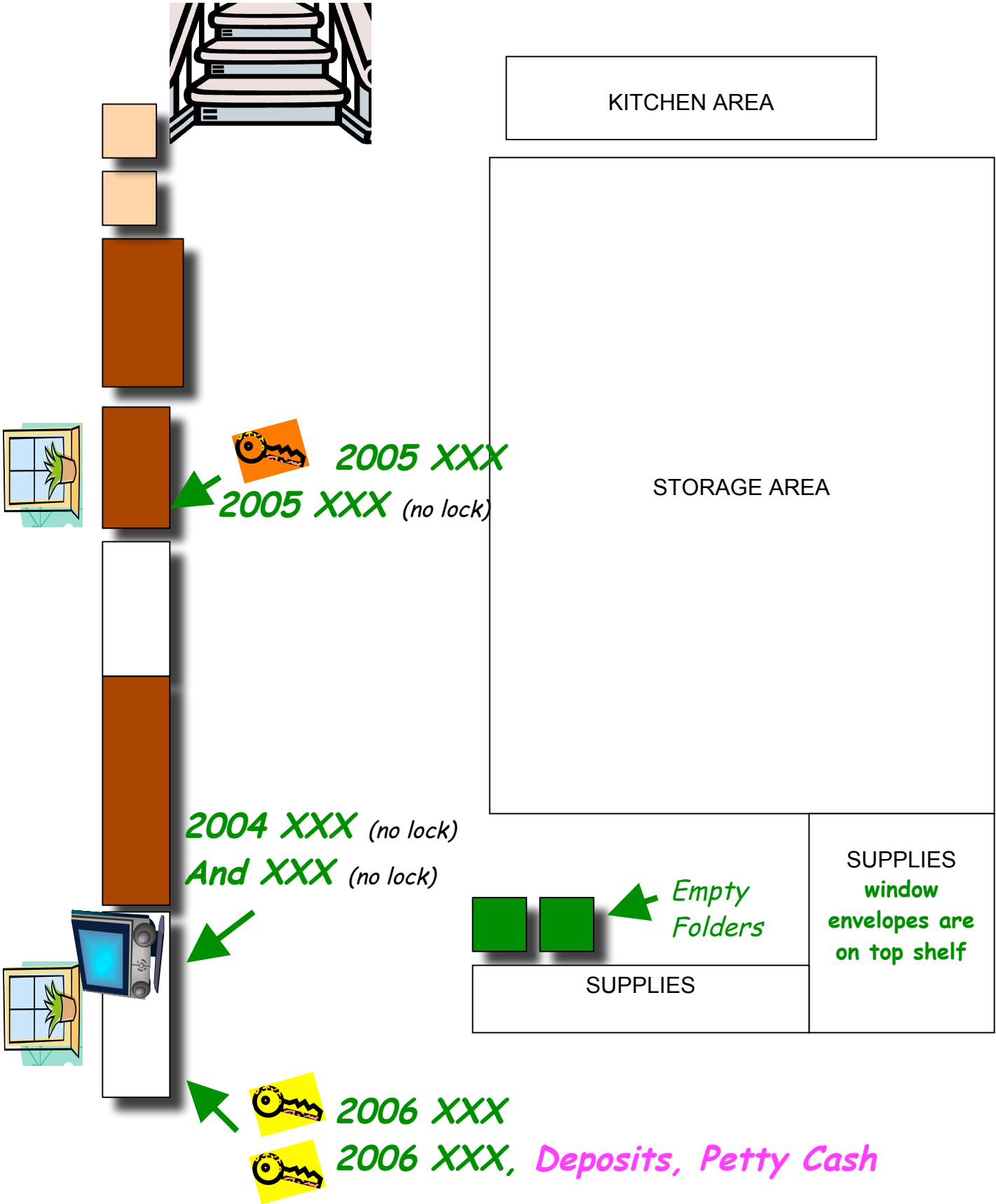
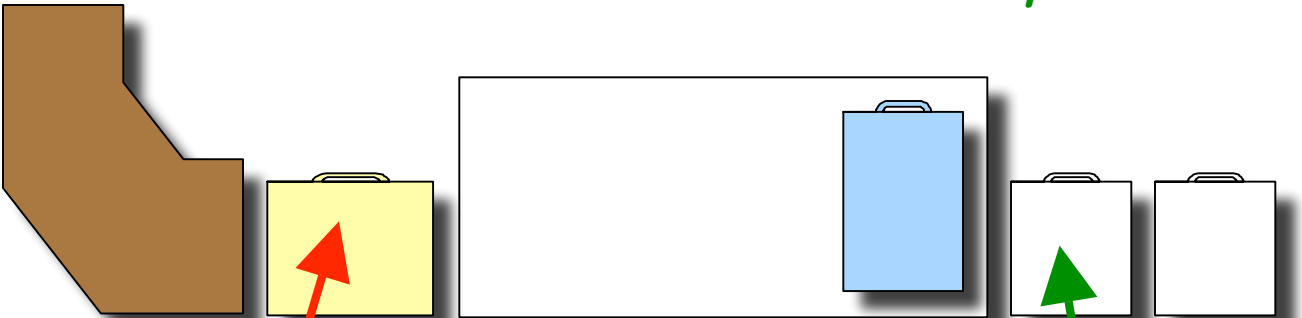
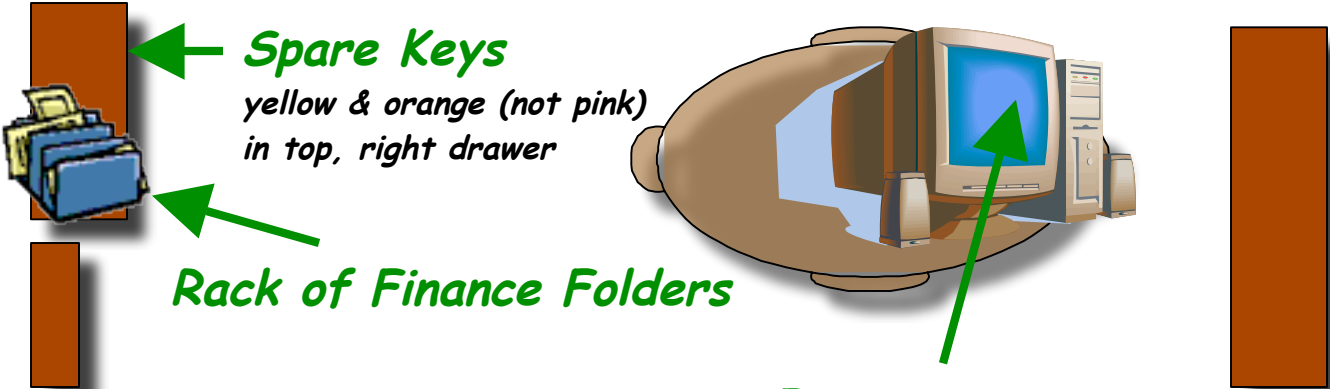
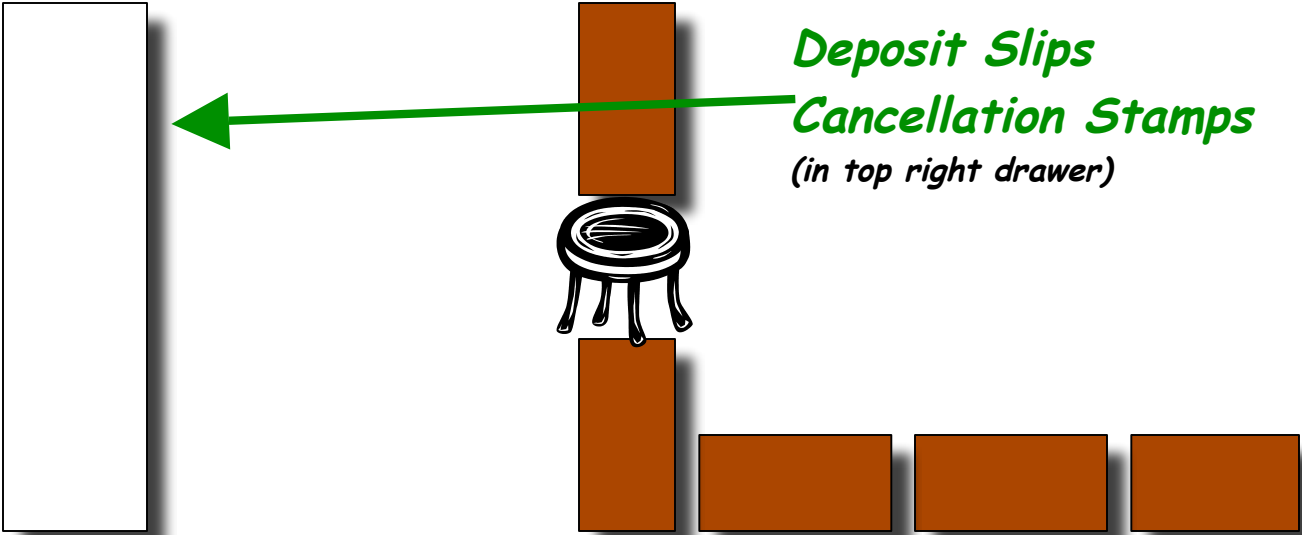


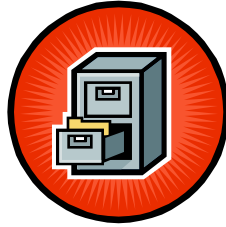
# Layout of Office





*XX Budget, XX Payroll, Credit Cards, Thumb Drive*  
*Blank Checks, Taxes, Properties*  
*(several years of taxes, including materials for 1099s)*

# CLIENT 1



## At-a-Glance: Locations of Physical Files

### **2003 and prior financial records**

It is assumed these documents are located somewhere in the shelves on your left as you enter the basement (probably in cardboard boxes). It is unknown whether they exist, what they contain, nor how reliable they are. At some point they need to be located, reviewed, have a big note attached telling people to NOT MOVE THEM, and their location should be added to this manual. It would be best if they could be stored securely.

### **2004 location, access & reliability**

These files are located in the right hand drawers (unlocked, grey, marked “2004”) of the desk with the Mac computer, on your right as you enter the basement. They have not been reviewed. It is unclear whether one drawer is for CLIENT 1 and one is for CLIENT’s personal, consulting and real estate items – they may be mingled together. At some point they need to be reviewed and archived to a secure location (it is unlikely they are needed on a regular basis).

### **2005 location, access & reliability**

These files are located in the bottom left hand drawer of the wooden desk on the right hand side just as you enter the basement (unlocked, wooden, marked “2005 XXX”). These files are incomplete and unreliable. Only the XXX drawer can lock (the CLIENT 1 drawer is not locked)

### **2006 location, access & reliability: all folders are green**



#### **Deposits to be made:**

Whether XXX or XXX, these are in the left side bottom drawer of the desk with the Mac on it. This drawer and the folder are marked with a hot pink “Deposits” flag. New checks are to be placed here and every day they come in, the finance person should check here for new deposits to process.

#### **Petty Cash:**

the system for tracking petty cash has not been set up and does not reconcile to QuickBooks. CLIENT 1 is not differentiated from XXX. Cash was found lying around the office, so this was placed in the “Deposits” folder (see #1) with a tally sheet to track when money is taken out or put in to this drawer.

#### **Nonprofit Status:**

This document is in the front of the 2006 XXX files, in the top left hand drawer of the table with the Mac.



**Check Run (the process to decide which bills to pay):**

This hanging file is in the front of the drawer marked 2006 XXX, in the top left hand drawer of the table with the Mac. It contains the following folders:

**Check Run Approval Reports:**

The reports are clipped on the left hand side of the folder, documenting what was approved in the past. This contains three prioritized groups of bills, in the same order as they are on the Check Run report. If entered in Quickbooks, the letters "QB" are written on the lower right corner of the invoice. These invoices are pending approval for payment.

**Checks To Be Signed:**

if checks were approved but not signed, they should be kept here until CLIENT has a chance to sign them (so that they stay locked up)

**Held Checks:**

If checks are printed but not released for cash flow or other reasons, they should be kept here, clipped to a summary Held Check Report (which is part of the WCMR – see that section for more info).

**Vendors (Contractors, Services, aka "People who Bill us"):**

All paid invoices, with check stub attached to the front, are stored in the middle of the drawer marked 2006 XXX, in the top left hand drawer of the table with the Mac. They are filed by last name. If it is a corporate vendor (such as SBC, PG&E and so forth) any communication or notices are also stored here. If it is an individual contractor with a custom agreement with XXX, communication and notices are filed in the Contractor Files, in the cabinet by the Finance Computer, in the drawer marked "Personnel". PLEASE NOTE THAT CREDIT CARD INFO IS NOT STORED IN THE VENDOR FILES: to keep them confidential, they are stored in the top drawer of the cabinet next to the Office Manager's desk.

**Void checks:**

Stored towards the middle of the drawer marked 2006 XXX, in the top left hand drawer of the table with the Mac.

**Deposit history:**

Past deposits to the XXX checking or Savings account are stored towards the rear of the drawer marked 2006 XXX, in the top left hand drawer of the table with the Mac. Each deposit has a QuickBooks cover sheet and the deposit record from Wells Fargo should be taped to the front. Copies of checks and any documentation are stapled to the cover sheet.



**Accounts:** Files for bank accounts associated with CLIENT 1 are in the back of the drawer marked 2006 XXX, in the top left hand drawer of the table with the Mac.

**Restricted Access Files (only Bookkeeper and XXX have keys)**

**Budget Folder:** This is kept in the top drawer, front of the tan file cabinet next to the Office Manager's desk. This is the "finance copy" – another complete copy was given to CLIENT for her reference.

**Credit Cards:** These are kept in the top drawer of the tan file cabinet next to the Office Manager's desk. At the front of the hanging file folder is a report summarizing all accounts. Attached to that are copies of cards (with the assumption that copies of cards will be added to each card file, once they are made). As research is completed, files have been made for each card. Statements have check stubs attached to them once they are paid. If paid online, the login and password are attached to the front of that card's folder.



**Taxes:** 1099, 1096, and 990. CLIENT 1 taxes for several years are stored in the bottom drawer of the cabinet by the Office Manager's desk.



**1099s** are towards the front of the drawer. There is a section with a folder for each year's 1099s (reports sent by CLIENT 1 to the government and to individual contractors in the first few months of the year showing the total payments made to contractors during the previous year). Each year will also have a **1096** (the summary report which is sent to the IRS as a cover for copies of the 1099s we issue).

**990:** There is a section for CLIENT 1 taxes, called the 990, with folders for each year towards the middle of the drawer.



**Payroll:** This is in the top drawer of the tan cabinet to the left of the Office Manager's desk. This includes:

**Blue PayChex Binder:** in which each month's timesheets, calculations, and payroll reports are organized by month. Contact information for the payroll company is also in the front of the binder.

**HR research folder:** containing salary research, job titles, etc.

**Employee Handbook:** which contains sample documents and should have a final version for CLIENT 1

**Folders for Each Employee:** which should contain documentation of tax exemptions, proof of eligibility to work in the US, job description, performance reviews, and more.

**Blank Checks:** are located in the locked tan cabinet by the Office Manager's desk, bottom drawer in the very back. Be cautious: there were checks out of order, so be sure to take the lowest numbered checks and make sure they are not missing

**Non-confidential Files:** are in the rack along the wall, to the right of the Office Manager's desk. *Think of them as the "in-boxes" for finance!*



**New Bills:** The Office Manager or CLIENT should place incoming bills, already opened, with a date stamp showing when it was received, in this folder in the rack.

**WCMR:** The Weekly Cash Management Report folder is in this rack. Reports for each week are stored here.



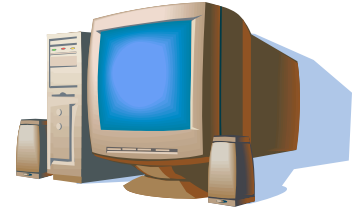
**Bank Statements:** When they are first received, they are placed in this folder in the rack for later filing by the bookkeeper.

**Bookkeepers' In-Box Folder:** There should be a green folder which serves as an in-box for the bookkeeper and any other financial staff. The folder should have their name and be kept in the rack.

**Contractor Files:** these folders are overseen by the Office Manager, not the finance staff. They are purple. They are stored in the white filing cabinet to the left of the finance computer. They are in the second drawer, marked "Personnel", in the back half of the drawer. They contain: the **W9** (documentation of Social Security number – this is necessary for each and every one!), the **contract**, and any **correspondence**. Payments are not stored here – they are in the Vendor files (see above).



**At-a-Glance: Locations of Electronic Files**



**XXX QuickBooks electronic file:** the software is installed on the finance computer. The file itself for the CLIENT 1 books is “**CLIENT 1.QBW**” and is located in:

C:\Documents and Settings\Books\My Documents\QuickbooksData

**All other Finance electronic documents** are on the finance computer here:  
C:\Documents and Settings\Books\My Documents\Finance

Address		Size	Type
C:\Documents and Settings\Books\My Documents\Finance			
Name			Type
BOOKKEEPING MANUAL			File Folder
Book Report			File Folder
Grant Reporting			File Folder
Human Resources			File Folder
Weekly Cash Mgmt Report			File Folder
Independent Contractors			File Folder
Notes			File Folder
Letters and Templates			File Folder
Files to be deleted			File Folder
Consulting			File Folder
Taxes			File Folder
John's Files			File Folder
Documents			File Folder

**XXX Human Resources:** **Payroll:** Timesheets, Monthly Payroll Calculation worksheet  
Research: tax charts, compensation & benefits research

**Independent Contractors:** **1099s** tax reports for 2005

Letters and Templates: Fax Cover Sheet template  
The **Finance Calendar Wall Schedule**  
File folder label templates  
...and more!

**XXX CLIENT ##:** The chart for converting confidential client names to codes

## Backup Procedures

On a weekly basis the Quickbooks Data folder and the Finance folder should be backed up onto **the thumb drive** stored in the top drawer of the tan cabinet by the Office Manager's desk. Delete the previous week's back up or else there will not be enough room.



On a monthly basis, these files should be copied onto a second computer, to provide a monthly archive.

## WCMR: Weekly Cash Management Report

This report is used to track cash flow and helps determine the impact of held checks and deferred payments. It is **updated on a weekly basis**, particularly before major expenditures such as payroll and check runs. It is very important that it be kept up to date because the **Quickbooks calculated cash balance calculation will not be accurate until:**

- 1) stale checks are voided and written off or reissued
- 2) deposits booked in error are voided
- 3) journal entries which impact cash are verified
- 4) all cash and asset accounts are reconciled

This report is saved each week with a new date in the title. You should NEVER save over or delete a previous report. This keeps a history of calculations in case you need to look up what has been recorded previously.

**C:\Documents and Settings\Books\My Documents\Finance\XXX Weekly Cash Mgmt Report**

This report is composed of 4 tabs in an excel spreadsheet:

CLIENT 1 20K: This calculates the cash available (restricted and unrestricted) using just the main checking and savings accounts of CLIENT 1. We do not currently know if there are additional CLIENT 1 assets.

CLIENT 1 35K: This is exactly the same as the 20K tab except that the restricted funds are changed from 20K to 25K.

Held Checks: this is updated each week with information from the check run and looking through the "held checks" folder

Checking1: this is the downloaded transaction history from the Wells Fargo website



If you did this correctly, the first page should be “zeroed” out so the beginning balance = the ending balance. You may need to delete any adjustments or interest posting on the first page in this section.

	A	B	C	D	E	F	G
3							
4	<b>Account Name</b>		<b>Last Friday</b>		<b>This Friday</b>		
5			5/5/2006		5/12/2006		
6	WFB Ckg #160-8361-XXX		\$ (1,965.84)		\$ (1,965.84)	Deposits this week	\$ -
7						Transfers from Sav this week	\$ -
8						Direct Debit/ATM/EFT In this week	\$ -
9							
10						Direct Debit/ATM/EFT Out this week	\$ - See
11						Total Payroll Cash Out this week	\$ - See
12						Checks Written this week	\$ - Che
13						Transfers to Savings	\$ -
14							
15						Adjustments	
16						int	\$ -
17						bank charges	\$ -
18							\$ -
19							\$ -
20							\$ -
21							\$ -
22							\$ -
23	<b>RESTRICTED FUNDS</b>						\$ -
24							
25			\$ 20,000.00		\$ 20,000.00	In	\$ -
26	\$ total grant	\$ 100,000.00				Out	\$ -
27	Received on: 01/20/06					Adjust	\$ -
28							\$ -
29							\$ -

This = This

Page 1

Now you are ready to enter this week’s calculations!

1. Download transactions for the report period. I usually download one day before and one day after the report period. I also look at the pending transactions, if I am doing the report DURING the report period (as opposed to the Monday after the close date of the report). These **pending transactions** are shown on the account summary page on the web (but are not downloaded). NOTE: These pending transactions sometimes don’t go through for several days or are a different amount when they do post. You should always verify that anything you posted as a pending transaction in the past actually posted and make any adjustments as necessary.
2. Depending on type of transaction, it should be posted on the RIGHT side as EFTS out, Payroll, or Deposits. DO NOT ENTER CHECKS AS THEY CLEAR – they should be entered as they are written. If this is a check run week, enter all checks, including held checks. If this is not a check run week, there should NOT be any checks entered. These items should sum and post to the left hand side (1<sup>st</sup> page). Pay close attention to whether you should be entering transactions as positive or negative amounts!
3. If there was any interest or other adjustments, post them to the first page.
4. When you have completed this first tab, simply copy the tab and rename it as 35K. Update the restricted funds amount to \$35K.



## Deposit Procedures

All incoming deposits should be placed in the **hot pink deposits folder**, whether the deposit is for CLIENT 1 or not. The bookkeeper checks this folder every time they come to work. It is located in the bottom left hand drawer of the grey file cabinet near the mac.

First, determine which account the check should be deposited to (double check with CLIENT if you are not sure). All deposits are either to:

**CLIENT 1 Wells Fargo checking account ending in #XXXX** or

**M.P.CLIENT Wells Fargo checking account ending in #XXXX.**

Stamp the back of the check with the correct **cancel stamp**. The stamp for CLIENT 1 and for M.P CLIENT in the top right drawer of the long white desk in the middle of the room, next to the mac.

Fill out a **deposit slip** (located in the same top right drawer of the long white desk in the middle of the room, next to the mac).

Go into the correct **Quickbooks file** (XXX or XXX) and at the top of the screen, middle of the screen, select "**Banking**" and "**Make Deposits**". Fill it out as indicated on the next page for each check (all checks are entered as one "deposit" – so your first check is the white line, the second is a peach line, the third is a white line, and so on).

NOTE: If a "payments to deposit" window pops up, blocking the screen, just hit "cancel" (these are old entries in quickbooks which have not been confirmed – do not use them unless you have researched them).

Print the deposit summary page (using the "print" icon circled in red on the next page) and then "Save & Close" this deposit.

*See following page for more detail!*

**Class:** (circled in green) this is a field we have not been using, but could use in future to indicate different types of programs or expenses within the nonprofit (for example, the classic: fundraising, general and administrative, and program categories needed for tax purposes. In the past, XXXX and XXX put their names in these fields to indicate entries they made or corrected in order to make looking for transactions made by past bookkeepers faster to search for.

**Memo:** (circled in green) this field has not been used, but deposits could be numbered or have some other additional tracking information

**Date, Check Number, Payment Method, and Amount** fill in these fields

The screenshot shows the 'Make Deposits' window with the following elements highlighted:

- Buttons:** 'Previous', 'Text', 'Print', and 'Payments' are circled in red.
- Fields:** 'Deposit To' (1000 - WFB...), 'Date' (05/17/2006), and 'Memo' (Deposit) are circled in green.
- Table Headers:** 'Received From', 'From Account', 'Memo', 'Chk', 'Pmt Met', 'Class', and 'Amount' are circled in green.
- Buttons:** 'Save & Close', 'Save & New', and 'Clear' are circled in red.

Select the account for XXX it is the checking account ending "1171"

Enter who each check is from as "Last, First" or the Company Name (make sure the name is not already in Quickbooks, spelled slightly differently!)

This determines where the income shows on reports. Use the arrow to view all accounts. Scroll down to "Income" and select the correct type of income for this deposit. (see examples of the income accounts to the left)

The memo lets you add detail: perhaps who knows this donor, the specific materials Earth House provided to earn this "Earned Revenue", and so on. **NOTE:** if we billed someone or otherwise indicated in the software that we expected this money, there may be an invoice in the software (recording that someone owes us money). If so, the software will give you a "popup" when you type in the name of who gave us the check. See the section on Invoices for more info!

**Documentation of the deposit:**

**Make copies** of the deposit slip and every check associated with it (try to fit them on 1 page).

**Staple** these copies of the checks and the deposit slip together with the Quickbooks deposit printout on top. Attach any **documentation** which came with the check (for example, if the check had a stub or a letter explaining what it is, you don't need to copy those – just attach the originals).



Keep this packet in your in-box until you get back from the bank. Tape the **deposit receipt** from Wells Fargo to the front of the packet to document when it was deposited with the bank.



## Payment Policies

Please see the “Notice to Employees and Contractors” handout.

## Payroll

### KEY PAYROLL INFORMATION

processed monthly, at the end of the month (calendar is on wall)

call it in at least 2 working days prior to check date before 4:00

Our rep, **JANE DOE: 555-555-5555.**

payroll processing company: **Paychex**

Our account is identified by code: **XXXX**

If there are problems, our sales rep: Jennifer (card in payroll binder, in top drawer of the tan file cabinet by the Office Manager’s desk)

#### i. Timesheets:



1. Approx. 1 week prior to payroll, **remind** employees when they need to complete and have their timesheets approved.
2. Timesheets must have **CLIENT’s initials on them (approval)**. Timesheets are turned in to the “Timesheets” folder in the rack by the Project Manager’s desk.
3. The template for the timesheets is saved in C:\Documents and Settings\Books\My Documents\Finance\XXXX\Payroll
4. **Review timesheets for accuracy:** total each page and calculate grand total. Employees often make mistakes (failing to double check the excel spreadsheet is adding correctly)
5. Please note: employees have paid breaks and paid lunches. Do not deduct time for these breaks.

#### ii. Calculate Payroll:



1. Calculate payroll using the “**monthly payroll calculations**” excel spreadsheet, located at: C:\Documents and Settings\Books\My Documents\Finance\XXXX\Payroll
2. **Create this month’s tab:** copy the most recent tab in the spreadsheet and name it after the month being calculated.
  - a. To copy: right click last month’s tab, select copy <ok>
  - b. To rename: right click the tab you want to change, rename, type in new name, <ok>
3. In general, if the cell is **shaded yellow**, you need to enter information!
  - a. Enter the total hours in the “hours” column for employees paid hourly rates

b. If salaried employees are being paid, enter their amount.

iii. **Verify Payroll:**

1. **Call XXX** with your estimates to confirm the calculations. She will need to tell you the:

- a. CA
- b. FED
- c. and SUI

they will deduct (this changes and cannot always be calculated in our office). Remember: once an employee pays over \$7,000 of SUI then this tax is no longer due for that calendar year. You can indicate this is no longer due by turning the cell grey and adding a comment.

2. **Confirm the total amount to be debited from our account** (the bottom right cell on the spreadsheet).
3. Tell her to **hold the payroll** info until CLIENT approves the total.



iv. **Get Payroll Approval From CLIENT BEFORE 4PM**

1. Make sure the payroll calculation tab formatting is correct with print preview. Print out the completed tab for this month's payroll.
2. Print out the WCMR for this week with the payroll totals added to the second page, under Payroll (see WCMR instructions).
3. Have M.CLIENT CLIENT review the payroll summary and WCMR. If she approves, she should sign the payroll report and put a date and time.

v. **Submit Payroll**

1. **Call XXX** and let her know if there were any changes to the payroll or if it is submitted as you told her earlier (for the estimates). You may want to leave her a message with the information and ask that she call you back with confirmation that she got your message & processed payroll.
2. Once submitted, fill in who you submitted it to and the date and time they confirmed it was processed. File the **completed calculation report** in the payroll binder.

vi. **Review Reports**

1. The next day, payroll reports will be sent from Paychex to CLIENT 1. You should open these reports and review them for accuracy

vii. **Enter Payroll in Quickbooks**

1. Open Quickbooks for Earthhouse. At the top towards the left, select "**List**" and "**Memorized Transactions List**". This shows a category of memorized transactions called "payroll"
2. Double-click each of these memorized transactions, one by one, to bring up the template and then enter this month's numbers for:
  - a. Each employee's check
  - b. Federal check
  - c. State check
  - d. Worker's Comp check
  - e. Paychex fee

**CAUTION:** it is very easy to accidentally enter a memorized transaction. Use the “Save and Close” button if you have done the transaction correctly. If you try to close a memorized transaction, the software will prompt you – make sure you DO NOT save it unless you intend to post this entry!

**viii. Documenting and Filing Payroll**

1. In the blue payroll binder in the top drawer of the tan cabinet by the Office Manager’s desk, each set of payroll documentation is filed by month, with groupings by quarter. Each section has:
  - a. Timesheets
  - b. Monthly Payroll Calculations with approval by CLIENT and documented submission
  - c. Payroll reports

**ix. Quarterly Reports**

1. These are also kept in the blue binder in the top drawer of the tan cabinet by the Office Manager’s desk. Assuming monthly review is already being done, only a cursory review of these is necessary.

**x. Annual Reports and W2s**

1. These are kept in the blue binder in the top drawer of the tan cabinet by the Office Manager’s desk. These should be carefully reviewed against the QuickBooks totals to **ensure there are no discrepancies in January**, before they are given to employees. They should then be confirmed with the employee before Paychex reports to the government in February.



**Contractors**

**W9 Forms and Contractor Files:** These are located in the white cabinets in the corner, to your left when you are sitting at the finance computer. They are in the second drawer from the top, marked “Personnel / Clients”. They are overseen by the Office Manger. They should contain a W9 and a signed contract, as well as any communication. If you receive a new vendor, always ensure that their contractor file has been created and that these documents are in the file.

**1099s:** These are located in the bottom drawer of the confidential tan file cabinet next to the Office Manger’s desk. They are a summary of the taxable payments to contractors (should not include reimbursed



expenses). They are generated using QuickBooks as an “automatic” report at the beginning of the year. They should be mailed to all contractors **no later than the last day of January**.

: These are located in the bottom drawer of the confidential tan file cabinet next to the Office Manger’s desk. They are a summary of all the 1099s. You must file this each year **no later than the last day of February** with the IRS.

## Outstanding Issues

**Credit Cards:** summary report exists; no current problems known with balances or disputes. System issues for internal reconciliation, allocation, and accounting. Need to verify which cards are open, verify credit limit for each card, get additional cards, turn off credit card protection, standardize recording in Quickbooks. Need to itemize past (2005 and prior) for taxes. Chronic issues with cards being rejected due to fraud holds: **DO NOT ASSUME A REJECTED CARD HAS NOT BEEN PAID** – It usually just requires a phone call from CLIENT to remove the “suspicious transactions” hold!



**1099 Corrections; Reprint 1096:** XXX and XXX definitely need to be reissued, CLIENT’s may need to be based on totals (see payment of rent to XX, below) but also because she received rent income (doesn’t this require a separate 1099?) as well as honorariums. XXX’s was wrong – all materials were given to CLIENT to meet with XXX. CLIENT’s preference is to not amend, but instead make adjustments to 2006 1099s. XXX’s 1099 is discussed below in the Balance Sheet issues.

**Reconcile receipts:** need to verify which expenses are business meetings versus office food supplies versus entertainment. Receipts have been collected but never reconciled. Do not know where they are located.

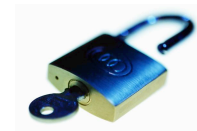


**Payment of rent to XXX:** it appears this was mis-calculated and mis-paid in 2005. Potential overpayment of rent by CLIENT 1 in 2005 but none paid in 2006.

**Contractor reports to IRS:** these need to be completed & mailed.

**Security and confidentiality:**

Keys & locking cabinets: a lock box is to be purchased.



Office Manager's restricted vs unrestricted access may be resolved if no one is hired as a replacement

**Budget:** analysis and creation. File is in the front, top drawer of the tan cabinet by the office manager's desk. Budget has been started in Quickbooks & report set up.

**Splits and Classes** to be set up

### Tax Form 990

Extension is done to July 15, 2006 and is in folder.

Collation of Information needs to be completed. Several Balance Sheet reconciliation items need to be completed prior to this (see below)

### Balance sheet review:

net cash corrections between XXX and CCC. Includes: XXX's 1099 (see below "Other ongoing") and more, XXX, rent to CLIENT, and more.

Missing and uncleared checks

Equipment: appears on 990 2004 and in Quickbooks for XXX. We need schedule from XXX. Need to confirm whether CLIENT or XXX owns this equipment. CLIENT believes that she does; taxes need to reflect that, and so does Quickbooks. A list of assets is included in tax prep workbook from XXX for 2005 (can be helpful reference)



Reconcile all remaining bal. sheet accounts.

Checking #XXX: current

Sav #XXX: thru 2/28/06

WFB CD: needs to be reconciled

Need to resolve equipment, suspense, payroll, restricted funds

### Other ongoing:

**CLIENT's paycheck** partial Feb, March, April, May to be recorded.

**403B** ongoing deduction? Paperwork to be completed? Need to notify XXX of decision, complete any paperwork (or get check returned). If check is refunded, we need to notify the payroll company.



**XXX's 1099** bill posted to XX amount needs to be agreed upon and check needs to be written by XXX to XXX. In 2006, XXX has only been paid by CLIENT 1.

Should CLIENT make a payment to XXX to reimburse for her time working for CLIENT personally in **2006**?

**D&O Insurance and General Liability** CLIENT was going to research this