

SUNSHINE VILLAGE INC.

FISCAL OPERATIONS MANUAL

PART 1 INTERNAL CONTROLS

1. EFFECTIVE SYSTEMS OF INTERNAL CONTROL

Policy The company should maintain an effective system of internal control in order to monitor compliance with policies and procedures established by management.

General Internal control can be divided into two areas: accounting controls and administrative controls. Administrative controls deal with the operations of the business, whereas the accounting controls deal with accounting for such operations. This manual focuses on internal accounting controls (although there may be some overlap between the two). Accounting controls should be designed to achieve the five basic objectives.

Validation

Validation is the examination of documentation, by someone with an understanding of the accounting system, for evidence that a recorded transaction actually took place and that it occurred in accordance with the prescribed procedures. As systems grow more sophisticated, validation is a built-in component whereby the transactions test themselves against predetermined exceptions. For example, only goods received are recorded on a receiving report and only goods shipped appear on a shipping report or bill of lading. The vendor's invoice can then be compared to the receiving report and the sales invoice can be compared to the shipping report. Another example confirms that all relevant details of a transaction are properly recorded: the nature, quality, and condition of goods received are checked by counting, weighing, and inspecting and recorded at time of receipt.

Accuracy

The accuracy of amounts and account classification is achieved by establishing control tasks to check calculations, extensions, additions, and account classifications.

The control objective is to be certain that each transaction is recorded at the correct amount, in the appropriate account, in the right time period. For example, one might "double-check" another individual's work on sales invoices by repeating the calculations, extensions, and additions and reviewing the account distributions.

Control tasks, which ensure that transactions are recorded and reported in the proper accounting period, are essential to accurate financial reporting. For example, when goods are received they should be checked and recorded at the time of receipt. The receiving records should then be matched with the related vendors' invoices as a further check on the timely recording of transactions.

Completeness

Completeness of control tasks ensures that all transactions are initially recorded on a control document and accepted for processing once and once only.

Completeness controls are needed to ensure proper summarization of information and proper preparation of financial reports. To ensure proper summarization of recorded transactions as well as a final check of completeness, subsidiary ledgers and journals with control accounts need to be maintained. This is because individual transactions are the source of the ultimate product-financial reports.

Completeness can be achieved by using two techniques. One is to sequentially number all transactions via documents as soon as the transactions occur and then apply the control task of accounting for all the numbered documents completed in the processing. The use of "control totals" also provides information by which control is exercised. This is done by totaling the critical numbers before and after processing. When the two totals agree, one assumes that the processing is complete.

Maintenance

The objective of the maintenance controls is to monitor accounting records after the entry of transactions to ensure that they continue to reflect accurately the operations of the business. The control system should provide systematic responses to errors when they occur, to changed conditions, and to new types of transactions. The maintenance function should be accomplished principally by the operation of the system itself. Control maintenance policies require procedures, decisions, documentation, and subsequent review by a responsible authorized individual. Disciplinary control tasks, such as supervision and segregation of duties, should ensure that the internal control system is operating as planned.

Physical Security

It is important in all business organizations that the assets are adequately protected. Physical security of assets requires that access to assets be limited to authorized personnel. One means to limit access to both assets and related accounting records is through the use of physical controls. Protection devices restrict unauthorized personnel from obtaining direct access to assets or indirect access through accounting records which could be used to misappropriate assets. Locked storage facilities restrict access to inventories, and fireproof vaults prevent access to petty cash vouchers. Transaction recording equipment limits access to assets by limiting the number of employees involved in recording and posting transactions, thereby minimizing the possibility of fraudulent misrepresentation. Electronic cash registers record cash sales both on cash register tapes and at an off-site electronic storage facility, creating two records of a single transaction.

Many control procedures are common to various areas of accounting. They have been discussed in this chapter as a convenience to the user of this manual and to emphasize that similar procedures are applicable to many control objectives.

Procedures

Determination of Validity

1.1 All transactions should be reviewed by an informed individual and a determination made as to their validity (i.e., appropriate approvals have been obtained and/or comparisons have been made to the underlying documentation).

Control of Documents

1.2 All transactions should be entered on a control document.

(a) If the document is internally generated, it should be pre-numbered and physical control should be maintained over unissued documents.

(b) If the document is prepared externally, it should be numbered immediately upon receipt, in sequential order.

Check for Accuracy

1.3 Documents supporting transactions should be checked for mathematical accuracy. The individual performing the check should initial or sign the document. The extent of checking can be either:

(a) 100% recalculation or

(b) A check of amounts above (or below) a specified amount.

Record in Appropriate Journals

1.4 As transactions are completed (and/or matched with other supporting documentation), they should be entered into the appropriate journals or registers with a notation or cross-reference indicating the completion of the transactions.

Check for Completeness

1.5 Completeness of the journal or register should be established by reviewing the numerical control of items (established in 1.2) that have not been matched with supporting documentation (if required) or are not complete.

Investigation of Unprocessed Transactions

1.6 Unprocessed transactions should be investigated periodically by a person other than the record keeper and corrective action taken.

Segregation of Duties

1.7 An individual, independent of the custodian of the journals generated in 1.4, should establish a separate control account to account for the completed items.

Performance of Monthly Reconciliations

1.8 Reconciliations between subsidiary records and control accounts should be performed monthly to ensure that postings are correct and adjustments have been properly processed.

Timely Investigation of Differences

1.9 All differences should be investigated on a timely basis.

Safeguarding of All Accounting Records

1.10 All assets and the accounting records should be properly safeguarded to prevent theft.

BUDGETS

The Fiscal goals and targets accurately reflect the objectives set by the organization and are quantifiably measured against the results. The Organizational budgets are prepared in consultation with management, and presented for approval to the board of directors at the board meeting prior to the beginning of the fiscal year. And the budgets are compared with the actual financial results and any significant changes are reported to the board and senior management. The monthly income statement and balance sheets are presented to the board at the monthly board meetings.

INDEPENDENT AUDIT

In independent audit is conducted annually by a Certified Public Accountant according all required standards and the completed report is submitted to the board and funding agencies. Any issues addressed in the report are addressed immediately to the satisfaction of the Board of Directors and funding agencies. .

INSURANCE

Senior Management reviews insurance and benefit policies with insurance agents twice yearly and take steps to alter coverage when whenever it is deemed necessary. The Board of Directors are informed of the agency's insurance coverage as part of the budget process.

PART 2

CASH MANAGEMENT

1. CASH MANAGEMENT

Policy SUNSHINE VILLAGE maintains an effective system of cash management that anticipates cash needs and plans adequately to satisfy them.

General Cash is required to pay for all assets and services purchased by the company and to meet future obligations as they come due. The disbursement of cash, therefore, is a regular occurrence, and a sufficient level of cash should be kept available to meet these requirements. However, cash is not a productive asset as it earns no return. Therefore, only cash necessary to meet anticipated day-to-day expenditures plus a reasonable cushion for emergencies should be kept available. Any excess cash should be invested in liquid income-producing instruments.

Procedures

Maximizing Return on Idle Funds

1.1 Cash not required for operations should be invested. SUNSHINE VILLAGE has a zero balance arrangement with NEW ALLIANCE BANK where any excess cash is invested overnight in a Sweep account.

1.2 *Expediting of Cash Receipts*

The time lag between service performance and the deposit of funds to the company's bank account should be kept to a minimum.

(a) Invoices should be issued within 10 days of time of service. In the case of private contracts, the bills are prepared and sent within 10 days after the end of the month. Medicaid bills are sent on a weekly basis, within 3 to 4 days after the end of service.

(b) All customer remittances should be sent to the Litwin Lane site or directly deposited to the main New Alliance Bank checking account.

Collection Practices

1.3 A review of accounts receivable listings for past due balances should be performed on a continuous basis. Delinquent accounts should be contacted immediately, not after the next billing cycle.

Deferring Disbursements

1.4 Cash disbursements should be released at the latest acceptable time, without affecting relationships with vendors. Early payment discounts should be taken advantage of if they result in benefit. Checks should be mailed at the end of the day and, if possible, at the end of the week.

Cash Budgets

1.5 A cash budget should be prepared in order to effectively manage cash balances. The budget should be built around the three basic aspects of cash management: operations, cash flow, and financial condition.

The budget should be prepared on an annual basis, broken down by month. Monthly reports should be compared to actual performance with budget, both for the current month and cumulatively.

2. CASH RECEIPTS

Policy Control should be established over all cash and checks received, and they should be deposited promptly in the company's bank accounts.

General Cash receipts should be protected from misappropriation. Physical access to cash receipts and cash receipt records should be limited to authorized personnel. Additionally, cash receipts should be recorded in the appropriate period.

Procedures Opening the Mail

2.1 The mail is to be opened by the Receptionist, given to the Bookkeeper and a listing of cash and/or checks received should be prepared and checked by the other Bookkeeper and entered into the AR module of the General Ledger and a list generated from the GL.

(b) The listing of cash receipts should include the name, amount, invoice number, date, and the total of all receipts.

Endorsement of Checks

2.2 In situations where cash receipts are received directly by the company, checks should be restrictively endorsed immediately.

Bank Deposits

2.3 All cash sales and check remittances should be deposited intact daily.

Reconciliation of Cash/Checks Received to Bank Deposit

2.4 Records of cash receipts and summaries should be compared to deposit slips and bank statements by persons other than those who handled the cash receipts.

3. DISBURSEMENTS FROM BANK ACCOUNTS

Policy Disbursements from bank accounts should be made only for valid transactions.

General The payment for goods and services, whether accomplished by check or bank transfer, should be organized to ensure that no unauthorized payments are made, that complete and accurate records are made of each payment, and that payments are recorded in the appropriate period. Additionally, physical access to cash and unissued checks must be restricted to authorized personnel.

Procedures

Preparing Checks and Bank Transfers

3.1 Checks and bank transfers should be prepared based on the determination that the transaction is valid and is in accordance with the following company procedures:

3.1.1 A determination that the transaction is valid should be accomplished by reviewing the following supporting documentation as applicable:

- Invoices (together with receiving reports and purchase orders)
- Payroll records
- Petty cash vouchers
- Remittance advices
- Check requisitions (see Figure 3-1)

All supporting documentation should be signed by the Executive Director, CFO or the Program Directors indicating proper authorization.

3.1.2 Checks and bank transfers should be prepared by persons other than those who initiate or approve any documents that give rise to disbursements.

3.1.3 Checks and bank transfers should be designed or completed in such a way to make subsequent unauthorized alteration difficult through the use of protective paper, check imprint, and so on.

3.1.4 The following procedures should be prohibited:

- Checks payable to "bearer" or "cash"
- Checks signed in blank
- Altered checks and bank transfers

Check Signing

3.2 Checks should be signed by officials ("signatories") other than those who approved the transaction for payment. This official may be the President, Treasurer, the Executive Director or CFO.

3.2.1 Each signatory should examine the original supporting documentation to ensure that each item has been checked and approved in accordance with the company's procedures.

3.2.2 All checks over \$5000 should be signed by 2 signatories. The laser check has three parts, top part for the vendor with the details, the middle part, the negotiable check and the bottom part with the details of the check to be attached to the voucher.

3.2.3 Print and file a report of numerical sequenced checks.

Disbursement of Checks

3.3 After signing, all checks should be forwarded directly to the payee (or to the bank with the bank transfer authorization) without being returned to the originators or others who are in a position to introduce documents into the cash disbursement system.

Cancel Supporting Documents

3.4 The supporting documents should be canceled by the signatory (or under the control of the signatory) to prevent subsequent reuse.

Maintenance of Check Control Log

3.5 A separate record of checks being processed should be maintained by using a custom report from the MIP Accounting software. The control log should contain:

- the sequence of checks issued;
- the name of the person to whom the checks are issued;
- the date the issue was made;
- if applicable, the sequence of checks returned and/or voided.

3.5.1 All checks should be sequentially pre-numbered so that it can be established that all checks have been accounted for.

Ideally, all transactions should be recorded on pre-numbered documents. Although they can be sequenced after preparation, the first method is preferred. In the MIP system where the computer generates checks, the check will contain two numbers, the preprinted number and the number printed by the computer. These two should be the same.

3.5.2 The usage of checks should be accounted for by reconciling the quantity of checks issued to cash disbursement records. This should be performed by persons other than those who have custody of unissued checks.

3.5.3 Supplies of unissued checks should be properly safeguarded.

Summarize Cash Disbursements

3.6 All checks and bank transfers should be summarized and recorded in the appropriate books of original entry. (This summary reflects the credit to cash and debit to accounts payable.)

4. IMPREST AND SIMILAR FUNDS

Policy Reimbursement of imprest and similar funds (e.g., used for payment of payrolls, postage, and branch office expenses) should be made only for valid transactions.

General Imprest accounts are usually limited to a nominal balance, and deposits are in amounts equal to the totals of checks drawn (or to be drawn) on the accounts.

Procedures Disbursement of Funds

4.1 Prior to the disbursement of any funds, a voucher should be prepared with supporting evidence such as payroll records, receipts, or other miscellaneous supporting detail and approved where appropriate.

4.2 *Summarize Disbursements*

A summary of all disbursements should be maintained (e.g., petty cash book) and an analysis should be performed in order to charge the proper general ledger accounts.

Reimbursement of Imprest Funds

4.3 Periodically, the imprest account should be replenished so as to bring the balance up to the imprest amount. The amount replenished should equal the sum of all imprest

account disbursements since the previous reimbursement and any differences should be reconciled.

Payment of Payroll through Imprest Funds

1. The Payroll Imprest funds are maintained in 2 bank accounts. One account is for client payroll and the other for staff payroll. A deposit equal to the sum of the net weekly amount should be issued from the main account to the payroll imprest account by faxing a transfer request to the bank. The payroll checks for the week should be drawn on that imprest account. Reconciliation should be performed between the imprest amount and the payroll journal and any difference should be reconciled.
2. Payroll taxes should be electronically wired to the Commonwealth of Massachusetts and the Internal Revenue Service from the main New Alliance Bank account.

Post Activity to the General Ledger

As the AP and Payroll functions are integrated with the General ledger, all transactions should be immediately posted to the General ledger.

5. BANK RECONCILIATIONS

Policy Adequate steps should be taken to confirm the accuracy of the bank balances shown in the general ledger.

General Generally monthly, data on cash receipts and disbursements journals should be compared with the details reported on bank statements. Unmatched and mismatched data are used to reconcile the book and bank balances.

Procedures

Preparing Bank Reconciliation

5.1 Bank balances, as shown by the bank statements for the Main and two payroll accounts should be reconciled on a monthly basis with the general ledger balance. Data on cash receipts journals and cash disbursement journals should be compared on an item-by-item basis with the details reported on bank statements. Mismatches should be listed for investigation.

The person who prepares the reconciliation (Figure 5-1) should receive the bank statements directly from the bank and retain them until the reconciliations are completed.

Determination of Reconciling Items

5.2 Discrepancies between general ledger cash balances and closing balances reported on bank statements usually result from transactions recorded in cash journals but not yet processed and recorded by banks (such as deposits in transit and outstanding checks) and items on bank statements not yet processed and recorded by the company (such as bank service charges). Most of those items do not require investigation.

Generally, accounting personnel (who do not have access to cash and are not involved in processing and recording cash transactions) should investigate all significant:

- unmatched data in cash receipts and disbursements journals that fail to clear banks within a reasonable period of time,
- unmatched items on bank statements unanticipated or judged erroneous by the company, and

- mismatched items in cash receipts and disbursements journals and bank statement items.

Review of Bank Reconciliation

5.3 Bank reconciliation and proposed adjustments to general ledger cash balances and cash detail files should be reviewed and approved by general accounting and finance management.

PART 3

PAYROLL

FOR Community Services, Inc. pays wages to two categories of workers. In the first category are the full-time and part-time employees of the agency. The second category consists of Consumers referred to the agency by the Department of Mental Retardation and the Massachusetts Rehabilitation Commission, and the University of Massachusetts. In both cases, the same following policies and procedures are followed to pay the workers.

General Policies

- 1. A system of authorized communication between the payroll and personnel human resources departments should be established and maintained.*
- 2. Payment for wages and salaries should be made only to company employees at authorized rates of pay.*
- 3. Payment for wages and salaries should be made in accordance with records of work performed.*
- 4. Payments for wages and salaries should be accurately calculated.*
- 5. Payments of wages and salaries should be made only to company employees.*
- 6. Payroll Deductions should be correctly recorded and paid to the appropriate third parties on a timely basis. Also, related payroll reports to third parties should be submitted on a timely basis.*

Procedures:

EMPLOYEE AND CONSUMER PAYROLL

Standardized Timesheets with names of Employees are used to record time worked by employees and consumers. These timesheets are based on the type of workers and by geographical location.

Time Sheet Preparation and Authorization:

On Monday morning, the employees are expected to enter the time worked for the previous week at their geographical locations, at the location time sheet. This is then reviewed, checked for accuracy and approved by the Site Supervisor and transmitted to the Payroll Department. These approved time sheets are expected to be at the payroll department by 12:00 P.M. the following Monday.

Payroll Preparation and verification of Paid/Unpaid Time taken:

On receipt of these timesheets, the Payroll Bookkeeper (PBK) will enter these time sheets in to an agency-wide staff MS Excel template. This is done to check for accuracy and omissions. If there are any questions, the

PBK will call the supervisor concerned. If the PBK is unable to get a satisfactory answer, the PBK will inform the CFO and/or the HR Director, who then will address the issue with the Supervisor or the Program Director.

Once the time sheets are entered, the PBK will check the paid /unpaid time taken for the week with the Staff Time Taken Ledger. If there are any discrepancies, the PBK will inform the Site Supervisor to make any changes to the time sheet if necessary. If the PBK is unable to get a resolution that reconciles with the ledger, the PBK will inform the CFO and/or the HR Director, who then will address the issue with the Supervisor or the Program Director.

Consumer Payroll Only:

The consumer time sheets are entered into the ETS Consumer Payroll System by CARLY or AR Bookkeeper. The Program calculates the gross pay based on the production rate of the consumer and standardized factors. The Gross Amounts are then entered into the MIP system by the AR Bookkeeper. A gross total report is printed from MIP and compared with the ETS. If the totals agree, the PBK takes over the printing of the checks; and procedures used for employee check distribution are followed for the consumers.

Direct Deposit and Bank Wire Transfer:

A detailed list of the names, the type of accounts and the amounts to be direct deposited to the employee accounts are prepared on an MS Excel template from the Payroll Register. This report is reviewed and approved by the CFO and faxed to the Bank and a reference code previously provided by the bank which corresponds to that week's payroll is phoned in as confirmation.

The total cash liability shown on the payroll register is transferred from the main checking account to the payroll account at least a day before the pay date via internet banking by authorized staff.

Preparation, Printing and Distribution of Checks:

The completed Excel Template is verified and approved by the CFO. Once that is completed, the PBK will start entering the data in to MIP, the accounting and payroll software used by agency. Once the data is entered, the PBK will run a report of the weekly payroll and check the totals hours with the Excel Template. If there are any variances, the reports are compared and adjusted till they agree. These reports are then reviewed by the CFO.

On approval, the checks are printed. The payroll register and the checks are submitted to the Executive Director or the CFO for signature. The checks are then put in envelopes and grouped by site.

On Friday morning the checks are picked up by the Site Supervisors and distributed at the site. If any staff are absent, the checks are sent back to the Administration Office and mailed to their home addresses by 4:00 P.M.

Lost or Stolen Checks:

On receipt of notification that a paycheck has been lost or stolen, the bank is notified by phone and later confirmed in writing that the check has been voided. Two working days after notification by staff and after confirmation from the bank that the check has not been cashed, a new check will be issued to the employee.

Voluntary and Mandatory Deductions:

All deductions will be transmitted to the designated third party within 4 working days from the date of the payroll unless a shorter time frame is specified, in which case the deductions will be transmitted as required. The only exception will be the health and dental co-payment deductions which will be paid as a part of the monthly bill sent by the insurer.

Travel Expenses Reimbursements:

All travel expenses reimbursement requests have to be submitted on the standard reimbursement request forms, with the date, location, purpose, distance traveled and parking/toll fees clearly indicated and itemized by trip. These forms must be totaled accurately and should be verified and approved by the supervisor/program director. The approved forms are then sent to the payroll department to be entered in to the MIP Payroll system and will be paid, on the next pay date after submission. **The reimbursement requests must be submitted within 2 weeks of the travel date.**

PAID and UNPAID Time off Recordkeeping:

The employees and their supervisors are expected to keep track of the total time entitled, taken and available. The PBK maintains a comprehensive ledger by employee. Every vacation request is approved by the supervisor and sent to the PBK for verification. If the employee is not eligible, the supervisor will be informed ASAP. The supervisor will inform the employee.

Any other type of time off taken is recorded on a weekly basis into the ledger, prior to the preparation of the payroll and the balance updated.

Tax Deductions and Payments:

All payroll tax deductions will be transmitted the first Monday following the pay date. The Payroll Liabilities Report is run off MIP by the PBK and reviewed by the CFO. The Amounts due to the IRS and the MASS DOR are transmitted by touchtone phone via prearranged IRS and MASS DOR wire transmittal systems. The week ending pay period, date of pay, tax liability amount paid, the reference number issued by the IRS and MASS DOR systems are recorded in the Tax Transmittal Ledger.

PART 4

REVENUE RECOGNITION AND ACCOUNTS RECEIVABLE

FOR Community have many different sources of revenues. Majority of the funding comes from MEDICAID, Department of Mental Retardation, The MASS Rehabilitation Commission, and the U.S. Department of Defense and through some smaller contracts with local and state agencies. FOR receives grants, donations and contributions from organizations and individuals. FOR also runs fundraising events from time to time.

Accounts Receivable

Policy:

- a. All Billed Services should be recorded accurately and on a timely basis.*
- b. Accounts Receivable Records should be accurate, complete and maintained in a manner to indicate the length of time the customer's debt has been outstanding.*
- c. All other types of Revenues should be recorded on a timely basis.*

Procedures:

BILLING PROCEDURES:

General: Medicaid Billing is prepared, reviewed, and recorded on a weekly basis, with the exception of Nursing Home, DMR and regular MRC billing - which is done monthly, and day habilitation MRC Billing, which is processed quarterly.

- 1.1 Attendance Sheets: Each site has an Excel template, which is completed by the site's program supervisor or designee, and transmitted to the Medicaid Bookkeeper (henceforth known as the MBK) no later than 3:30 P.M. each Friday.
- 1.2 The MBK reviews these sheets each Monday morning, checks for accuracy, prints a hard copy, then ledgers the data both manually and into an Excel template titled "Remittance."
 - (a) If errors or discrepancies are found, the MBK contacts the Site Supervisor, and the issue is resolved. If necessary, changes are made to the billing sheets.
- 1.3 The MBK then emails the attendance sheets to the Bookkeeper at Economized Time Services, Inc. (henceforth known as ETS). The total amount billed by consumer by site is indicated in the reports submitted to ETS. The weekly billed amounts by site are posted in the Medicaid Subsidiary ledger. ETS then electronically submits the billing to the Division of Medical Assistance (henceforth known as DMA).
- 1.4 ETS sends the MBK a Data Entry Edit Report by consumer by site of the previous week's billing - which the MBK checks for accuracy, then files, by site.

- 1.5 The DMA sends Remittance Advices Vouchers (RA's) via regular mail usually on weekly basis. These RA's outline each consumer's billable units per day, by site – and indicate whether or not these will be paid.
 - (a) Denials: If a claim is denied (not paid) an error code is given. The MBK keeps a list of error codes which indicate why a claim would not be paid.
 1. Sometimes the claim can be resubmitted.
 2. Sometimes the consumer/guardian/rep payee is billed directly (In these cases the MBK recommends direct billing to the CFO and the Program Director, who would authorize the direct billing to occur.)
 - 1.6 Payments from DMA are electronically deposited into the bank account – usually on either a Tuesday or Wednesday after the RA was sent.
 - 1.7 The MBK cross-checks and verifies the voucher and payment amounts with the FCS Accountant. Once payment has been verified, the MBK posts the Medicaid voucher amounts and payments received into an Excel Template titled “Medicaid Runs.” This template indicates voucher number, run number, dates of service paid for, voucher amount, payment amount, difference if any, method of payment, and date received. It also indicates denials/suspensions/voids/recoups/adjustments, if any.
 - 1.8 Remittance Advice Vouchers are filed – each site has its own, current to the fiscal year. The MBK files these with the most recently received on top (descending order).
 - 1.9 The MBK then emails the “Remittance” and “Medicaid Runs” Excel templates to the CFO and the Program Director for review, on a weekly basis. The MBK also notes any other pertinent information to them at that time.
 - 1.10 Monthly Reports: By the 10th day of each new month, the MBK sends a report of the previous month's billing - broken down by site – any back billing is included and the amounts are totaled. The CFO, Program Director and FCS Accountant receive copies of this report.
 - 1.11 Hard copies of the billing sheets are collated by site each month and filed. All billing forms, documentation and reports are saved to the network as well as on the MBK's computer.
- 2) UMASS Billing** - The MBK is also responsible to bill 2 consumers from the Nursing Home Initiative for Day Habilitation Services, and 1 consumer for Vocational Services.
- 2.1 Monthly attendance sheets are submitted to the MBK, who inputs the data onto an Excel template, by the 10th of each new month.
 - 2.2 A hard copy is printed and filed, the MBK emails the document to a designee at UMASS Medical Center Nursing Home Initiative.

2.3 Amounts billed are posted onto the “remittance” Excel template; and reported to the CFO, Program Director and FCS Accountant.

2.4 Payment is verified in the same manner as the Medicaid Billing; and posted in the same manner as well.

3) Day Habilitation MRC Billing - The MBK also bills MRC (Mass Rehabilitation Commission) for day habilitation services provided to 2 consumers.

3.1 The MBK receives monthly attendance sheets from a designee. These sheets are “held” until 3 months of attendance have been received.

3.2 The MBK compiles the attendance and inputs it onto an Excel template.

3.3 The MBK completes the MRC billing form (a standardized triplicate form) by hand, entering amounts billed, units billed, service delivery timelines, and identifies to whom the services were provided.

3.4 The MBK attaches the completed Excel template to the triplicate form and mails it via USPS to the MRC designee. The MBK also includes a quarterly progress note. (This is provided by the Program Director). The MBK makes copies of all forms and keeps them on file.

3.5 Amounts billed are posted onto the “remittance” Excel template; and reported to the CFO, Program Director and FCS Accountant.

3.6 Payment is verified in the same manner as the Medicaid Billing; and posted in the same manner as well.

4.) DMR & other MRC BILLING:

4.1 Responsibility for the regular DMR Billing and the regular MRC Billing is alternated as needed between the MBK and the Accounts Receivable Bookkeeper (henceforth known as ARB). This billing is sent out by the 10th day of each month.

4.2 Attendance sheets are completed monthly by designees at each program location - Day Habilitation* and Employment Services (*some Day Habilitation consumers receive supplemental monies from DMR; for example 1:1 funding), and handed in to the ARB within the first working day of the following month.

4.3 Attendance is then entered into existing Excel worksheet templates (each contract has its own form) **or** attendance is submitted electronically online at the DMR Online Billing site.

- 4.4 The ARB or the MBK then completes MRC/DMR billing forms (standardized triplicate forms) by hand, entering amounts billed, units billed, service delivery timelines, by contract number. Each contract has a separate MRC/DMR form.
- 4.5 The ARB or the MBK attaches a copy of each completed Excel template to the corresponding standardized triplicate form, and mails it via USPS to DMR and MRC. Copies are made and kept on file.
- 4.6 Amounts billed are reported to the CFO, Program Directors, and FCS Accountant and posted in GL.
- 4.7 Payment is verified in the same manner as the Medicaid Billing.

5) Employment Services Sub-Contract Billing

- 5.1 The Accounts Receivable Bookkeeper (ARB) is responsible for sending out, recording and tracking the invoices on a monthly basis to the Vendors who subcontract with FOR Community Services, Inc.
- 5.2 The Coordinator of Employment Services/Production (COES) sends the invoices to the ARB in the first week of each month. The ARB reviews, copies to file, and inputs the information into the Accounting System.
- 5.3 The ARB prints the Invoice/Request for Payment and mails to the Vendor for payment of services rendered. The Vendor has 30 days to pay the bill. The accounting system tracks when payments are sent/received. The ARB will send further Invoices/Requests for Payment if needed.
- 5.4 The ARB submits reports to the CFO, Program Director, FCS Accountant, and the COES on a monthly basis.

PART 5

ACCOUNTS PAYABLE

Policy:

- All Cash Disbursement transactions adhere to established company policies and procedures and must be verified and approved at every step by authorized and appropriate company management.

Procedures

Supplies Purchases Invoices:

All Purchases except emergency purchases need to be approved by Program Directors. All requests for supplies should be made on Supply Requisition Forms and approved.

All Recurring Expense Invoices:

Recurring Invoices like utility bills, rents, phone bills, health insurance invoices should be checked and approved by appropriate senior staff.

1. On receipt of the approved invoices with supporting documents, the AP Bookkeeper (APBK) will submit them for approval to the CFO. Once the invoices are approved, they are entered into the accounting package.
2. Once a week, an AP aging report is run and the CFO along with the APBK will review the report and select the invoices to be paid.
3. The invoices are selected and the total payable for that run is compared to the cash available for AP disbursement. If there aren't sufficient funds available, the invoices are reselected.
4. The checks are printed attached to the invoices and submitted to the ED/CFO for signature.
5. The signed checks are mailed to the vendors directly.

PART 6

CONTROLS IN AN EDP ENVIRONMENT

APPLICATION CONTROLS

Policy

Application controls should be applied to ensure the completeness, accuracy, and validity of data.

General

Through a combination of both manual and programmed procedures, each application should include a series of control steps to be followed from the onset of a task through its final disposition. For example, if an account number is rejected by a program med edit check, manual procedures should be in place to ensure follow-up, correction, and resubmission of the item in question.

Associated Materials None

Procedures Completeness of Input

1.1 Completeness of input is concerned with whether or not all transactions are recorded. All transactions should be recorded and input into the system once and only once. At least one of the following methods should be used to ensure the completeness of input:

(a) One-for-one checking involves the review of all individual items that have been introduced to or updated in a file. To check for completeness, all documents associated with the input should be compared to a computer-generated listing of all activity for the corresponding file.

(b) Batch or control totals involve the manual separation of input transactions into groups or batches that are to be processed together. Various counts or calculations are then performed on each batch to check for completeness. The following methods should be used for this purpose:

A document count entails a manual count of documents within a batch to be entered into the system. Once input, the total number of documents entered should be calculated by the system and compared to the manual count.

- A line count or item count is similar to a document count but involves totaling the number of lines or items that have been entered into the system.

(c) Computer matching entails the use of a master file to identify transactions for which no match exists (e.g., an invoice from a vendor not on the master file) or items expected to match (e.g., purchase orders on file awaiting matching invoices). A history file may also be used to identify duplicate records (e.g., input of a previously paid invoice from a vendor).

(d) A computer sequence check can be implemented to verify the completeness of input when serially ordered documents are used (e.g., invoice numbers, journal entry numbers, and transaction batch numbers). The computer can also assign sequential numbers on input for subsequent tracking. The computer should examine the serial numbers associated with the items that have been input and identify missing or duplicate numbers.

Accuracy of Input

1.2 Accuracy of input controls focuses on the data associated with each transaction. All transactions should be recorded and input accurately into the system. At least one of the following methods should be used to ensure the accuracy of input:

- (a) One-for-one checking (see 1.1(a)).
- (b) Batch or control totals may be used to verify accuracy. However, since this procedure does not take into account items that negate each other, batch or control totals designed to verify completeness of input (see 1.1(b)) should also be used. These include:
 - Dollar amount or quantity totals should be manually calculated for all input transactions within a batch prior to the input process. During input, these totals should also be calculated by the system and compared to the manual count.
 - Hash totals are similar to dollar amount or quantity totals except that hash totals are generally performed on numeric fields that have no cumulative significance. For example, the sum total of the invoice dates appearing on each record represents a hash total.
- (c) Computer matching (see 1.1(c)) may also be used to verify the accuracy of specific items; however, only those fields that exist in the master file can be subject to verification.
- (d) Programmed edit checks are designed to inspect various input fields and evaluate their amounts, formats, codes, and so on, for range or reasonableness. Fields may also be calculated and matched to other fields or files for their logical relationships. Required fields or items may also be flagged if they are left blank.
- (e) Prerecorded input entails preprinting various fields on forms or documents in order to ensure their accuracy. Examples of prerecorded input include optical or bar-coded product and/or serial numbers on inventory items, and magnetically coded account numbers on ATM or credit cards.

Authorization of Transactions

1.3 Controls over authorization of transactions are designed to ensure that only authorized or valid transactions are processed. All transactions should be subject to at least one of the following techniques in order to determine their validity:

- (a) Authorization by a responsible official should be required for all transaction data. This process may take place on-line (see (b)).
- (b) Security measures that restrict access to various administrative or accounting functions, terminals, programs and data should be employed (see 5.0).
- (c) Computer matching (see 1.1(c)) using master files with pre-approved standing/transaction data should be applied.

Handling of Rejected Transactions

1.4 All transactions rejected during editing (see 1.1, 1.2, and 1.3) should be identified, investigated, and corrected on a timely basis. Transactions should then be reintroduced to the system and subject to the same editing and control procedures as new (original) transactions. Procedures should be established to ensure that all rejected transactions are ultimately corrected and reprocessed. The following methods should be used to handle rejected transactions:

- When one or more transactions within a batch is rejected, the entire batch will also be rejected. No further processing of the batch will be allowed until corrections are made.
- Only rejected transactions will be removed from further processing. All transactions that pass the editing will be processed further. Any batch or control totals used must be adjusted appropriately.
- In both cases above, rejected transactions will be handled in either of two ways:
 - (a) Rejected transactions will not be recorded in the system in any way. However, if the first method described is used, the rejected batch number should be recorded (see 1.1(d)).

(b) Rejected transactions will be recorded in the system but will be segregated from accepted transactions by placing them in suspense files, awaiting corrective action.

Completeness and Accuracy of Computer-Generated Data/Transactions

1.5 Controls over computer-generated transactions are concerned that associated data is complete and accurate. (Examples of computer-generated transactions include automatic reordering of inventory and automatic posting of disbursements to the general ledger.) Controls should be established to ensure that data used in the generation of other data is complete, accurate, and authorized, and that associated parameters are input accurately as well. The following should be addressed:

- Key data used in the generation of transactions should be complete, accurate, and authorized (see 1.1 to 1.4).
- Programmed edit checks should be implemented to examine input parameters for reasonableness (see 1.2(d)).
- Programs that generate transactions should be logical, accurate, and secure (see 2.0 and 4.0).
- Results of processing (e.g., control totals) should be checked manually (see 1.2(b)).

Completeness and Accuracy of Updating

1.6 Update of data controls is needed to ensure that master files are completely and accurately updated. Controls should be established to ensure that all transactions are updated accurately to relevant files once and only once.

- To ensure the completeness of update, at least one of the methods described in the completeness of input section (see 1.1) should be used.
- To ensure the accuracy of update, at least one of the methods described in the accuracy of input section (see 1.2), excluding the prerecorded input method, should be used.

Part 7

DATA PROTECTION

Back-Up and Recovery

Controls over recovery from processing failures require that data be regularly copied as back-up, that the processing status at the time of failure can be established, and that procedures ensure that proper recovery takes place. Involvement by the various user groups will help ensure that recovery takes place properly.

- (a) Controls should be established to ensure that copies of all data files are backed up at appropriate intervals, based on the normal business cycle (i.e., how often data on the files change).
- (b) Controls should be established to ensure that program libraries are regularly backed up, together with a record of changes made between back-ups.
- (c) Controls should be established to ensure that data files and programs are recovered properly after a processing failure and that errors are not introduced during the recovery process. Should modifications to data files or programs be necessary during an emergency situation, procedures should ensure that all changes made are accurate and authorized.
- (d) To ensure that back-up copies of data files and programs are available for recovery during an emergency situation, back-up media should be stored in an off-site facility. Preferably, the off-site location is secure and environmentally protected as well as sufficiently remote to realistically serve its purpose.
- (e) A contingency plan should be developed that ensures the continuity of applications processing in the event of an unexpected interruption of computer services, taking into account and documenting possible risk scenarios. Once a plan has been developed, approved, and documented, it should be periodically tested in order to ensure that all its pieces work properly and remain consistent.

SECURITY

Policy Access to information stored on a computer should be restricted.

General Management should identify and classify computerized resources (data, programs, hardware, etc.) and protect them with a well-organized combination of software and manual procedures. Security software provides the ability to restrict access to the system at various levels: system, application, application function, data file, and data element. Adequate security features may be available in the operating system, specialized access security software, or within individual application packages. The latter is usually not as desirable in that it is not always applicable to the entire data processing environment.

Procedures

Overall System Access Controls

Controls should be established to prevent unauthorized access to the system and to restrict each user's access based on specific job-related functions. The operating systems for many mid-range computers provide the facilities to accomplish these restrictions. For example, based on a user's ID and password, the operating system will force the user into a restricted work shell/menu out of which the user cannot venture. All unauthorized attempts to bypass access controls should be reported and promptly investigated.

Security Policy

Management should develop and communicate a security policy stating their position on information security. Such a policy should consist of a set of written guidelines promoting rules and criteria about the treatment of computerized resources.

Security Administration

Administration of access security controls should be performed by responsible individuals independent of the programming function.

- (a) *Only duly authorized individuals should be assigned system IDs and passwords that permit access to the system. An access request form (Figure 5-1) should be used to ensure and document proper authorization. Each ID should be unique in order to track user activities and provide for accountability.*
- (b) *Passwords should be used to ensure the correct identification of authorized users by the system. Passwords should be kept secret, not easily guessed, and changed on a regular basis.*
- (c) *All access privileges should be promptly canceled or amended for terminated or transferred employees.*
- (d) *Adequate security and controls should exist over the ability to perform administration of all of the functions mentioned above (e.g., maintenance of security tables, changing of passwords, granting special privileges).*
- (e) *Periodic security reviews should be conducted to ensure that access privileges granted remain appropriate.*
- (f) *Dial-Up or Online Access*
- (g) *Controls should be established to prevent unauthorized access via dial-up mechanisms. Public access can be restricted through the use of automatic dial-back procedures, among others.*
- (h) *Physical Access*
- (i) *Physical access to all computer facilities and other areas identified as containing sensitive information should be limited at all times, including evenings, weekends, and holidays. Computer facilities include terminals, modems, and communications lines, as well as the computer itself. Custody of Data and Programs Stored Off-Line.*
- (j) *Magnetic tapes, diskettes, and removable disks containing programs or data files, including back-up copies, should be protected and uniquely identified.*
- (k) *Control procedures should be established over the existence and movements of all off-line media. Numbering on external labels should be used to account for all media movements. Such movements usually include issuance from and return to the computer room, media library, and off-site storage facility.*
- (l) *Off-line media should be stored in secure environments and should be accessible only by individuals authorized by management.*
- (m) *Bypassing Normal Access Controls*
- (n) *When it becomes necessary to bypass normal access security controls, such as during emergency situations, the action should be authorized by a responsible official. Such authorization may be informal at the outset of the conditions that caused the temporary change in policy, but formal written authorization should nevertheless be provided after the fact. It is also important to ensure that normal access security controls are reinstated as soon as possible and that any changes to data files have been properly controlled and approved.*

- (o) Data security extends beyond the physical domain of computer hardware.
- (p) Often overlooked as a potential security exposure, printed reports containing sensitive information should be produced only according to an approved schedule (see 4.1) or when requested with the authorization of a responsible official.
- (q) Sensitive output that is not printed directly but is held on-line or transmitted to a remote computer should be controlled to prevent or detect changes to the output prior to printing and to ensure that the output reaches only its intended destination.

PART 8

RECORD RETENTION

Facility records, especially those which are voluminous and bulky, should be disposed of as soon as they outlive their usefulness. By systematically following the attached schedules of any common documents, unnecessary records will be kept to a minimum. Many business managers feel original records must be kept for at least a certain time (six years is most quoted) after which no action can be brought against them. In which, there is no single statute of limitations; there are dozens often and the time period for each statute varies depending on the particular law and state. Record keeping policies must be guided by the probability and dollar amount of risk involved, not by statutes of limitations alone. The times indicated in this schedule are suggested as minimum it is acceptable to retain some documents longer than the time specified based on agency requirements (revised 4/30/07)

Type of Document	Minimum Requirement
Accounts payable ledgers and schedules	7 years
Audit reports	Permanently
Bank Reconciliations	2 years
Bank statements	3 years
Checks (for important payments and purchases)	Permanently
Contracts, mortgages, notes and leases (expired)	7 years
Contracts (still in effect)	Permanently
Correspondence (general)	2 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	2 years
Deeds, mortgages, and bills of sale	Permanently
Depreciation Schedules	Permanently
Duplicate deposit slips	2 years
Employment applications	3 years
Expense Analyses/expense distribution schedules	7 years
Year End Financial Statements	Permanently
Insurance Policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanently
Internal audit reports	3 years
Inventories of products, materials, and supplies	7 years
Invoices (to customers, from vendors)	7 years
Minute books, bylaws and charter	Permanently
Patents and related Papers	Permanently
Payroll records and summaries	7 years
Personnel files (terminated employees)	7 years
Retirement and pension records	Permanently
Tax returns and worksheets	Permanently
Timesheets	7 years
Trademark registrations and copyrights	Permanently
Withholding tax statements	7 years

PART 9

PROCDEURES FOR GAS CARD USAGE

- 1) **Limits on Card Usage:** The cards will be attached to individual vehicles. Based on the type of the vehicle (15 passenger van, minivan, car or truck) and program usage (Transportation, DayHab Site, Shared vehicles, Westover Crew etc), the usage parameters of the cards would be defined and limits set. The instructions on the limits would be would be set directly on the Wright Express website an authorized manager or representative. If the website is inaccessible, the instructions would be communicated by phone to Wright Express. The among parameters defined would be, the days and times of allowed card usage, number of times a card could be used per day , the Dollar limit per usage and Dollar limit per day.
- 2) **Procedures to be followed by Drivers:** The cards would be placed in a Blue Plastic Zippered bag and would be kept in the glove compartment of the vehicle at ALL TIMES. They should not be removed except during fill up and replaced immediately. If the gas card is found to be missing from the vehicle, the Administration office should be informed immediately. The drivers would be required to write their names on the printed receipt from the gas pump and put in the bag. At the end of every month, these receipts would be taken out by an authorized employee and sent to Administration office to be compared to the bills from Wright Express.
- 3) **Controls at Program:** The Program Managers or their authorized representatives at all sites would be required to do random checks on to see if the Cards are in the vehicles and the receipts are being saved and the names of the card users are clearly indicated on the pump receipts.
- 4) **Review and Reconciliation of the Bills at Administration: Control** at Administration level: The fiscal office with on a monthly basis check at least receipts from three vehicles and all the high risk vehicles with the Wright Express Bills. The Program Mangers would be notified immediately in writing if material discrepancies are found with a copy to CFO. The managers would be expected to investigate the material discrepancies and inform the CFO within working seven days.