

A. ACCOUNTING AND FINANCIAL MANAGEMENT

I. Accounts Payable and Cash Disbursements.....	2
Overall.....	2
Petty Cash.....	2
Check Processing.....	4
Voided Check Procedure.....	5
Stop Payment Procedures.....	6
Terms of Payment.....	6
W-9 and 1099 Reporting Requirements.....	7
II. Credit Cards.....	9
III. Fixed Assets.....	11
General.....	11
Classifications.....	12
Capitalization and Depreciation.....	13
Additions, Replacements, Repairs, and Maintenance.....	14
Physical Inventory and Fixed Asset Reconciliation.....	14
Disposal.....	16
Non-Expendable Items Not Capitalized.....	17
Purchasing Fixed Assets.....	18
IV. Revenue, Receivables, and Cash Receipts.....	20
V. Additional Policies and Procedures.....	23
Accounting System.....	23
Accounting Treatment of Significant Items.....	23
Financial Statements.....	23
Approval of Expenditures: Mandatory Approvals.....	23
Contact List.....	23
Safe and Check Handling Procedures.....	23

I. Accounts Payable and Cash Disbursements

Overall

The recording of assets or expenses (for both goods and services) and the related liability (hereafter Accounts Payable) should be made for only valid transactions with appropriate supporting documentation. The Accounts Payable account shall be reconciled periodically by the Department, but not less than once a year. Individuals with check signing authority are identified and authorized at a Department level.

The Department is responsible for establishing Accounts Payable and Cash Disbursement operations that provide at a minimum for the following:

- a) authorized knowledgeable personnel determine account distribution;
- b) payment for goods and services, whether accomplished by cash, check or bank transfer, should be organized to ensure that no unauthorized payments are made and that complete and accurate records are established and kept (see general appendix section for guidelines on record retention);
- c) supporting documentation (i.e. invoices) should be cancelled to prevent subsequent reuse;
- d) adequate controls exist over the custody of blank checks and disposition of void checks;
- e) two signatures are required on checks for disbursements in excess of \$50,000 (except that a Department may adopt routine practices that necessitates two signatures at an amount lower than \$50,000); and
- f) use of manual checks is minimized.

The Department will make cash disbursements at the latest acceptable time without affecting relationships with contractors or vendors. The Department will also take advantage of early payment discounts when available. Manual checks are recorded promptly in order to provide P Street's Accounting Office with accurate weekly cash requirements to ensure proper cash management. The Department will e-mail the Financial Accountant at P Street's Accounting Office information on any manual check not recorded at the close of business on Friday.

Petty Cash

The Business Office makes a determination about whether to establish a petty cash fund (hereafter Fund) for minor purchases and reimbursements of goods and services upon presentation of written and approved documentation. If established, the Departmental Business Office establishes the amount of the Fund balance based on needs; in no circumstances will the amount exceed \$500.

The Director of Administration and Finance will review the existence of petty cash funds every three years and make a determination, based on input from the Department, on the need to continue such Funds.

All petty cash funds are subject to unannounced reviews and audits at the discretion of the Department Director, Business Manager, Financial Manager, and the Director of Administration and Finance.

Petty Cash Procedure:

Employee:

An employee may be reimbursed for small, out-of-pocket expenses from a petty cash fund when available. To be reimbursed, an employee completes a “Receipt of Petty Cash” slip and attaches the applicable receipt(s). A designated individual, referred to as the Petty Cash Designee (PCD), supplies the reimbursement slips and distributes the petty cash.

Office:

The PCD shall maintain a petty cash fund in a locked box in a locking desk drawer or other locked medium (e.g., cabinet). In the absence of the PCD, the petty cash responsibility falls on another designated person.

In order for petty cash to be granted, the following steps are followed:

1. An individual petty cash request may not exceed the maximum allowance of \$75.00 per transaction.
2. Petty cash disbursements are evidenced by a petty cash slip that is completely filled out, signed by the requestor and the requestor’s supervisor (or other individual who has authorized the expense), and has the appropriate receipt attached. If the expense is less than \$25, no receipt is necessary, but the supervisor’s signature and indication of business purpose is needed.
3. If the requestor is the PCD, the Petty Cash Authorization Form must be approved by the Business Manager or designee, *before* the cash is disbursed.
4. The petty cash fund will always be equal to \$500, or a lower designated ceiling amount, including all cash and receipts.

On no less than a quarterly basis, the PCD will submit the petty cash box, along with a Check Request Form, to a designated individual, for reconciliation. If necessary, replenishment and reconciliation may be executed any time during the quarter. The submittal of the petty cash box and any receipts shall take place at least quarterly.

The Business Office will prepare the quarterly Petty Cash Reconciliation that includes the purpose and the use of funds, account number to be charged, cash-on-hand count by denomination, and amount needed to replenish the fund. This form, along with the check request form or its equivalent, petty cash vouchers, and all

receipts, will be submitted for inclusion in the following week's check run. The replenishment check will be made payable to "Name/Petty Cash."

Check Processing

It is the policy of the Institution to ensure prompt payment of all invoices, reimbursements, and other commitments.

All check payments will be processed via a check run schedule set by the Department's Business Office and adjusted from time to time as necessary:

In order to make a payment, responsible individuals shall submit complete documents to the Business Office according to the announced schedule. For internal control purposes, checks are almost always mailed directly to vendors. If a responsible individual has a letter or application form that must accompany a payment, that individual should send it to the business office along with the appropriate payment request form. In exceptional circumstances based solely on its determination, the Business Office will provide vendor checks to third parties or to an individual requesting or approving payment.

Below is a list of items that will generate an accounts payable check, along with important information associated with each category:

Please see the Expenditure Approval section under V – Additional Operating Procedures for specific approval requirements.

Invoice Payment requires **one** of the following sets of documents:

1. An invoice; a purchase order, check request form, or its equivalent; and signed receipt of goods/services;
2. An invoice and a blanket purchase order release; or
3. An invoice; purchase order, check request form, or its equivalent; for non-receivable items when the amount and description on the purchase order and invoice match exactly.

Travel Advance. In general, travel advances are not made (see Section J – Travel) except for special circumstances. For a payment to be made, the traveler submits the required form and justification to the Business Office. When travel advances are made, a traveler must submit an Expense form within 30 days of completion of travel to the Business Office documenting the expenditure of the advance. The Department permits only one outstanding advance at a time, per individual.

Travel Expenses are reimbursable items associated with travel already taken and are reviewed in accordance with the policies set forth in Section J -- Travel. Please note the following:

1. Actual expenses must be documented, and a receipt for all items, except per diem meals, must be included with the expense report. In general, receipts are required for reimbursement subject to a reasonable test (e.g., payment of bridge

Return to Index

Return to Table of Contents

- tolls may not be accompanied by paper receipts). Expenses must be actual amounts and shall not be rounded to the nearest dollar.
2. Meal reimbursements must list all attendees and specify any alcohol consumed.
 3. Mileage is reimbursed at the current federal rate, listed on the IRS website.
 4. Any applicable Travel Advances should be reflected on the report.
 5. Exchange Rates - All foreign travel reimbursements that require conversion into U.S. funds should be submitted in the foreign currency. Do not calculate the exchange rate yourself. The Business Office will research and use the exchange rate on www.oanda.com/convert/classic for the date of the receipt. However, if the employee has a receipt showing the exchange rate used when the expense was incurred, the Business Office will use this rate for the specified expense, and only the specified expense.
 6. Payments require an approved Travel Expense Form.

If you are charging a grant for your travel, note the following:

1. Travel costs charged to the grant may not exceed the government per diem rates set for meals and lodging. See Section J – Travel. Contact the Business Office for per diem rates.
2. All foreign travel charged to a grant must be specifically permitted by the grant. In other words, it must be pre-authorized, either in the grant by the awarding agency or on a trip-by-trip basis.
3. All flights must be on a U. S. flag carrier (please see section on U.S. flag carriers).
4. Alcoholic beverages are neither directly nor indirectly grant-reimbursable and must be identified.

Check Requests are for non-travel reimbursements. Payments require a Check Request Form or its equivalent (e.g., Purchase Requisition Form) and applicable notes and receipts.

Voided Check Procedure

On occasion, it may be necessary to void and re-issue an accounts payable check. When this happens, the following procedure must take place:

1. An individual will notify the Business Office that the check needs to be voided.
2. A responsible individual in the Business Office will void the check in the accounting system. An appropriate record, with documentation, will be maintained in a special VOID check file.
3. The responsible individual will write “VOID” across the face of the check in large letters, as well as in the AP log next to the check number, and send the voided check to P Street. A copy should be kept at the Department.
4. The responsible individual will initial and date the new check number in the AP check log.
5. The Business Office may decide whether a *stop payment* order should be placed on a voided check. In general, it is not cost effective to place *stop payments* on checks of nominal value, generally less than \$35.

6. Check stock will include a stale date, since *stop payment* orders are only good for a limited period of time.

Stop Payment Procedures

If a check is confirmed lost, stolen or destroyed, the Business Manager, in conjunction with P Street, will determine whether a stop payment order should be requested. The action taken will depend on the factors involved, such as the stale date and the amount of the check. Each case will be determined individually.

Typically, the Business office will call the Carnegie Institution's financial institution to stop payment. Once the stop payment has been issued, the confirmation number will be noted on the A/P voucher packet for future reference. The paper confirmation is mailed to P Street.

If the check needs to be reissued, the corresponding original voucher packet will be used as back up. The recipient's address should be verified before re-issuing the check.

Terms of Payment

The most commonly used payment terms are:

1. Net 30 Days. Payment of the entire invoiced amount is to be made within 30 days from the date of the invoice.
2. Net 10th prox. Payment of the entire invoiced amount is to be made by the tenth of the month following the month of the invoice date. ("Prox" is a synonym for "proximo", meaning in or of the month following the present month.)
3. 1% or 2% 10 days, net 30 days (or 60 days). Payment made within 10 days from date of invoice may be discounted 1% or 2%. The invoice becomes overdue 30 or 60 days from the invoice date.
4. 1 % or 2% 10th and 25th. Payment may be made on bills dated between the first and fifteenth of the month by the twenty-fifth of the month, and invoices dated between the fifteenth and the thirtieth may be paid by the tenth of the following month and a 1% or 2% discount may be taken on these invoices.
5. 1% or 2% 10 days EOM. A 1% or 2% discount may be taken if the invoices are paid by the 10th of the month following the month the invoice was issued. Thus, the 10-day discount period starts counting at the "end of the month" after the invoice date.

Cash discounts are often offered by the seller as an incentive to the buyer to make prompt payment. While cash terms are generally uniform within an industry or trade group, they are usually negotiable and form an integral part of the contract. The Business Office, in cooperation with any responsible individuals in the Department, will assess the economic value of using cash discounts.

In general, the Department does not accept "Net 0" terms. This means that the invoice is payable upon receipt; the Business Office is not set up to handle this. If an emergency arises, please contact the Business Office to arrange payment.

W-9 and 1099 Reporting Requirements

All Business Offices and P Street must comply with W-9 and 1099 reporting requirements. These requirements are summarized here; full details are available on the IRS website, www.irs.gov.

Who must provide a W-9?

A W-9 should be obtained from anyone you make payments to during the course of your trade or business. Obtain a W-8 from any person to whom you are making a payment who you believe to be a foreign person. Failure to obtain Forms W-9 or W-8 and failure to withhold as required by the IRS can result in penalties for non-compliance.

Who is exempt from receiving a 1099 MISC?

Only true 'C' corporations, non-profit organizations and government entities are normally exempt from reporting. Payment for legal services are reportable even if provided by a corporation.

Limited liability corporations (LLC), S-corporations, partnerships, and limited liability partnerships (LLP) are NOT exempt.

Remember that a Federal ID number (XX-XXXXXXX) does not mean the recipient is a C-corporation, as these numbers are issued to a variety of organizational forms and even individuals.

What types of payments must be reported on Form 1099-MISC?

The following must be reported:

Payment of at least \$600 for rents, services, and medical and health care payments. That is \$600 or more per payee for the calendar year regardless of the amount of an individual payment.

Payments of at least \$10 for royalties.

Payments of at least \$600 to attorneys for legal services. If a payment is made in connection with legal service, but the attorney's fee cannot be identified as a discrete amount, the total paid in connection with legal services must be reported.

Return to Index

Return to Table of Contents

What about reimbursements of expenses to non-employees?

If you receive an invoice without receipts to substantiate the purchase of materials, supplies, or other expenses (fax, phone, photocopies) specified on the invoice, you must report this reimbursement along with the fee for services.

If you receive an invoice for services and documented other expenses enter this in FundWare as 2 separate invoices. The one for fees will be marked with “Y” as reportable on the 1099 and the other for reimbursement will be marked with “N” as not reportable.

What about reimbursement of travel expenses to non-employees?

The same rule applies; if you have receipts you can exclude it from the 1099.

II. Credit Cards

It is the policy of the Carnegie Institution of Washington that credit card issuance is determined by operational need and approved by the Department Director or the Director of Administration and Finance. Each credit card holder is responsible for his or her own account. Credit card issuance is done on a limited basis.

Credit cards are used as a payment method in accordance with authorities and responsibilities set forth throughout Carnegie's policies and procedures (see in particular Sections A – Accounting and Financial Management, C – Grants and Awards, and G – Procurement. Typically, credit cards are used for travel and for small purchases.

Each cardholder must abide by the following guidelines:

1. The cardholder may not “lend” his card to anyone else, or allow anyone else to use his or her account.
2. The cardholder can only make charges against general ledger accounts that he has authority over.
3. The cardholder may not use the Carnegie issued credit card for anything other than official Carnegie business purposes.
4. The cardholder must keep all receipts and submit them immediately upon request. This will ensure prompt payment and avoid finance charges.
5. Once the Business Office, or P Street's Office of the Financial Manager, receives a monthly statement, a copy is immediately forwarded to the cardholder for review. Releases/purchase orders/receipts should be attached directly behind the statement, and a check request or its equivalent to the front, which should be signed on the “payment requested by” line.
6. Once a statement is received back from the cardholder, the Business Manager or official at P Street will review and sign the statement to indicate that the guidelines, above, have been met.
7. Any Business Officer, who is also a card holder, will have expenses reviewed by the Department Director. Any cardholder in P St. will have expenses reviewed and approved by the Director, Administration and Finance. If the Director, Administration and Finance is a cardholder, his/her expenses will be reviewed by the President.

A cardholder's privileges may be suspended or canceled at any time, for any reason, with or without warning, should the Department Director or the Director of Administration and Finance determine it is in the best interest of the Department and the Institution to do so.

Additional Considerations

Return to Index

Return to Table of Contents

In general, Carnegie's policy is to issue credit cards through a single provider. A Department with unique requirements not met through the single provider may seek an exception to this policy with appropriate justification, subject to approval by the Department Director and the Director, Administration and Finance. Any existing, separate, departmental credit card programs in existence as of this policy (7/2006) are grandfathered into existence, but will be reviewed under this requirement by the Department and the Director, Administration and Finance.

When authorizing the issuance of a credit card to an individual, the Director establishes a spending limit, the amount that cannot be exceeded in a given period. This amount is reviewed by the Director, Administration and Finance.

III. Fixed Assets

This section outlines the basic policies and procedures for fixed assets for the Carnegie Institution of Washington and its Departments (hereafter CIW) including:

1. Classifications
2. Capitalization and Depreciation
3. Additions, Replacements, Repairs and Maintenance
4. Physical Inventory and Fixed Asset Reconciliation
5. Disposal
6. Non Expendable Items
7. Purchasing Fixed Assets

General

CIW defines fixed assets as follows: property acquisitions (by purchase or construction) of non-expendable items with a cost of \$5,000 or more and with a useful life of more than one year (hereafter fixed assets). Fixed assets are capitalized and, when appropriate, depreciated over their useful life using the straight-line method.

Departments physically tag all fixed assets (if feasible) and have policies and procedures safeguarding against misappropriation or misuse of fixed asset tags.

CIW's policies and procedures for fixed assets ensure the following:

1. prevention of unauthorized acquisitions
2. control over fixed assets and their related records to ensure all recorded fixed assets exist and are in use as prescribed by CIW
3. safeguards against loss, damage or theft
4. the cost for each acquisition is accurate, complete and recorded in the appropriate period
5. accurate calculation and recording of depreciation expense and accumulated depreciation
6. periodic physical inventory of fixed assets is reconciled to records
7. control over the disposal of fixed assets
8. distinguish repair and maintenance expenses from fixed asset acquisitions
9. compliance with OMB Circular A-110, subpart C
10. fixed asset disposals are accurately recorded in the general ledger and the fixed assets module

CIW conducts periodic reviews of general liability and property insurance coverage to ensure such coverage is adequate protection against loss.

At minimum, fixed assets records shall include the following information:

1. description of equipment
2. manufacturer's serial number, model number or other identification number
3. source of funding

4. acquisition date and cost
5. location
6. disposition data, including date of disposal and sales price (if applicable)
7. grant award number (if any)
8. whether title vests with CIW or federal awarding agency
9. information from which one can calculate the percentage of federal participation in the cost of the fixed asset (not applicable to fixed assets furnished by a federal awarding agency)
10. condition of the item at the time inventory is taken

Fixed assets purchased or constructed with grant funds (governmental or private) are used only for the purpose authorized by the granting agency or organization. Written approval is obtained from the granting agency or organization for a change in use or disposal of all fixed assets with a net book value of \$300 or more.

Classifications

Each fixed assets category is be defined as follows:

Land- shall include the purchase price of real estate, incidental costs associated with acquisition such as legal fees, title insurance and costs associated with preparation such as surveying, clearing and landscaping.

Buildings- shall include the purchase price of the structure and costs incurred to ready a building for occupancy.

Building and leasehold improvements- shall include the costs of fixtures (central air conditioning, plumbing, boilers, furnaces and non-removable fixtures such as built-in bookcases) and new additions to an existing building (e.g., a new wing).

Scientific- shall include the purchase or construction costs of assets used principally for research, including computer, data processing equipment and software.

Administrative- shall include the purchase or construction costs of the following:

- a) office furniture and equipment, including (but not limited to) desks, chairs, movable partitions, communication systems
- b) transportation vehicles such as automobiles, vans and trucks
- c) computer, data processing equipment and software not used principally for research activities

Telescopes- shall include all costs to construct the basic structure, exclusive of instrumentation and separable, discrete components.

Works of Art and Historical Treasures- shall include the purchase price of paintings, sculptures and other similar items whose recognized cultural, aesthetic or historical value, and generally already long existence, have established the asset as one whose economic benefit or service potential is used up so slowly that the amount related to a particular

accounting period is of no consequence (i.e., the value of the asset is not expected to depreciate but rather, in many cases, appreciate).

Construction in progress- shall include the costs of constructing a building, telescope or similar assets. Costs may include: materials, labor, overhead, professional fees and permits.

Capitalization and Depreciation

Capitalization Policy

Property acquisitions (by purchase or construction) of non-expendable items with a cost of \$5,000 or more and with a useful life of more than one year shall be capitalized.

A fixed asset's cost includes the purchase price or construction costs, plus:

1. Gain on any trade-in allowance (subject to federal awarding agency approval in the case of federal funds)
2. Taxes and duty
3. Transportation costs, including insurance
4. Costs of preparing the fixed asset for use

Items purchased as a group (e.g., table and set of chairs to be used together as a unit) may be capitalized as one asset if the total cost of the group is \$5,000 or more.

Fixed assets can be acquired through the use of funds from the following sources:

1. Endowment
2. Federal Grants
3. State and Local Grants
4. Private Grants
5. Combination of two or more of the above-mentioned sources

Fixed assets acquired with federal grant funds should generally be capitalized since title to most federally funded fixed assets vests with CIW at the time the fixed asset is acquired. In those cases where the federal agency does not grant title to CIW, the fixed asset(s)' data will be maintained in the inventory ledger of the Fixed Assets module of the accounting system in order to comply with grant requirements. For those assets acquired with a combination of federal and endowment funds (i.e. shared assets), only the portion of the fixed asset purchased with endowment funds shall be capitalized (only applicable in those cases where title does not vest with CIW).

Depreciation

A fixed asset shall be depreciated over its estimated useful life using the straight-line method of depreciation. The estimated useful life of each classification of fixed asset is as follows:

1. Land – Land is not depreciated.

2. Buildings – Fifty (50) years.
3. Building and leasehold improvements – Twenty-five (25) years or the remaining term of the lease.
4. Scientific – Five (5) years. May be shorter or longer depending on the particular fixed asset, as assessed by scientific staff.
5. Administrative – Five (5) year. May be shorter or longer depending on the particular fixed asset.
6. Telescopes – Fifty (50) years. May be shorter or longer depending upon the assessment of senior scientific staff.
7. Works of Art and Historical Treasures – These assets are not depreciated.
8. Construction in Progress – No depreciation is recorded on these fixed assets until the project is completed and the costs transferred to specific fixed asset accounts.

Additions, Replacements, Repairs, and Maintenance

Increases to or extensions of existing fixed assets (e.g., installation of central air conditioning, addition of a wing) are called “additions”. Additions shall be capitalized as a separate fixed asset by charging the appropriate fixed asset account.

CIW maintains adequate maintenance procedures to keep fixed assets in good condition and working order. Ordinary repairs and maintenance are expenditures made to maintain physical assets in operating condition. These expenditures shall be charged to an expense account in the period in which they are incurred.

Major repairs that materially add to the value or materially extend the useful life of the fixed asset should be capitalized. In these cases, the original cost and the major repair costs should be depreciated over the new useful life of the fixed asset.

Physical Inventory and Fixed Asset Reconciliation

Physical Inventory

Each Department performs a physical inventory of fixed assets every two years in compliance with the Property Standards of OMB Circular A-110, which states:

“(3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.”

In conducting the physical inventory, all departments and P Street follow these operating procedures:

1. There shall be a master list of all equipment kept in the Business Office. The Business Office shall begin the physical inventory process by using the master equipment list.
2. The Business Office shall identify individuals throughout the Department who have responsibility to verify the existence of equipment and to assure that information is provided to the business office so that all equipment is recorded on the master list. In some cases, the Business Office may identify a person responsible for certain equipment throughout the department (e.g., computer equipment meeting the \$5,000 threshold). In other instances, a PI or lab director may be responsible for identifying and recording equipment within a specified physical area.
3. Individuals designated by the Business Office are responsible for verifying the existence of the equipment; assuring that all equipment is recorded; attesting that equipment is in use; and verifying a continued need. Equipment to be disposed shall be done in accordance with disposal procedures described below.
4. The Business Office is responsible for verifying that this process is thorough and complete. This may include room-to-room searches of a sample of items to verify the accuracy of information, meeting with designated individuals to make sure they complete the inventory in a thorough manner; and carrying out such other activities as may be appropriate.
5. In general, Departmental equipment meeting the threshold will be tagged in some manner.

The Department's Business Manager maintains proof of the fixed asset inventory. In addition, modifications to the data base are accomplished in a timely fashion.

Fixed Asset Reconciliation

On a quarterly basis, Departments shall:

1. enter acquisitions and disposals (including sales) of fixed assets into the inventory ledger in the Fixed Assets module of FundWare (hereafter FAM);
2. reconcile the cost of the fixed assets per FAM to that recorded in the general ledger; and
3. forward completed worksheet for each asset type to the P Street Financial Accountant in charge of fixed assets

On a quarterly basis, P Street shall:

1. run Fixed Asset reports from FAM to verify that departments have recorded assets identified in step 2, above

2. run depreciation report from FAM, and compare accumulated depreciation to the trial balance in order to determine current depreciation; and
3. prepare a draft journal entry to record the current depreciation total as depreciation expense, fixed asset disposals, and any other quarterly fixed asset activity.

Detailed instructions are available from the P Street Accounting Office. Quarterly fixed asset packages are due to the P Street Accounting office in accordance with the published schedule.

Disposal

Retirement

When a fixed asset has become fully depreciated, the fixed asset cost and related accumulated depreciation shall be removed from the appropriate fixed asset accounts.

Obsolescence

If a fixed asset becomes obsolete before the expiration of its assigned useful life, the un-depreciated cost shall be charged to expense. The fixed asset cost and related accumulated depreciation shall be removed from the appropriate fixed asset when the Department disposes of the fixed asset.

Process

All equipment to be discarded will be turned over to the Facilities Manager, the IT Manager, or an individual designated for handling scientific equipment, as appropriate. The Facilities Manager, IT Manager, or individual designated to handle scientific equipment will determine, along with the appropriate party, whether the item is no longer of any use or value to the Department. The individual will then inform the Business Office as to what items will be discarded or how the item will be redeployed, so that inventory records can be kept current.

If the asset is donated to another nonprofit, the Business Office should obtain official documentation from the other nonprofit to this effect.

Sale

When a fixed asset is sold, the cost and related accumulated depreciation shall be removed from the appropriate fixed asset accounts.

In general, the sale of any fixed asset should be incorporated into the budget process. A Department contemplating the sale of a fixed asset should:

1. provide a rationale for selling the fixed asset and an explanation of how the funds will be used;
2. document estimated market value; and

3. request the President's approval to sell the fixed asset and add the market value to the Department's budget.

The Department will be provided with any approved budgeted amounts equal to the actual proceeds of the sale. The actual addition to the Department's budget will not take place until the sale has been executed and the proceeds realized. This will prevent any problems arising from situations where the actual proceeds turn out to be less than estimated.

In those cases when a Department determines it should sell a fixed asset outside the budget process, approval from the President or a designated individual must be obtained prior to the sale. Upon approval, the Department shall be credited with the actual proceeds of the sale.

Non Expendable Items Not Capitalized

CIW has determined that it is both prudent and sound business practice to keep track of certain non-expendable items not meeting the minimum capitalization requirement (\$5,000 or more) with a cost of between \$2,000 and \$5,000. The P Street Accounting Office shall determine the accounting treatment of these items.

Non-expendable items not capitalized shall be subject to indirect costs on all grant proposals submitted after July 1, 2002. Such items are not subject to the biennial physical inventory of fixed assets.

The following is a partial listing of examples of non-expendable items not capitalized with a cost of between \$2,000 and \$5,000:

1. desktop and laptop computer systems, including monitors
2. printers
3. copiers
4. fax machines
5. scanners
6. video and/or audio recording equipment
7. televisions
8. VHS and DVD players
9. precision tools, laboratory equipment and other such items

Each Department is responsible for ensuring:

1. identification of such non expendable supplies to ensure cost is charged to appropriate general ledger account, project or personnel code
2. periodic review of the non expendable supplies not capitalized to safeguard against unauthorized, unnecessary or duplicate purchases of such items
3. non expendable supply items listings, records, analysis or the like may be subject to outside, independent verification, i.e., external auditors

Return to Index

Return to Table of Contents

Departments may choose to take periodic physical inventory, perform expense fluctuation analysis and such other procedures best suited to the individual need of the Department to monitor spoilage of non-expendable supplies.

When one of these assets is to be discarded, it should be turned over to the Business Manager, Information Systems Manager, or Facilities Manager, as appropriate, for determination as to whether it is still useful and usable.

In no circumstances should currently “useful” assets be given away to employees for personal use.

Purchasing Fixed Assets

Purchasing Equipment

The Business Office should be notified as soon as a purchase over \$5,000 is requested. All fixed assets are assigned a sequential inventory number. The Business Office is responsible for keeping track of fixed assets. Inventory is taken at least every two years; the results are recorded and kept on file.

Purchasing Equipment on a Grant

For grant funds, Fixed Asset Equipment is broken down into the following: Federal Equipment, Pass-Through Federal Equipment, and Private Grant Equipment.

Each account number is made up of a “P” followed by 17 digits. Below are four digit codes (numbers 11-14 in the account number) and what they refer to.

Example: Px-xx-xxxx-x.xx-6910-x-xx

\$5000 AND OVER

- 6910 - Endowment Equipment \$5000 and over
- 6912 - Federal Equipment \$5000 and over.
Federal equipment (asset type 156-1) is purchased with source 1.xx funds.
- 6913 - Pass-Through Federal Equipment \$5000 and over.
Pass-Through Federal equipment (asset type 156-2) is purchased source 2.xx funds.
- 6914 - Private Grant Equipment \$5000 and over

UNDER \$5000

- 6916 - Non-Capital Assets for Grants under \$5000. Continue to use for Federal, Private, and Pass-Through items on those grants where 6916 already exists (only for old grants that are still active and have unused budgets in 6916).
- 6330 - Non-Expendable Supplies or Non-Capital Assets for Grants & Endowment under \$5000. Use for Federal, Private, Pass-Through, (when 6916 does not exist) and Endowment items. *6330 was created to replace 6916. Please note that older grants were set-up with 6916 and this number will continue to be used since it already exists.*

Return to Index

Return to Table of Contents

For Endowment computer items under \$5000, use the following:

6330 - Computer hardware and software with a life expectancy of one year or more.

6230 - Computer Supplies under \$5000. Used for computer supplies (life expectancy of less than a year) such as toner, floppy disks, etc.

IV. Revenue, Receivables and Cash Receipts

This section outlines the policies and procedures for revenue recognition, receivables and cash receipts for the Carnegie Institution of Washington (hereafter CIW) and its Departments.

P Street Responsibilities

In general, entries related to revenue recognition, receivables and cash receipts are recorded at the P Street Accounting Office. The Accounting Office at P Street is responsible for ensuring the following:

1. timely and accurate recording of all revenue (including but not limited to contributions, grant revenue and investment income)
2. maintenance of receivables (including but not limited to grant, pledges and investment receivables) to ensure accurate and complete receivable records in a manner to indicate the length of time the receivable has been outstanding
3. an effective system of cash management that provides for:
 - control over all cash and checks received, ensuring prompt deposit in CIW's bank accounts
 - protection against misappropriation
 - adequate planning to satisfy cash needs
 - a reasonable cushion for emergencies
 - investing any excess cash in income-producing instruments
 - timely preparation of bank and investment account reconciliations

In addition, note should be made of the following:

1. CIW does not currently generate program income. If CIW did, the controls in place ensure that such receipts would be properly accounted for and reported on.
2. Earnings on contributions or grants are applied only to those that require it as a term of the gift or grant.
3. CIW maintains a separate investment policy under the direction of the Finance Committee of the Board of Directors.
4. CIW receives donated services intermittently, and these are to be measured, valued, and accounted for in the general ledger.
5. All non cash contributions, including contributions-in-kind, are reviewed by the Director of Finance and Administration prior to its acceptance by CIW.

Departments

Departments do not record transactions in CIW revenue accounts. All entries to record revenue are made by the Accounting Office at P Street.

Departments may generate receivables in the form of travel advances and reimbursement of personal expenses (i.e., personal long distance telephone calls, the use of facilities in

Inverness, California) from personnel and reimbursement from other institutions for the use of a Department's resources (i.e., the Las Campanas Observatory). Each Department is responsible for ensuring accurate billing, collection, deposit and recordation of these receivables and cash receipts.

Cash receipts from revenue sources (i.e. patents, royalties, grants, gifts) may at times be inadvertently mailed directly to a Department by third parties instead of to the P Street Accounting Office. In such cases the Department will forward the check, after endorsing "Carnegie Institution Master Account 206542720 For Deposit Only", and all accompanying documentation to the P Street Accounting Office to the attention of the Financial Manager. Departments should keep a copy of the check and any accompanying documentation for their records.

Wire transfers are on occasion received in payment of a Department's billing for reimbursement of expenses. The Financial Accountant in the P Street Accounting Office will notify the Department's Business Office so that an entry may be made to credit the appropriate expense or advance account(s). In the case of a wire transfer in a foreign currency denomination, the information will be sent to the Department once the equivalent US dollar information is received from CIW's commercial bank.

Receiving Checks and Cash

The Department will work with P Street to identify categories of checks and cash received that are not related to revenue sources and that may be deposited locally. All such checks and cash not related to revenue sources that are received at the Department, such as travel payments, reimbursements, and minor cash transactions, shall be immediately handed over to an individual designated to make a control list of all incoming cash and checks ("cash control individual" or CCI). This individual should store the cash and checks in a locked box in a secure area (a locking desk drawer). No other employee is authorized to hold checks or cash for any reason. If an employee needs information from the checks, he should photocopy the checks for his records.

Incoming receipts should be processed in the following manner:

1. All checks should be endorsed "For Deposit Only" by CCI upon receipt.
2. The CCI makes a daily control list of all incoming receipts.
3. At the end of each week, when 4 or more receipts are accumulated, or when checks total \$100,000 or more (whichever comes first), the CCI turns the checks and related information over to the Business Office for deposit. If the CCI is located in the Business Office, then the individual arranges for the bank deposit, assuring that there are appropriate checks and balances by requiring an independent review, or preparation, of such material by another individual.
4. The copy of the deposit slip stamped by the bank must be returned to the CCI for review. The CCI will initial the deposit slip after he has verified the deposit total matches the sum of his control totals for the period of time covered by the deposit.
5. The CCI will forward the initialed deposit slip to the appropriate person in the Business Office so that the deposit can be journalized, again assuring that there are checks and balances if the CCI is located in the business office.

Return to Index

Return to Table of Contents

6. If the deposit is mailed in to the bank, and the stamped deposit slip is returned to P Street, a copy of the deposit ticket will be faxed to the CCI at the department.
7. If there is a discrepancy between the stamped deposit ticket and the control lists that cannot be accounted for, the matter should be discussed with the P Street Accounting Office.

V. Additional Policies and Procedures

Accounting System

The Carnegie Institution of Washington currently uses Fundware as its accounting system. This system contains policies, procedures, and controls related to a number of reporting and operational responsibilities. Access to Fundware, and determining the roles that individuals may perform in the system, are determined by the Financial Manager and the designated Financial Accountant at P St., in consultation with the Business Offices in the Departments. The policies, procedures, and controls for accessing and using Fundware, and the control features within the software, are incorporated by reference in this document and therefore constitute policies, procedures, and controls of the Carnegie Institution.

Accounting Treatment of Significant Items

From time to time the Director of Administration and Finance and the Financial Manager shall issue definitive memoranda describing the accounting treatment of significant issues and transactions, such as the valuation of investments. Such memoranda shall facilitate the presentation of the Institution's financial statements. Departments may assist in the preparation of these memoranda.

Financial Statements

Carnegie produces its financial statements on an annual basis. They are prepared on the accrual basis of accounting. Significant accounting policies are reflected in the footnotes to the financial statements. Carnegie arranges for an independent audit of its statements of financial position, as reflected in the by-laws of the Institution and under the authority of the Audit Committee of the Board of Trustees.

Approval of Expenditures: Mandatory Approvals

The Department Business Office will track all persons authorized to approve expenditures charged to each account or group of accounts. Requisition approval for expenditures is necessary. Written or emailed approvals are acceptable (in lieu of an automated procurement system), and will be attached to the hard copy PO. Approval authority may be transferred by authorized signature through a statement to the Business Office.

Contact List

Each Department shall from time to time post contact information for basic services and problem solving related to accounting and financial management. Such information may be integrated into Departmentwide directories.

Safe and Check Handling Procedures

Any safe which houses valuables shall be secured and never be left open (unlocked) and unattended, even for the briefest period of time. Except when removing or replacing

Return to Index

Return to Table of Contents

valuables, check stock, negotiable instruments or critical documents, the safe will remain locked. A limited number of individuals should be provided with access to the safe.

Two people must be present whenever the safe is opened in order to gain access to its contents.

- If there is any reason to believe the combination code or keys have been compromised, the Business Office must be notified immediately. The Business Office will arrange for the safe to be re-keyed and/or the combination changed and the new keys and/or combination will be distributed to the appropriate individuals.

If the safe is opened to remove blank checks, the following procedure must take place:

1. The Accounts Payable (AP) Clerk will present the Preliminary Check Register to the Check Signer with the number of blank checks being requested written on the report. The Check Signer must verify the number of checks on the Preliminary Check Register and initial and date it.
2. The Check Signer will remove the number of blank checks from the safe requested by the AP person.
3. The Check Signer will then initial and date next to each check number in the AP check log (the log can be done on an excel worksheet and maintained in a spiral notebook). If there are several checks, the Check Signer may initial the first line then draw a line down to the last check and initial the last check number.
4. The blank checks will then be handed to the AP person along with the AP check log and Preliminary Check Register.
5. The safe will be closed. The lock will be tested to ensure that it is latched securely.
6. Once the checks have been processed, the AP person will take the checks to a Check Signer or a member of the business staff for review. The individual reviewing the check run will verify that the check numbers, amounts and payees listed on the final check register coincide with the information on the actual check documents, and will place his initials and the date next to each to check number used in the AP log.
7. After the check run has been verified for accuracy, the Signer (does not need to be the same person as before) verifies that all the appropriate paperwork and approvals are attached to each check before signing it. The Check Signer will obtain a signature from another Check Signer, if needed. (If the Check Signer has approved the expenditure, another person must sign the check. If the check is made out for more than the two-signature threshold specified on the face of the check, an additional Signer must be identified.)
8. The signed checks, check backup, AP check log and Check Register will then be handed to someone from the Business Office, other than the AP person who generated the check run, for photocopying and distribution. If someone else from

Return to Index

Return to Table of Contents

the Business Office is not available, an individual from the support staff should be designated ahead of time as an emergency backup to take care of this responsibility (the Check Signer could take care of this task).

9. The business person will then return the photocopies, check backup, AP check log and Check Register to the AP person who generated the check run.
10. Checks should not be returned to the AP person who generated the check run or to the original check requestor. If the checks are for employee reimbursements, they may be placed in the employee's mailbox. If there is a COD or a vendor would like to pick-up his check, the business person must personally give the check to the vendor or give it to another designated person to do so.
11. The AP person who generated the checks will file the photocopies, check backup and Check Register, and re-file the AP check log.

Individuals with access to a safe should sign a document indicating awareness with these procedures; this document is kept in the Business Office.

In lieu of the above safe and check handling procedures, a Department may from time to time develop alternative procedures that are documented and approved by the Director of Administration and Finance.