have the appropriate coding to record the employer share of the Self-Insured Health Insurance benefit at either \$500 for a single employee or \$600 for an employee with dependents. The employer share will be allocated to funding sources in the same percentage as salary.

At month end, a check will be issued to Merrill Lynch for the total employer share of the benefit. The deposit of the check will be recorded as a Cash Receipt debiting the Asset Account and crediting the Self Insurance liability account. At the end of each payroll processing, a check will be issued to Merrill Lynch for the employee share of the self-insured health insurance benefit. The deposit of the check will be recorded as a Cash Receipt debiting the Asset Account and crediting the group insurance payable account.

Summit prepares checks to employees for eligible medical expenses and sends a weekly report to DNA of all checks drawn. Accounting will record the disbursement of benefits as a credit to the Asset Account and a debit to the Self Insurance Payable account.

## **RESIDENTIAL RENTAL**

### **POLICY:**

DNA either owns or leases residential space in several locations within the DNA service area. When space is available, the Executive Director may extend an offer to an Attorney or Advocate to occupy such space at a market rental rate.

The employee will be required to provide renters' insurance with DNA as a named insured and rental payments will be made through payroll deductions.

The lease will be month to month and will automatically terminate upon the employee leaving the employ of DNA.

Employee will be required to submit a security deposit equal to one months' rent which will be refunded at the end of the lease providing there is no damage to the facility.

The employee will sign a lease for the facility and will be bound by all provisions of the lease. A copy of the insurance certificate and lease will be retained in Human Resources. Payroll will be notified of the amount to deduct from the employee paycheck.

### **PROCEDURE:**

The Executive Director will have sole authority to lease living space to an employee based on the determination of lack of housing options, ability to pay and position at DNA. Upon approval of a lease, Human Resources will prepare the facility lease for approval and signature of the Executive Director and signature by the employee. The lease will outline the rental amount, terms of the lease, responsibilities of the lessee and lessor. The employee will sign a voluntary deduction form authorizing rental payments to be taken from the employee paycheck. A security deposit will be required at the time the employee moves into the facility equal to one months' rent.

Utilities will be the responsibility of the Lessee unless the utilities are in the name of DNA. In that case, utility payments will be deducted from the employee paycheck to cover that cost.

Rental income will be coded to LSC in the case of DNA owned trailers in the office where the employee is domiciled. Rental income will be coded in the same way that rental expense is coded for non-owned facilities. Utilities will offset the utility expense in the office where the employee is domiciled and will be coded in the same proportion as utility expenses in that office.

The employee will be required to obtain adequate Renters' Insurance naming DNA People's Legal Service as a beneficiary. The insurance certificate will be retained in Human Resources who will be responsible for ensuring that insurance is adequate and current.

The lease agreement will automatically be terminated upon leaving the employ of DNA.

## **CHILD CARE COSTS**

### **POLICY:**

DNA will reimburse reasonable child care expenses for children under 18 years old incurred at any mandatory meeting or training to the extent the expenses are in excess of the employee's ordinary child care costs.

### **PROCEDURE:**

An employee who is required to attend a mandatory meeting or training shall submit a request for reimbursement for child care costs in excess of the costs that the employee would incur for the same period of time.

Mandatory meetings are meetings for which the Executive Director has required attendance of the employee. Examples of such meetings are the quarterly litigator/staff meeting and the quarterly Board meeting at which certain staff are required to appear and make presentation.

Mandatory training is training which is required to retain a license or training for which the Executive Director has required attendance. Examples of such mandatory training includes continuing legal education required for a staff member to retain his or her state or tribal license and training on new software. e.g. the Kemps case management system.

The maximum reimbursable cost per hour for child care shall be Twenty Dollars and No Cents (\$20.00). The employee shall complete a request for reimbursement and attest that the amount be requested for reimbursement is in excess of the cost that that employee would have incurred for that time of the meeting or training.

**LIST OF APPENDICES**

- (1) Full Chart of Accounts
- (2) Sample Monthly Financial Reports
- (3) Client Trust Worksheet
- (4) Personnel Action Notice
- (5) Education Loan Deferral/Forgiveness Plan  
Application and Agreement  
Educational Loan Deferral/Forgiveness  
Program Promissory Note
- (6) Overtime Request
- (7) Check Request
- (8) Purchase Order
- (9) Professional Fee Contract
- (10) Travel Authorization / Advance Request
- (11) Travel Expense Statement
- (12) Training Request
- (13) Equipment Inventory Control Tag