

Introduction

About this Manual

This Accounting Procedure Manual is designed to assist employees of the National Hydropower Association in performing those duties necessary to build and/or maintain a solid financial structure within the regulations defined by government and other accounting related agencies.

This manual should be used in conjunction with the NHA Bylaws, Handbook on Policies and Procedures, and the Personnel Manual.

This manual is a work in progress. As information, regulations, and circumstances change, parts of this manual will need to be changed in order to remain in compliance. It is the responsibility of the accounting staff to maintain this manual under the direction of the NHA President/CEO.

September 2014, update in January 2023

GENERAL

GENERAL PROCEDURES

NHA's accounting program will be maintained utilizing several controls including, but not limited to:

- Password protection to enter the accounting program itself.
- Password protection for closing an accounting period, to guarantee no one changes a transaction.

Comprehensive financial reports are prepared for the President/CEO and Treasurer, on a quarterly basis, at minimum.

The President/CEO shall use sound business practices in executing financial management and oversight of NHA's resources; and shall keep the NHA Treasurer and Board of Directors fully informed on NHA's fiscal status, investment strategies, and fiscal management practices.

The Association shall follow all generally accepted accounting and fiscal management practices as established under OMB Circular A-122 and A-133.

BUDGETING

- The standing committees and councils should start to define their next year's objectives, as well as 4-year objectives, with the Strategic Planning Meeting.
 - The objectives communicated with any financial implications to the President/CEO by October.
 - The President/CEO should prepare a preliminary budget prior to meeting with the Treasurer in October/November.
 - The Treasurer's proposed budget should be sent to the Board of Directors in early-November in anticipation of the Fall Board Meeting.
 - The President/CEO has the authority to move funds from one budget category to another.
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Cash

GENERAL PROCEDURES

Authorized Signers. The NHA Board of Directors authorizes all bank accounts and check signers. The bank is notified of all changes of authorized check signers. NHA Bylaws requires all employees handling cash to be bonded.

All expenditures require authorizations. For those expenditures at or above \$10,000, including check request authorizations, dual authorization is required. Such authorities shall include the President/CEO and a senior level staff member.

CASH RECEIPTS

√Checks are restrictively endorsed “for deposit only” by the individual who opens the mail when received.

√Cash receipts are entered in the books of original entry by persons independent of the mail opening and receipt listing function.

√Receipts (cash and currency) are deposited on a regular basis.

√Adequate physical controls are required for cash receipts from time of mailing opening until time of bank deposits.

√Subsequent to deposits, receipt by the bank is verified.

√For cash collected at special events: Individuals handling collections are to account for all tickets; Cash receipts are to be reconciled to tickets sold; and, all unsold tickets are to be accounted for.

√All post-dated checks, disputed items, unidentified receipts, NSF checks charged back by banks, and similar items received are to be investigated by persons independent of the preparation of deposits and posting of accounts receivable detail.

√The general cash receipts should be segregated from the general ledger and subsidiary ledger functions.

√When required by funding sources, restricted funds are to be deposited to separate bank accounts.

√Receipts of currency that are unavailable to the accounting function are to be kept under control by independent means.

Currency receipts are to be properly reconciled to the totals of cash registers, pre-numbered receipts, or other devices.

√Cashing checks out of currency receipts is prohibited.

DISBURSEMENTS

√All check signers are authorized by the NHA Board of Directors.

√All payments are made through Bill.com, hard checks are no long authorized.

√All disbursements (including payroll) are made by direct deposit.

√Payments are prepared by an individual independent of voucher/invoice approval.

√Prior to payments being prepared, the following are compared:

1. Purchase request or other authorized document such as a contract or lease.
2. Receiving verification such as a packing slip
3. Vendor invoice
4. Dual authorized signatures appear on authorizing check request of \$10,000 or more.

√Payments are prepared from an original vendor invoice only and not from a statement.

√All payments are approved by the President/CEO. Those disbursements of \$10,000 or more are authorized by both the President/CEO and a senior staff member.

√All payments are recorded in bill.com and then downloaded directly into QuickBooks.

√All payments are made payable to a specified payee and never to cash or bearer.

√All supporting documentation must accompany checks presented for signature.

RECONCILIATION

√Bank accounts will be reconciled within 30 days after the end of each month.

√The President/CEO receives all bank statements unopened from the bank.

√The reconciliation procedures for all bank accounts include the following with respect to deposits:

1. Comparison of dates and amounts of deposits as shown on the bank statements with the cash receipts journal.
2. Investigation of bank transfers to determine that both sides of the transactions have been properly recorded on the books.
3. Investigation of items rejected by the bank; i.e. deposits or collections items subsequently charged back by the bank because of insufficient funds, etc., are done by a person independent of those responsible for receipt or depositing of cash.

√The reconciliation procedures for all bank accounts include the comparison of payments with the disbursement journal as to number, date, payee and amount and confirmation that approval was authorized.

√A completed bank reconciliation is reviewed by a responsible official, initialed and dated.

√Any checks outstanding for over 90 days are periodically investigated. At year end, all outstanding items are reviewed and appropriate adjustments are made.

Investments

INVESTMENTS – GENERAL

√The NHA Board of Directors is responsible for the authorization of the types of investments permitted by NHA.

√All investments, investment income and gains will be used only as authorized by law and the NHA Board of Directors.

√All investments will be held in the name of The National Hydropower Association.

√The NHA will practice a prudent investment strategy providing adequate protection for the Association funds.

RECORDKEEPING

√Detailed records will be maintained which include the following information:

1. Description of investment
2. Date of acquisition and purchase price (or fair market value at date of donation)
3. Physical location of item; i.e. safety deposit box, etc.
4. Interest/dividend/income rates and accrual/receipt dates.
5. Restrictions on segregation or pooling and on disposition or use of income proceeds.

√Lapse date of any restrictions.

√All investment income is either automatically reinvested, or automatically deposited in a pre-designated bank account, completely and accurately posted to the investment records, and posted on a timely manner.

√The President/CEO receives all monthly investment reports unopened from the bank.

√Investment earnings are to be recorded in the proper class of net assets.

RECONCILIATION

√Periodic surprise counts of evidence of ownership should be made and reconciled to detail records and other controls.

√Statements from outsiders or data resulting from independent requests by the NHA Board of Directors are promptly reconciled to detail records.

√Renewals and sales of existing investment accounts with the exception of any contingency reserves are exercised by the President/CEO according to budgeted, operative requirements.

√Purchases of new investments are approved by the President/CEO in accordance to policies set by the Treasurer and/ the Board of Directors.

Support, Program Service Fees, Revenue, and Receivables

SUPPORT

√Budgeting of contributions should be reasonably estimated whenever possible.

√Budgets are to be periodically compared to actual and significant differences investigated, at a minimum, quarterly.

√All fund-raising activities and solicitation and acceptance of contributions, gifts, grants, etc., with related restrictions or requirements are to be approved by the NHA Board of Directors.

√Records are to be kept of all donations including donor's name, amount, date, and any related restrictions of all contributions, gifts, etc., and received.

√Records are to be kept of gifts contingent on future events, such as bequests, and periodically reviewed.

√The President/CEO is responsible for assuring compliance with the terms and conditions of all grants, restricted contributions, endowments, etc., received.

√Only the President/CEO can enter contracts accepting such awards.

RECEIVABLES

√Amounts of all promises to give and accounts receivables are to be recorded when received or earned.

√Dues are to be recorded when billed.

√Statements are to be mailed regularly and reviewed by the President/CEO.

√Receivables are to be reconciled to the general ledger monthly.

√Aged receivables are reviewed by one or more of the following including the Director of Operation and the VP of Membership and Industry Engagement.

√Entities responsible for reviewing aged receivables will determine any amounts as write-offs of uncollectible promises to give or accounts receivable.

√Receivables from miscellaneous activities are periodically reviewed and significant amounts reported to one or more of the following including the Director of Operation and the VP of Membership and Industry Engagement.

√Entities responsible for reviewing receivables of miscellaneous revenue will determine any amounts as write-offs or uncollectible.

√Loans to NHA staff or members of the NHA Board of Directors is prohibited.

EXPENSES FOR PROGRAM AND SUPPORTING SERVICES AND ACCOUNTS PAYABLE

Purchasing

√Account coding of expenditures will be in compliance with funding and organization accounting requirements (program and other functional basis).

√Account coding is reviewed prior to recording.

√Allocation of costs applicable to various programs and other functions and costs applicable to a particular grant, cost-matching, and cost-reimbursement agreements will be in accordance with all federal guidelines, specifically as they relate to OMB Circular A-133 audit requirements, A.I.D. Common Rule and any other federal guideline requirements as set forth in contracts signed by NHA.

√Purchases will be made in accordance with established requirements of the NHA Board of Directors and funding sources such as A.I.D. and the purchasing procedures as defined and, and will follow all federal law, including congressional gift ban restrictions and lobbying laws.

√Purchase requests are submitted to the President/CEO or the Director of Operations for approval prior to purchase being made.

√All purchase requests are to be within budget or funding source restrictions by responsible employee and independently approved by President/CEO or Director of Operations

√Purchase of goods and services from any board member, employee or other supplier that may create a conflict of interest should be carefully reviewed by the President/CEO to be sure an equally qualified, less expensive alternative is not available and NHA's Conflict of Interest Policy should be strictly adhered to.

RECEIVING

√All materials and supplies are inspected for condition and counted when received and verified against approval authorization requests.

√All packing slips are forwarded to accounting to match with invoices.

ACCOUNTS PAYABLE

√Invoices are opened by Director of Operations; reviewed and approved by President/CEO.

√Invoices are submitted with approval to accounting staff for payment. The President/CEO authorizes all invoices for payment through the issuance of a check request. Any invoice of \$10,000 or more requires dual authorization by both the President/CEO and a senior staff member.

√Duplicate invoices are destroyed or stamped to indicate that they are duplicates.

√Original vendors' invoices are maintained within the Bill.com platform.

√All data on invoice is checked against approved copies of the purchase request and packing slip.

√All extensions, footings, discounts, and freight terms are checked for accuracy.

√Invoices are marked to prevent reuse.

√Vendor statements are reviewed for noncurrent invoice dates.

√Debit memos for returned goods, shortages, etc., are issued only on receipt of proper authorization.

√Vendor debit balances are periodically reviewed and collected.

√Accounts payable subsidiary ledger balances should be reconciled monthly with monthly vendor statements and the general ledger control account.

EXPENSE REPORTS

√Business expenses incurred by employees for local and out-of-town travel are prepared by employees and submitted to the Director of Operations for approval at a minimum, monthly.

√Business expenses for the President/CEO will be submitted quarterly to the NHA Treasurer for approval.

√Approved expense reports are submitted to accounting staff for payment.

√Receipts, footings and extensions are verified.

√Expense reports are marked to prevent re-use.

Payroll and Related Liabilities

Personnel

√Request for personnel are originated only by department heads or other responsible employees.

√An investigation of an employment application and/or resume are required from all new employees.

√Investigation should include checking employee's background, former employers, and references.

√President/CEO is responsible for periodically reviewing classes of positions and pay rates for compliance with the personnel practices or other documents designating rate of pay of employees. Such review shall be concluded by the Board of Director's Compensation Committee, the results of which are to be reported to the Board periodically, including but limited to budget preparation and approval each year. With regard to the President/CEO's pay rates, any change of such rates shall be reported by the NHA Chairman to the Compensation Committee. Only the chair of the Compensation Committee, or the Chairman of the NHA Board, shall report such changes to payroll.

√All employees are notified in writing of the organization's personnel policies and performance reviews.

√Personnel files contain information on employment application/resume and new employee investigation, date employed, pay rates, changes in pay rates and position, authorizations for payroll deductions, earnings records, W-4 form, immigration documentation, specimen signatures, and termination data where appropriate.

√All personnel records are kept in a locked file cabinet accessible by the President/CEO and the Director of Operations.

√Notices of changes in personnel data are to be reported promptly to the payroll accounting function.

PAYROLL

√Attendance and time-sheets will be completed by all employees on a daily basis via the Payroll Network platform.

√All time-sheets are to be approval by the program lead via Payroll Network.

√Changes on time-sheets are to be initiated and approved by the Director of Operations.

√Payroll payments should contain detail of gross pay and deductions.

√Reconciliations are to be prepared of gross and net pay amounts as shown on tax returns to total payroll on the payroll register and general ledger.

√Paychecks are distributed via direct deposit.

√Total W-2 wages for the year are to be reconciled to the general ledger and payroll register of wages paid.

√Any W-2 forms returned or unclaimed are to be investigated by a person other than personnel in payroll and timekeeping and reported to the President/CEO.

√Employee time-sheets are to contain sufficient information and detail to allow for allocation of payroll costs:

1. To specific grants, contracts, or cost-reimbursement agreements.
2. By function; i.e., by program, management, membership development, and fund-raising.
3. To lobbying efforts.
4. Between unrelated business income activities and activities related to the organization's purposes.

√A comparison of actual to budgeted payroll is to be conducted by the President/CEO and/or accounting staff. Any significant variances are to be investigated.

PROPERTY AND EQUIPMENT

Property and Equipment

√Property and equipment additions in excess of \$10,000 require approval by the NHA Board of Directors.

√Disposal of property and equipment worth in excess of \$10,000 requires approval by the NHA Board of Directors.

√Expenditures for maintenance and repairs will be kept separate from capital items.

√Items purchased at \$1,000 and less should be expensed. All computer software should be expensed if the cost is less than \$1,000.

√Property and equipment will be depreciated using the straight line method over 3-7 years for computer equipment and 7 years for Furniture & Fixtures and other office equipment.

√Detailed property and equipment records are to be maintained and should include description date purchased or received by donation, cost or fair value at donation, donor or funding source restrictions on use or disposition, etc.

√Detailed property and equipment ledgers (cost, accumulated depreciation, and depreciation expense) are to be reconciled to the control account.

√Reconciliations between detailed property and equipment ledgers and the control account are to be reviewed by the President/CEO/accounting manager.

√Depreciation detail is to be reviewed by the President/CEO/accounting manager

√A physical inventory of property and equipment should be taken annually and compared to subsidiary records.

√All property and equipment is to be identified and tagged to identify it as belonging to the National Hydropower Association.

√Fully depreciated assets are to be maintained in the accounting records to help provide control.

√All items are to be adequately safeguarded from loss due to fire, theft, or misplacement.

√Periodic reviews and appraisals should be made relative to insurance considerations.

Governmental Financial Assistance Programs

GENERAL

√Accounting procedures, charts of accounts, etc., are to provide for identifying receipts and expenditures of program funds separately for each award or grant.

√The accounting system should provide for accumulating and recording expenditures by award or grant and cost category shown in the approved budget.

√All audit reports are to be reviewed by the President/CEO, Treasurer, accounting manager, Revenue Committee and the NHA Board of Directors.

√Reconciliations of grant financial reports with supporting accounting records are to be prepared, reviewed and approved by the Director/Manager in charge of that program area and the President/CEO.

√Financial reports and claims for advances and reimbursements should agree with the supporting financial records and the general ledger.

√There should be written notification to employees when grant provisions or related regulations impose requirements that differ from the organization's normal policies and procedures.

√No funds are to be expended for any agreement that is not yet fully executed and a copy of the fully executed copy is in the possession of the NHA President/CEO.

√The President/CEO will be responsible for reviewing, approving and signing all agreements.

√Copies of all contracts will be maintained in the accounting files along with of all attachments and resulting deliverables.

√NHA's President/CEO should be integrally involved in every aspect of any federal agreement, and he/she shall keep the Board of Directors fully apprised.

COMPLIANCE WITH LAWS AND REGULATIONS

OMB Circular A-133 requires that auditors determine whether the non-profit institution has complied with laws and regulations that may have a direct and material effect on its financial statement amounts and on each major federal program. Accordingly, the following general compliance requirements must be adhered to in order to comply with OMB Circular A-133.

- Political activity – The Hatch Act and Intergovernmental Personnel Act of 1970, as amended, specify that federal funds cannot be used for political activity of any kind.
- Civil Rights – Federal programs provide that no person shall be excluded from participation or be subjected to discrimination in any program funded, in whole or in part, by federal funds because of race, color, national origin, sex, age or physical impairment.
- Federal Financial Reports – OMB Circular A-110 requires that recipients of federal financial assistance file financial reports for each federal financial assistance program.
- Allowable Costs and Cost Principles – These principles prescribe the direct and indirect costs allowable for federal reimbursement.
- Drug-Free workplace – This law prescribes that organizations certify that they provide a drug-free workplace.
- Administrative Requirements – These prescribe administrative requirements that must be followed.

Beginning with the implementation of the revised OMB Circular A-133 in June, 1997, the primary recipient will be required to identify all federal awards made by informing each sub recipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number and award year. In addition, the primary recipient will be required to advise sub recipients of the requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements.

NHA is subject to the following Office of Management and Budget guidance:

- A-133 – Audits of institutions of Higher Education and Other Non-Profit Institutions.
- A-110 – Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-profit Organizations.
- A-122 – Cost Principles for Non-Profit Organizations.
- The U.S. Department of Energy (DOE) and the U.S. Agency for International Development (US AID) have implemented OMB Circular A-110 with changes. These changes are referred to as their Common Rule.

PURCHASING

√The Program Director reviews costs charged to direct and indirect cost centers in accordance with applicable grant agreements and applicable governmental management circulars pertaining to cost principles.

√All agreements relating to the receipt of federal funds require competitive bids for any products/services.

√All expense reimbursements require the approval of the President/CEO prior to checks being prepared.

DIRECT PROGRAM EXPENSES FOR GOODS AND SERVICES

Under the terms of OMB Circular A-122, “Cost Principles for Non-Profit Organizations,” certain costs and expenditures incurred by nonprofit organizations are allowable only on specific expenses prior to approval of the grantor agency. Therefore, the following may require prior approval by the agency and absolutely require the approval of the President/CEO prior to expenditures being made.

- Capital expenditures
- Overtime pay
- Participant support costs
- Pre-award costs
- Public information service costs
- Publication and printing costs
- Rearrangement and alteration costs
- Travel Costs
- Underwriting of any event, or activity

Under the terms of OMB Circular A-122, certain costs incurred by nonprofit organizations are *not* allowable as charges to federal agency grants. The following is a list of types of costs that will not be charged to any federal grant program and require the review and approval of the President/CEO.

- Alcohol
- Contingencies
- Contributions and donations
- Entertainment
- Fines and penalties
- Fund-raising and other financial costs
- Lobbying expenses
- Losses on other awards

Please see OMB Circular A-122 for additional information.

√Any and all expenditures made will follow the purchasing procedures already in place for NHA which include submitting requests to the President/CEO for approval prior to expenditure or promise to pay being made.

√An overhead rate and fringe rate should be established for government contracts.

PAYROLL

√NHA has written personnel policies which cover hiring procedures, job descriptions, and dismissals.

√All wages at NHA are to be at or above the federal minimum wage.

√NHA prohibits discrimination based on race, sex age, or marital status as contained in its personnel manual.

PROPERTY/EQUIPMENT

√The depreciation policies and/or methods of computing use allowances are to be in accordance with the standards outlined in federal circulars or agency regulations.

INDIRECT COSTS

√NHA allocates indirect costs based on percentage of payroll per program area.

LOBBYING COSTS

√All time spent by employees on lobbying efforts is specifically identified on each timesheet on a daily basis.

√All consulting and other invoices related lobbying efforts are allocated on each invoice.

√All business expenses reported on expense reports related to lobbying efforts are allocated on each report.

√Total lobbying expenses are reported by the accounting manager to the President/CEO on a quarterly basis.

√All required reports are approved and filed by the President/CEO, or his/her designee.

√NHA adheres to federal lobby law and its policies and procedures shall meet federal law requirements, including timely filing of lobby disclosures.

√NHA adheres to federal FARA laws and policies.
