

**PROPERTY OWNERS ASSOCIATION
OF SPANISH COVE
(POASC)**

**ACCOUNTING PROCEDURES
MANUAL**

AUGUST 2010

August 23, 2010

Management and Support Staff
of POASC
Lillian, AL

We are furnishing you with a copy of the Manual of Accounting Procedures. This contains the official financial management and accounting procedures of the Association.

This Manual was developed to codify the organization's procedures to strengthen its internal accounting controls. This Manual also contains our procedures on processing payroll, purchases, expense reimbursements, equipment inventory, etc. In this period of increased auditor scrutiny, this Procedures Manual and the observance of these procedures are essential to safeguard the Association's assets and practices.

Rather than simply collecting dust on a shelf, these procedures are intended to be used. In order to perform accounting and financial functions, you will need to abide by the processing instructions in this Manual.

It is our intention to keep this Manual up to date. For your part, after reading it, we would appreciate your input on how these procedures could be made more relevant to your job and your suggestions for new or modified procedures.

It is our goal to keep POASC a strong and viable operation, and we consider this Manual to be an important step in that direction.

Judy Deeter
POASC Chairman

Joe Dunkin
Operations Manager

POASC ACCOUNTING PROCEDURES MANUAL

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POASC OFFICE STAFF

DUTIES AND RESPONSIBILITIES

Primary Duties	Secondary Duties	Primary Duties	Secondary Duties
Bookkeeper		Administrative Assistant	
Payables Taxes General Ledger Mortgage Liens Foreclosures Board Administration, Etc. Special Projects Delinquent Reports Title Companies Petty Cash Credit Card Sign Out Filing General Ledger for Fixed Asset Data Base Anything Else Assigned	Front Desk Filing New Owners Deposit Reports Bank Deposits Receivables Debris Assessments Banking Reconciliation Owners Files Personal Property Report Update Inventory Permits	Bank Deposits Deposit Reports New Owners Coupons Filing Front Desk All Monthly Update Duties Owners Files Personal Property Report Mass E-mail Permits Contractors Purchasing of Office Supplies Collections < \$250.00 Correspondence Anything Else Assigned	Mortgage Liens Foreclosures Purchase Order Requisitions Assessments Late Letters & Collections Direct Debits Board Administration
Accounting Clerk			
Receivables Purchase Order Requisitions Assessments Debris Assessments Banking Reconciliation Late Letters & Collections Direct Debits Payroll Petty Cash Reconciliation Filing Visa Receipts & Invoices Collections > \$250.00 Fixed Asset Data Base Anything Else Assigned	Front Desk Filing Coupons Delinquent Reports Payables Taxes General Ledger Title Companies Personal Property Report Mass E-mail Contractors Credit Card Sign Out		

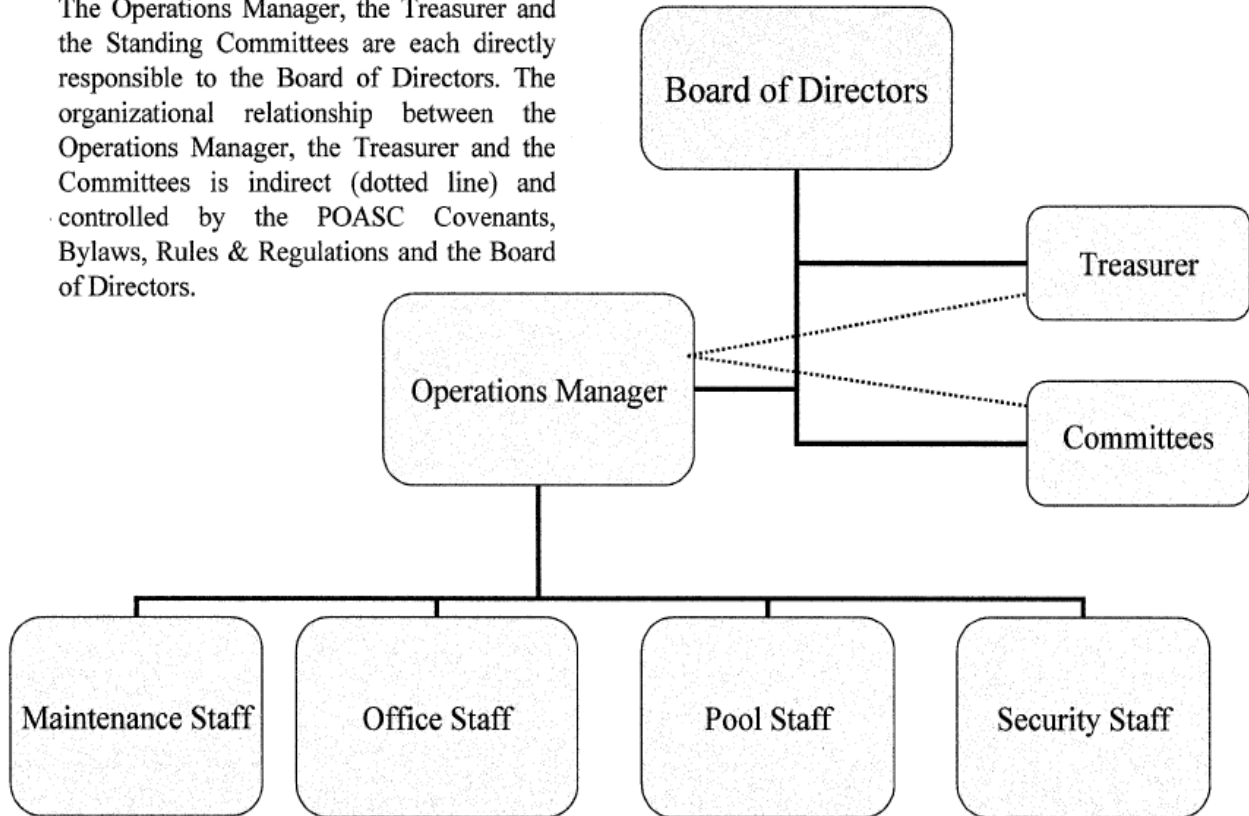
The Duties and responsibilities assigned here are not all-inclusive and will be updated from time to time. The Operations Manager will maintain an up-to-date master copy and will ensure this manual is updated periodically. The goal from an Internal Controls standpoint is to ensure maximum cross-training of personnel while preserving, as much as possible with a small staff, maximum separation of financial and accounting functions

Organizational Chart

The purpose of this Organizational Chart is to depict the functional relationships within the POASC Operations organization with respect to financial and accounting matters.

POASC Operations Organization

The Operations Manager, the Treasurer and the Standing Committees are each directly responsible to the Board of Directors. The organizational relationship between the Operations Manager, the Treasurer and the Committees is indirect (dotted line) and controlled by the POASC Covenants, Bylaws, Rules & Regulations and the Board of Directors.



100 - GENERAL ACCOUNTING PROCEDURES

In this section, procedures are described for the overall accounting system design, General Ledger activity and General Ledger close-out.

101 OVERALL ACCOUNTING SYSTEM DESIGN

Control Objective

To establish a coding structure that supports financial reporting and decision-making.

Major Controls

Operations Manager Involved in Designing the Chart of Accounts/Coding Structure

To support decision-making, the Operations Manager, along with financial and accounting specialists, will be involved in setting and maintaining the chart of accounts/coding structure.

102 GENERAL LEDGER ACTIVITY

Control Objective

To ensure that all General Ledger entries are current, accurate and complete.

Major Controls

A. Timeliness of Entries

All entries will be made as soon as possible after the underlying accounting event to ensure the financial records and reporting are current. Any adjusting entry pertaining to a prior financial period must be recorded in the current period with the exception of year-end closing or audit entries.

B. Authorization of Transactions and Entries

Each transaction and journal entry will be reviewed and initialed by the official designated in the current signature authorities policy. For most instances, that authority rests with the Operations Manager, Treasurer or Chairman.

C. Adequate Support Documentation

All entries will be supported by adequate documentation that clearly shows the justification and authorization for the transaction.

D. Complete Audit Trails

A complete audit trail will be maintained by the use of reference codes from source documentation to the books of original entry, General Ledger and finally to periodic reporting.

E. Internal Reviews

On a sample basis, Purchase Orders and Invoices will be reviewed for their numerical sequence and their supporting documentation.

Procedures

1. Financial data on source documentation will be transcribed to original documents (e.g., Purchase Orders and Invoices, etc.) of POASC by the Accounting Clerk before entering into the accounting system.
2. Each journal entry in the accounting system will be reviewed and approved by the Operations Manager and the Treasurer or Chairman.
3. Non-recurring entries, such as for correcting entries, recording accruals and recording non-cash transactions, will be prepared as circumstances warrant and on a monthly basis.
4. The books of original entry (e.g. General Journal, Purchase Order Database, Payroll Register, Cash Receipts Journal and Cash Disbursements Journal) are integral components of the Accounting System. Therefore, separate books will not be maintained. However, entries in accounting system journals and ledgers will be made as soon as possible after the accounting event.
5. On an automated basis, totals in the books of original entry will be posted to the General Ledger on command.
6. General Ledger control accounts will be periodically totaled based upon any updating posting.
7. All General Journal entries will be supported by General Journal vouchers that have supporting documentation attached and will be approved by the Operations Manager and Treasurer or Chairman.

103 GENERAL LEDGER CLOSE-OUT

Control Objective

To ensure the accuracy of financial records and reports.

Major Controls

A. Trial Balance

Monthly, a trial balance will be prepared to ensure the accuracy of the General Ledger account balances.

B. Reconciliations of General Ledger Control Accounts with Subsidiary Ledgers

Reconciliations will be prepared on a periodic basis.

Procedures

1. A trial balance of all General Ledger accounts will be prepared by the Bookkeeper.
2. Reconciliations between the General Ledger control accounts and the subsidiary ledgers will be completed by the Bookkeeper within ten (10) days of the end of the previous month.
3. Soon after fiscal year end, all income and expense accounts will be closed and the fiscal year's financial reports will be prepared by the Bookkeeper. (See Appendix A)

200 - CASH MANAGEMENT PROCEDURES

In this section, procedures are described for cash receipts, cash disbursements, petty cash funds, prepaid items and investments.

201 CASH RECEIPTS

Control Objective

To record cash receipts completely and accurately and to prevent the diversion of cash assets.

Major Controls

A. Cash Budgets

POASC will annually prepare and monthly update a cash budget for operations, cash flow and financial condition. The cash budget is an integral part of the POASC Operating Budget.

B. Cash Receipts Policies

Any transaction over \$20 must be via check, money order or electronic funds transfer. POASC uses electronic funds transfer to accelerate deposits.

C. Internal Accounting Controls

- Opening of mail is assigned to an employee with responsibilities independent of journal entry or reporting pertaining to accounts receivable or cash accounts
- Listed receipts and credits compared to accounts receivable and bank deposits
- General Ledger control accounts reconciled with Accounts Receivable Ledger
- Periodic statements are sent to property owners and differences reviewed.
- During periods of vacation, sickness or other absence of assigned employees, the Operations Manager will ensure that internal controls are enforced to the maximum extent possible.

Procedures

1. Mail will be opened and a detailed listing of cash and checks received will be prepared by the Accounting Clerk.
2. All checks will be endorsed immediately by the Accounting Clerk and forwarded to the Administrative Assistant, who will total all receipts.
3. Cash receipts will be posted by the Administrative Assistant to the Cash and Miscellaneous Receipts Journal. That information is also recorded in a locally prepared spreadsheet and compared with accounting system deposit reports and canceled checks. (See Appendix A)
4. All cash receipts in excess of \$300 will be deposited intact by a Security employee, no less often than monthly, and prior to fiscal month-end. Cash less than \$300 will be locked in the Operations Manager's safe. Check payments will be scanned daily and deposited electronically at the designated POASC bank

5. Cash receipts will be pre-numbered and will be compared to deposit slips and bank statements by the Accounting Clerk.
6. The General Ledger will be reconciled with the Accounts Receivable Ledger by the Bookkeeper, using a locally prepared spreadsheet, cash receipt reports from the accounting system and the monthly bank account reconciliation.
7. A monthly statement in letter form will be sent to delinquent property owners with an outstanding balance.

202 CASH DISBURSEMENTS

Control Objective

To disburse cash for authorized purposes and record cash disbursements completely and accurately.

Major Controls

A. Cash Disbursement Policies

Check preparation and signature will be conducted on a weekly basis, usually Fridays. All checks will be computer-generated. No handwritten checks will be issued.

B. Internal Accounting Controls

- Prenumbered checks
- Use of special check protective paper or check imprint
- Match disbursement records against accounts payable/open invoice files
- Bank statements will be reconciled to cash accounts and any outstanding checks evaluated by the Bookkeeper. Check registers will be attached to the invoices weekly for review by the Operations Manager and Treasurer, who will ensure that all check numbers are accounted for.
- Supporting documentation will be canceled (initialed) to prevent resubmission for payment
- A detailed comparison will be made on a monthly basis of actual vs. budgeted disbursements
- Bank reconciliations will be conducted by the Accounting Clerk. Month-end closings will not be conducted until after bank reconciliations are completed.
- As much as is practicable, there will be formal and distinct separation of duties. (See Table on page vi)

Procedures

1. When the transaction is complete and payment is due, a check requisition will be prepared by the Accounting Clerk, who will attach all supporting documentation: vendor invoice, purchase order, payroll record, petty cash voucher, tax return, loan repayment schedule or remittance advice, etc.
2. A prenumbered check or bank transfer will be prepared by the Bookkeeper.

3. Checks will be signed by the Operations Manager and a second authorized individual, who will normally be the Treasurer, after examining the supporting documentation.
4. All supporting documents will be canceled (initialed) by each signatory, normally the Operations Manager and Treasurer.
5. After having been signed, checks will be distributed directly to the payee by the Administrative Assistant.
6. All checks and bank transfers will be entered into the Cash and Miscellaneous Journal.
7. On a periodic basis, Internal Review will match cash disbursement records against accounts payable files to check for any discrepancies.
8. Bank statements will be reconciled immediately after receipt by the Accounting Clerk
9. Bank reconciliations and proposed adjustments will be approved by the Operations Manager and reviewed by the Treasurer.
10. Transactions will be checked by the Internal Review Unit on a monthly basis.

203 IMPREST AND PETTY CASH FUNDS

Control Objective

To control the use of imprest and petty cash funds for valid transactions.

Major Controls

Internal Accounting Controls

- Segregate custodial and recordkeeping duties
- Reconcile imprest and petty cash funds by employees with responsibilities independent of cash receipts, disbursements or custody.

Procedures

1. A log of all disbursements made from the imprest or petty cash fund will be maintained by the fund custodian. All receipts must be initialed by the requisitioner and annotated with the purpose of the purchase.
2. When the fund needs to be replenished, a check request will be prepared by the Bookkeeper, attaching the log of disbursements and the supporting receipts. That request will be reviewed and approved by the Operations Manager and the Treasurer.
3. Any differences between the check request to bring the fund up to the imprest amount and total disbursements made will be reviewed and a justification prepared by the Bookkeeper.

204 INVESTMENTS

Control Objective

To maximize return on investments and to control all investments according to POASC's investment policies.

Major Controls *(Bylaws Section 11.6)*

A. Investment Controls

Investment activities will be controlled according to POASC's investment policies adopted in a resolution by the Board of Directors and recorded in its Minutes regarding the use of different types of investments. Designated corporate officials will have specific authorities to approve transactions and have access to investment certificates.

B. Internal Accounting Controls

- All transactions will be approved by the Treasurer with the concurrence of the Finance Committee.
- Investment account balances from bank/broker statements will be reconciled monthly with the associated General Ledger accounts.
- All investment certificates maintained in a secure storage area and periodically inventoried by the Operations Manager and Treasurer.

Procedures

Investment Activity

1. All proposed investment transactions will be authorized by the POASC Treasurer with the concurrence of the Finance Committee.
2. A check requisition will be prepared for investment purchases accompanied by an investment purchase authorization.
3. For investment liquidation, an investment liquidation authorization will be completed to execute the transaction.
4. An investment control log will be maintained by the Bookkeeper with an adjustment made for each investment purchase/sale.
5. The receipt of all investment proceeds from sales will be reconciled with the investment authorization and earnings.
6. Investment account balances will be reconciled with the General Ledger control account monthly.
7. The investment account support detail will be reconciled with bank/broker statements.

Physical Custody of Investment Certificates

1. An investment certificate or safekeeping receipt will be received and support each check or bank transfer.
2. All investment certificates kept on the premises will be stored in a secure, fireproof location to prevent unauthorized conversion and periodically inventoried by the Treasurer and Operations Manager.

Investment Earnings

1. A worksheet will be prepared monthly by the Bookkeeper listing the interest and dividends earned for the previous period so a journal entry to the various investment income General Ledger accounts can be prepared.
2. Premiums and discounts on bonds and notes receivable will be amortized over the applicable holding period for each investment according to a schedule prepared by the Bookkeeper. This will be used to prepare the monthly entry to the various investment premium/discount General Ledger accounts.
3. A monthly report of investment results will be prepared by the Bookkeeper and distributed to the Board of Directors via POASC Financial Statements.

300 - ACCOUNTS PAYABLE PROCEDURES

This section is organized into five major parts: accounts payable, purchasing, cost accounting, travel and entertainment expense reimbursement, and retaining consultants and professional services.

301 ACCOUNTS PAYABLE

Control Objective

To ensure that invoices are accurately recorded on a timely basis for authorized purchases.

Major Controls

A. Control of Accounts Payable Documentation with Purchase Orders and Invoices

All accounts payable documentation (e.g. supplier invoice, packing slip, purchase order, requisition, receiving report and authorization of acceptance of goods or supplies) will be controlled with a POASC Purchase Order or vendor Invoice.

B. Use of Prenumbered Documents

POASC will use an automated Purchase Order system to account for prenumbered Purchase Orders.

C. Reconciliation of Accounts Payable Records

Reconciliation of source data, subsidiary ledger totals and General Ledger control accounts will be performed monthly to ascertain the accuracy of accounts payable entries.

D. Internal Reviews

Internal reviews will be conducted for accuracy and to uncover duplicate or overpayments.

Procedures

301A Preparation and Review of Purchase Orders

1. A Purchase Order will be prepared by the Accounting Clerk for all purchases not made through the Imprest Fund. With this Purchase Order, a hard copy of the vendor's invoice, packing slip, requisition, receiving report and the authorization or acceptance of goods or services will be retained in the Accounts Payable history file.
2. If a vendor invoice contains sufficient supporting information, a POASC Purchase Order will not be required. The Operations Manager will make that determination.
3. The Accounting Clerk will follow up on any unmatched purchase orders, receiving reports and invoices to resolve any missing, duplicate or unmatched items.
4. The Purchase Order or Invoice is reviewed for:
 - a. Matching the nature and quality of goods ordered and the related price according to the vendor invoice, purchase order and the receiving report
 - b. Accuracy of all arithmetic calculations and extensions
 - c. Correctness of the General Ledger account distribution.
5. The Purchase Order/Invoice, with supporting documentation, will be reviewed by the Bookkeeper, approved by the Operations Manager and reviewed by the Treasurer when signing the associated payment check.

301B Purchase Discounts

1. The Accounting Clerk will review the vendor's invoice for the purchase discount cut-off date.
2. The Accounts Payable Ledger will be maintained by purchase discount date to afford the organization all purchase discounts to which it is entitled.

301C Handling Returns and Allowances

1. POASC will issue a shipping order for returned goods.
2. Before making payment to a vendor, shipping orders will be matched with vendor credit memos.
3. Shipping orders for returned goods will be reconciled with vendors' credit memos by the Accounting Clerk.
4. The Bookkeeper will issue a Debit Memo to the Vendor account

301D Entering Purchase Orders and Invoices in the Accounts Payable Register

1. After the Purchase Order package has been prepared and reviewed, the vendor's invoice is to be entered in the Accounts Payable Register.
2. To check on the accuracy of all Purchase Orders and Invoice entries, an adding machine total of the invoice amounts will be produced to serve as a control.

301E Reconciliation of Accounts Payable Records

1. The Accounts Payable Ledger will be reconciled with purchase and cash disbursement transactions by the Bookkeeper.

2. The balance in the Accounts Payable Ledger will be reconciled with the General Ledger control account.
3. Debit balances in the Accounts Payable Ledger will be resolved by either treating them as an offset against other amounts due the vendor or by requesting payment from the vendor.

302 PURCHASING

Control Objective

To ensure that goods and services are acquired at fair and reasonable prices and the highest personal standards of conduct are maintained in all relationships with vendors, suppliers and subcontractors.

Major Controls

A. Purchasing Policies

Written policies will provide guidance for employees in soliciting, pricing, negotiating, awarding and monitoring vendors, suppliers and subcontractors.

B. Purchase Requirements

POASC will employ cost-effective and efficient purchase requirements in order to achieve full and open competition, meeting delivery schedules, ordering in economic order quantities, controlling inventory and material, and expediting and following up on purchases.

C. Required Competition

All subcontracts, consulting agreements and purchase orders above \$1,500 will be competitively awarded. Otherwise, a single source justification will be prepared by the Operations Manager and approved by the Board of Directors.

D. Pricing

Price or cost analysis will be performed in connection with every purchasing action.

E. Selecting the Source

POASC will select the most responsive and responsible sources to provide required materials and services and promote competitive sourcing in order to obtain fair and reasonable prices.

F. Internal Review

Internal Review will monitor the overall integrity of the purchasing system and the extent of competition, contractor oversight, maintenance of the highest standards of conduct, and adequacy of purchasing documentation.

G. Internal Accounting Controls

- Imposing published standards of conduct and business ethics policy that is periodically reviewed and signed by each employee authorized to initiate purchases (See Policies Section 200).
- Approval by the Board of Directors of purchases over \$1,500 prior to contract/purchase order finalization.

- Periodic rotation of purchasing assignments
- Adopting a policy requiring the reporting of unethical conduct to management and subsequent restitution of any gain resulting from such conduct.

Procedures

302A Purchase Requirements

1. In connection with the annual budget process, and for the capital improvements over a five-year period, each organizational unit (i.e. committees and operating cost centers) will forecast its requirements for materials, equipment, real property, leased equipment, services contracting, etc.
2. After approval of the annual budget, the Operations Manager will review each unit's needs to uncover patterns of orders and opportunities for clustering orders for volume discounts.
3. In preparing a purchase requisition, the requesting individual will identify only minimum needs.

302B Processing Purchase Requisitions

1. The requisitioning unit or individual will complete a purchase requisition specifying the items and quantities desired.
2. The Accounting Clerk will prepare a draft Purchase Order containing the following information:
 - a. Description of items ordered or statement of work
 - b. Cost estimate
 - c. Urgency of need (see 4. below)
 - d. Statement of nature and purpose of the procurement
 - e. Brand name or equivalent functional specifications.
3. Purchase requisitions will be approved by the Operations Manager for non-recurring items below \$500 in cost.
4. The requisitioning unit will assign a priority for processing the draft purchase order among: rush orders (ASAP), operating orders (24 hours), inventory orders (72 hours) and recurring contracts (15 working days).
5. Completed purchase requisitions will be routed by hand to the Purchasing individual. A copy will be retained by the Accounting Clerk.

302C Processing Purchase Orders

1. A purchase order will be prepared for all purchases made by POASC personnel.
2. Before a purchase order is sent to a supplier, it will be reviewed by the Operations Manager for accuracy of the data and quantities listed, prices charged and all arithmetic extensions.

3. A purchase order must be authorized in writing by:

Value of Purchase	Authorizing Official
Under \$500	Operations Manager
\$500 to \$1,500	Operations Manager (See below)
\$1,501 and above	Resolution of Board of Directors

4. All lease agreements and all agreements for real property will be approved by the Board of Directors. Agreements for purchases exceeding 5% of the Annual Budget also require approval of the POASC Membership
5. Prenumbered Purchase Orders will be issued and filed in numerical sequence. Open purchase orders will be closed out when the materials or supplies are filled or the order canceled.
6. Copies of the purchase order will be sent to the vendor or supplier with one copy being filed by the Accounting Clerk. The copy will be marked "Copy" by the Accounting Clerk.
7. Overdue purchase orders placed with a vendor or supplier will be followed up by the Accounting Clerk to expedite the order if it is still needed.
8. Purchase orders may be canceled verbally if below \$500. If \$500 or more in value, the cancellation must be confirmed in writing by the Operations Manager, who will notify the Board of Directors. For purchase orders canceled, POASC will accept liability for any costs incurred by the vendor or supplier up to the value of the purchase order.

302D Credit Cards

1. Operating and staff office personnel, with the authorization of the Operations Manager, will be permitted use of the Corporate credit card. That authorization will be in writing, signed by the Operations Manager. A sign-out log will be maintained by the Bookkeeper for the credit card and reviewed by the Operations Manager.
2. All credit card purchases/charges will be supported by a Purchase Order and verified by a receipt attached to the Purchase Order
3. The reconciled monthly credit card statement with the receipts documenting each purchase attached will be forwarded to the Bookkeeper.
4. The monthly credit card statement will be audited for completeness by the Bookkeeper and the account numbers entered into the accounting system.
5. Payment of the credit card balance will be made on a batch basis directly to the credit card company.
6. The monthly statement will be audited by the Bookkeeper and reviewed by the Operations Manager, Treasurer and Internal Review Unit to ensure all transactions were properly authorized, payments were made to legitimate vendors, purchase orders and receipts are verified and charges were posted to the appropriate General Ledger account. Statements will be annotated to that effect.

302E Obtaining Bids and Quotations

1. The Operations Manager will request bids or quotations verbally on transactions not expected to exceed \$1,500; in writing for all purchases exceeding \$1,500. At least three (3) bids will be obtained where practicable.
2. In evaluating all bids received, the Operations Manager will perform and document a cost or price analysis.
3. When a vendor is given the opportunity to rebid a requirement, all vendors still under consideration will be given an opportunity to reconsider and resubmit their bids.

302F Negotiation and Award

1. Award to vendor, supplier or subcontractor will be made on a best-value basis, not necessarily to the lowest qualified offeror. To this end, the Operations Manager will enter all quotations received on a Bid Tabulation Sheet (spreadsheet) and make a best-value determination where applicable.
2. As opportunities arise, the Operations Manager will reconsider all prices received and seek opportunities to renegotiate a vendor/ supplier's price, delivery, payment, etc., to obtain purchase discounts or other concessions.
3. Any negotiations conducted will be documented in the purchase order/contract file.
4. Award may be made to other than the low bidder in circumstances where the higher bid demonstrates best value to POASC. In such situations, the Operations Manager will prepare a justification statement for such awards, furnishing a brief explanation of the factors leading to such a decision. All proposed awards to the non-low bidder must be approved by the Board of Directors.

302G Internal Reviews

1. Internal Review will, on an on-going basis, maintain surveillance of any breaches of ethical conduct, persistent and recurring breakdowns of supplier performance, etc.
2. Annually, Internal Review will audit a sample of purchasing documentation for the extent of competition, reasonableness of prices obtained, extent of price or cost analysis conducted, etc.

303 RETAINING CONSULTANTS AND PROFESSIONAL SERVICES

Control Objective

To maintain control over the selection, negotiation, oversight, payment and close-out of consulting agreements, and to ensure compliance with Internal Revenue Service regulations.

Major Controls

Use of a Standard Consulting Agreement

POASC will use a standard consulting agreement for all consultants and professional services that specifies the scope of work, the consultant's obligation to pay income and self-employment taxes, and the consultant's requirement to furnish the tools of trade.

Procedures

303A Consultant Requirements

1. A written scope of work will be prepared by Operations Manager for use of a consultant/service provider.
2. A consultant services request will be prepared by the Operations Manager and approved by the Board of Directors.

303B Selecting the Source

1. At least three consulting sources must be identified for consideration, if practicable.
2. Written justification must be provided for purchasing consulting services on a sole-source basis.

303C Award and Agreement Preparation

Consultant agreements will be prepared by the Operations Manager and contain the scope of work, specifications, travel and subsistence reimbursement rates, performance dates, reporting and documentation requirements, payment terms and consultant Federal Employer Identification number or Social Security number.

303D Consultant Accounting and Payment

1. Upon receipt of the consultant invoice, the Accounts Payable Clerk will open up a vendor account (for new consultants) in the vendor listing for the consultant and enter all necessary information:
 - a. Period of the agreement
 - b. Consultant's full billing address and telephone number
 - c. Consultant's FEI or Social Security Number
 - d. Maximum dollar size of the award (if applicable)
2. The consultant's invoice will be received by the Accounting Clerk, reviewed by the Operations Manager, and then routed to the Bookkeeper for processing.

303E Consultant Tax Compliance

For any consultants who are not incorporated entities, POASC will prepare an IRS Form 1099 to report consultant earnings in accordance with IRS requirements. All consultants will provide IRS Form W-9 to POASC before any payment will be issued.

400 - ACCOUNTS RECEIVABLE PROCEDURES

In this section, the procedures are described that cover revenue recognition and invoicing, accounts receivable, prepaid items, credit (Payment Plans) and collections, and removal of uncollectible accounts.

401 REVENUE RECOGNITION, INVOICING AND COLLECTIONS

Control Objective

To ensure Assessments and other payments are accurately recorded on a timely basis in the Accounts Receivable (AR) Module of the POASC accounting system.

Major Controls

A. Invoicing Policy (See Policies Section 311)

POASC will issue Assessment payment coupons annually, prior to the beginning of the Association's Fiscal Year

B. Delinquent Accounts

It is the policy and duty of the Board, via the Operations Manager, to aggressively pursue collections of any outstanding amounts owed to the Property Owners Association. Invoices for delinquent accounts will be prepared on a monthly basis, along with any collections-related correspondence

C. Internal Accounting Controls

- Verification of property owner account status before invoice processing
- Monitoring of property owner account balances periodically and resolution of noted differences by employees with responsibilities independent of invoicing.

Procedures

1. Statements for delinquent accounts will be prepared monthly by the Accounting Clerk.
2. The invoice will be entered in the accounting system's Accounts Receivable Module in the period in which the associated costs are incurred (whenever possible).
3. The following steps are to be taken by the persons assigned to supervise collections:
 - When a property owner's account is identified by the Accounting Department as being delinquent, POASC will begin collection procedures by first contacting the property owner by telephone, if possible. Then, POASC will send collection letters. The first letter will be dispatched no later than the 10th day of the month following the account becoming delinquent, and will request immediate payment of amounts past due. The property owner will be given ten (10) days to respond, after which a second letter will be sent via registered mail, informing the property owner that POASC has placed the account in delinquent status, that penalties, fines and/or interest will accrue, and that POASC intends to commence formal collection procedures.

- When the property owner's delinquent account reaches an amount equivalent to two (2) quarterly dues assessments or 2 quarterly billings for garbage, the Board will be notified and the Operations Manager will initiate filing of a lien, filing a claim in Small Claims Court, engaging a Collection Agency or granting a short grace period, if appropriate (See 404). The delinquent Member will be promptly notified via registered mail of the intended action and given ten (10) days to correct the situation, after which the lien will be filed. All costs arising out of this action will be the responsibility of the delinquent party.
 - A 4% monthly charge will be levied against the delinquent balance until such delinquency is satisfied.
 - POASC will use all legal means to enforce judgments in its favor, including reporting to Credit Bureaus, Commercial Collectors, and enforcement by the Sheriff s Department.
 - In the event the sum of indebtedness to POASC reaches \$1,000 or four quarters of delinquent assessments, whichever is greater, the case will be brought before the Board with recommendation to foreclose on the property.
 - All use of POASC's amenities, privileges and services may be suspended until the delinquent party's account becomes current.
 - The Operations Manager will be responsible for preparing a quarterly report of all delinquencies, to include a status report from any collection agencies or attorneys. This report will be presented to the Board of Directors by the Manager at the board's first working session following the end of the quarter. (See Appendix A)
 - On June 30th and December 31st of each year, the person assigned responsibility for POASC's collection effort will present a written report to the Board of Directors on action taken and the status of all accounts over thirty (30) days past due. (Appendix A)
4. On at least a monthly basis, the Accounts Receivable Module will be posted to the General Ledger .
 5. All General Journal adjusting entries to revenues must be supported by adequate justification, approved by the Operations Manager and reviewed by the Treasurer.

402 ACCOUNTS RECEIVABLE

Control Objective

To ensure the accuracy, completeness and timeliness of property owners' accounts receivable balances.

Major Controls

A. Separation of Duties

The responsibility for posting invoices will be kept separate from those with responsibilities for cash functions. The General Ledger control account will be posted by those with responsibilities independent of accounts receivable and cash receipts.

B. Use of Control Accounts

POASC will employ a General Ledger control account to pinpoint errors and for comparison and reconciliation purposes.

Procedures

1. AR transactions will be entered into the Accounts Receivable Module by Administrative Assistant.
2. Monthly property owner statements for delinquent accounts will be mailed by the Accounting Clerk and any differences resolved by the Operations Manager.
3. Payments, allowances, credits and other adjustments will be posted to the Accounts Receivable Module upon receipt.
4. The Accounts Receivable Module will be reconciled with cash receipts transactions by the Bookkeeper.
5. The Accounts Receivable Module will be reconciled monthly to the General Ledger control account.

403 PREPAID ITEMS

Control Objective

To allow for advance payment (prepayment) of property owner Assessments.

Major Controls

A. Prepaid Assessments

POASC has established a General Ledger account to record prepayment of Assessments, which is treated as a Liability in the Association's Balance Sheet

B. Internal Accounting Controls

1. The Operations Manager and Treasurer will, on a monthly basis, report the status of Prepaid Assessments to the Finance Committee and note any effect on cash flows and Operating cash availability. (See Appendix A)
2. The Prepaid Assessment account will be reconciled with the property owner accounts at least quarterly. (See Appendix A)

Procedures

The Bookkeeper will verify the status of Prepaid Assessments from the Accounting Clerk and Administrative Assistant and enter it into the accounting system on at least a monthly basis.

404 PAYMENT PLANS AND COLLECTIONS FOR DELINQUENT ACCOUNTS

Control Objective

To extend credit in the form of payment plans to only those property owners who are credit-worthy and who have established a verifiable need for such credit, and to allow for negotiated payoff of delinquent accounts.

Major Controls

A. Credit (Payment Plan) Policies

POASC will consider Payment Plans for property owners at the discretion of the Operations Manager.

B. Internal Accounting Controls

Responsibility for Payment Plan authorization is to be kept separate from accounts receivable or cash receipts.

Procedures

1. Property owners in arrears in their accounts may request permission from the Operations Manager to establish a short-term (less than six months) Payment Plan in lieu of lien or other collection action. Property owners on approved Payment Plans will not accrue additional late payment penalties or fees, as long as they remain current in the Plan.
2. Property owners who have an uncollected balance exceeding the foreclosure level are not eligible for Payment Plans without the concurrence of the Treasurer or Chairman.
3. The Accounting Clerk will report the status of all Payment Plan accounts to the Operations Manager, Finance Chairman and Treasurer on a monthly basis. The Operations Manager will report status to the Board of Directors on a quarterly basis. (See Appendix A)
4. Property Owners who do not faithfully adhere to the Payment Plan Schedule will be subject to the lien, collections and foreclosure procedures described herein and will be charged for past penalties and fees that would have accrued if the Payment Plan had not been authorized.
5. Account Settlement-The Operations Manager may negotiate a reduction in the amount paid for settlement of accounts in arrears. All Assessments Fines or Fees must be paid in full. Late fees may be waived up to \$10.00 or a maximum of 75% of the fees owed, whichever is greater. Reductions above that amount require Board Approval. This must be a cash settlement. Payment plans are authorized only under the provisions of Paragraph 2.

405 REMOVAL OF UNCOLLECTIBLE ACCOUNTS

Control Objective

To establish a procedure for removal of uncollectible annual property owner Assessment and other charges from Accounts Receivable records.

Major Controls

A. Uncollectible Accounts

Uncollectible accounts are those that have an unpaid balance after every possible avenue of collection has been followed. Examples: Balance remaining after closure of a bankruptcy proceeding, when no assets remain; balance remaining after foreclosure through the courts with not enough assets available to pay the full debt; debt remaining when the property owner is a corporation that has been liquidated.

B. Uncollectibility

Length of time owed is not a factor in erasing the debt, only uncollectibility.

Procedures

1. A memorandum, signed by both the Operations Manager and the Treasurer will be prepared, setting forth the circumstances in full for recommending removal from the accounts, and presented to the Board of Directors for approval before being finalized. Board approval will be in resolution form.
2. The memorandum and resolution will be placed in the account file and the debt will no longer be listed as an account receivable.
3. It is stipulated that none of the above actions will be interpreted as forgiveness of the indebtedness, and should altered circumstances allow collection of the debt, it will be considered due and payable.

500 - DURABLE ASSETS

PROPERTY AND EQUIPMENT (P&E) PROCEDURES

Durable assets are defined as land, buildings, equipment and supplies.

This section is organized into five parts: P&E acquisitions, recordkeeping over P&E, depreciation of P&E, inventory of P&E and disposal of P&E.

501 PROPERTY AND EQUIPMENT ACQUISITIONS

Control Objective

To control the acquisition of P&E and completely and accurately record fixed asset acquisitions in order to safeguard fixed assets from loss.

Major Controls

A. P&E Acquisitions Tied to Capital Budgeting

All acquisitions of property and capital equipment should be part of the approved AR&R and Capital Improvement budgets.

B. Lease vs. Purchase Analysis

The decision whether to lease or purchase property and equipment will be supported by a lease vs. purchase analysis conducted by the Operations Manager.

C. P&E Acquisitions Based on Approved Requests

Before making a purchase, approval must be obtained from the Board of Directors.

Procedures

1. Capital budget requests will be submitted annually for review and approval by the Operations Manager prior to review and approval by the Finance Committee and the Board of Directors.
2. Each authorization request for the acquisition of P&E in excess of \$1,000 will be reviewed and approved by the Board of Directors by formal Resolution.
3. Each item of property and equipment received will be identified and tagged in a visible area on the asset.
4. A copy of purchase orders for capital expenditures will be routed to the Bookkeeper who will enter fixed assets in the General Ledger.
5. Information on each tagged asset will be entered in the Fixed Assets Database.
6. The Fixed Assets Database will be maintained by type of owned P&E asset
 - a. POASC-owned
 - b. Leased items
 - c. Computer software with original acquisition cost of over \$500.

501A Donated Tangible Assets

1. All tangible assets donated to the organization will be treated as owned by the organization.
2. Each donated asset will be identified, tagged and entered in the Fixed Assets Database at the fair market value of the asset at the time of the donation of the asset. The database will identify those items as donated assets

502 RECORDKEEPING OVER PROPERTY AND EQUIPMENT

Control Objective

To completely and accurately record fixed asset acquisitions, transfers and dispositions on a current basis.

Major Controls

A. Capitalization Policies

POASC will observe its policies on the capitalization of equipment and distinguish between normal maintenance, funded as Operating Expense, and betterments, funded through AR&R.

B. Fixed Asset Classification

Fixed assets will be maintained for the following classifications: land and buildings, land improvements, building improvements, equipment, furniture and fixtures, office equipment,

moving stock, AIS processing equipment, programming/reprogramming costs and tools or others as determined.

C. Policy on Asset Accountability Units

POASC will track its fixed assets separately by individual units.

D. Complete Record of P&E Acquisition Costs

The Fixed Assets Database will contain the full history of each capital asset acquired: original acquisition cost, any costs incurred to prepare the asset for use, less cash discounts taken and accumulated depreciation.

Procedures

1. Asset acquisitions, transfers, dispositions and depreciation will be entered in the Fixed Assets Database and General Ledger on a monthly basis.
2. The Fixed Assets Database will be reconciled with the General Ledger for the original acquisition cost and accumulated depreciation.
3. Any differences will be analyzed and resolved by the Bookkeeper and reported to the Operations Manager and Treasurer.

503 DEPRECIATION

Control Objective

To ensure that the depreciation of P&E is correctly stated for book and tax purposes.

Major Controls

Depreciation Policies

POASC will use the straight-line method of depreciation for book purposes. The POASC CPA will use the most advantageous depreciation method for tax purposes.

Procedures

1. Each new capital asset will be properly classified according to the type of asset and useful life and entered in the Fixed Asset Database and General Ledger by the Bookkeeper.
2. The Fixed Asset Database will be maintained by the Accounting Clerk; the corresponding General Ledger entries will be controlled by the Bookkeeper.
3. Capital asset residual values will be adjusted by prior year depreciation expense in conjunction with the annual audit

504 INVENTORY OF PROPERTY AND EQUIPMENT

Control Objective

To ensure that all recorded assets exist and are in use.

Major Controls

A. Internal Accounting Controls

1. All P&E will be tagged when received
2. Physical inventories will be checked by independent personnel
3. Differences between physical inventories and perpetual inventory balance will be analyzed and reconciled.

Procedures

1. A printout of all recorded fixed assets will be prepared by the Accounting Clerk by location and by asset classification.
2. Inventory will be taken by those employees with responsibilities independent of the custody or recordkeeping of such assets, assisted by POASC volunteers as needed.
3. The inventory of fixed assets will be compared to the detailed fixed assets printout.
4. Any differences will be resolved and reported to the Operations Manager and Treasurer.

Computer Software

Periodically, the Operations Manager will conduct an unannounced inventory of all computer software at file servers and computer workstations.

505 DISPOSAL OF PROPERTY AND EQUIPMENT

Control Objective

To ensure that assets no longer in use will be disposed of in accordance with existing policies.

Major Controls

A. Disposal Policies

POASC has adopted policies on the disposition of property and equipment.

B. Internal Accounting Controls

1. Use of fixed asset disposal and transfer authorization forms.
2. Disposal or transfer of fixed assets only with authorization of the Board of Directors.
3. Periodic count of fixed assets that is reconciled with fixed asset records.

Procedures

1. If the Operations Manager determines that some durable assets are surplus he will prepare a list of items and their original cost, if known, and the present estimated value. The Board of Directors will be requested to declare the items surplus and available for disposal. The Board will set a minimum bid to be accepted for the item or items, and the Board will reserve the right of refusal of any or all bids less than the minimum established.
2. For disposal of assets whose value exceeds 5% of the annual Budget, the process will also be subject to the provisions of *BYLAWS Section 11.5*.

3. For fixtures, equipment and supplies, the sale will be handled as follows:

A list of the items with minimum bids listed, the deadline for placing the bids and the time, date and location of the opening of the bids:

 - a. Will be posted at the POASC office and on all bulletin boards for a period of thirty (30) days prior to sale
 - b. Will be posted in the official POASC newsletter and at the POASC website at least thirty (30) days prior to sale
 - c. A Bid Form with the list of items to be sold and their respective minimum bid prices will be available for persons wishing to bid. Each Bid will receive a number as it is submitted. Bidders will receive a receipt upon submitting a bid.
4. Persons wishing to purchase any of the items will submit sealed bids to the Operations Manager.
 - a. If more than one item is to be sold, bidders must list the price for each item to be purchased.
 - b. Lot bids will be accepted, but awarded only if no individual bids are made.
 - c. If individual bids are made and awarded, lot bidders will be notified and allowed to adjust their bids to reflect the removal of the individual item
5. Bids will be opened by the Operations Manager or his designee in the presence of at least one member of the Board of Directors.
 - a. The item or items will then be sold to the person submitting the highest bid.
 - b. If two or more acceptable bids in the same amount are received, a drawing will be held among those with identical bids.
 - c. If no acceptable bid is received by the end of the 30-day period on any item or items, those items will be disposed of at the discretion of the Board of Directors.
 - d. The Board of Directors may refuse any or all bids below minimum.
 - e. Winning bidders will be notified within three working days from the bid closing.
 - f. If the winning bidder or designee does not pick up the item/items within five working days of notification, the item/items will be offered to the next highest qualified bidder, if any; otherwise, it will be disposed of at the discretion of the Operations Manager.
 - g. Payment in full is due at the time possession of the item/items is taken.
6. The Inventory Database will be updated and the asset will be removed from the General Ledger if it is still reflected on the books.
7. At the option of the Board of Directors, certain items of surplus equipment or property may be suitable for donation to charitable organizations. The Operations Manager will make a recommendation to the Board for disposal in this manner. The inventory database will be annotated accordingly and the net asset value of the donation will be recorded in the General Ledger for tax purposes.

8. Property or equipment designated for disposal that is not suitable for sale or donation will be scrapped upon the recommendation of the Property Manager and approval by resolution of the Board of Directors. The inventory database will be annotated to that effect and the General Ledger adjusted accordingly.

506 DISPOSAL (SALE) OF FORECLOSED OR DONATED PROPERTY

Control Objective

To ensure that foreclosed, donated or quitclaim deeded properties will be disposed of in accordance with existing policies.

Major Controls

A. Disposal Policies

POASC has adopted policies on the disposition of property and equipment.

B. Internal Accounting Controls

1. Disposal or transfer of foreclosed, donated or quitclaim properties only with authorization of the Board of Directors.
2. Approved procedures to ensure equality of opportunity for bidders and no preferential treatment for any prospective bidder or buyer.

Procedures

1. The Operations Manager will identify properties that have been acquired through the foreclosure process or have been deeded to POASC by donation or quitclaim deed. The Operations Manager will prepare a statement of account, to include any past due assessments, fines, fees, penalties and accrued interest on the property; and establish a recommended minimum bid or sale price. The costs of advertising, property maintenance, attorney fees and transfer upon sale will also be considered when establishing the asking or minimum bid price.
2. The Board of Directors will be requested to decide whether the property will be offered for sale or will be offered under sealed bid process of Section 505.
3. If offered under the sealed bid process, the Board will set a minimum bid to be accepted for the property and the Board will reserve the right of refusal of any or all bids less than the minimum established.
4. If offered for direct sale, the Board will approve the asking price and the Operations Manager will proceed to advertise the property for sale, using the widest but most economical means for advertising. The Operations Manager may negotiate pricing as set by the Board of Directors in Executive Session.

600 - AIS CONTROLS

In this section, the Automated Information System (AIS) controls are described under system operations controls and computer security.

601 SYSTEM OPERATIONS CONTROLS

Control Objective

To ensure the computer equipment is efficiently operated and adequate back-up and recovery are assured.

Major Controls

A. Back-Up Performed Daily

To prevent loss of data files and programs, back up will be performed daily, using off-site data storage.

B. Contingency Plan for Back-Up Computer Facilities and Equipment

The continuity of applications processing will be provided for with a realistic contingency plan that is periodically tested in the event of an unexpected interruption.

Procedures

601A System Operations

1. POASC will employ off-site back up and data storage for all financial and accounting information, including the property management and accounting data and any separate files or spreadsheets that are maintained by employees
2. Computer usage will allow for contingency operations, to include primary and secondary functional assignments for employees and the ability to perform basic accounting and financial functions at more than one operating station.

601B System Back-Up

1. A file or program that is changed will be copied by the end of the day.
2. After a process failure, all data files and programs will be recovered and checked to ensure that there were no unintended modifications.
3. The POASC Property Management and Accounting system will be backed up daily
4. Copies of all files and programs will be maintained in a storage facility that is secure.

5. A contingency plan will be prepared by the Operations Manager and periodically updated to ensure continuity of operations in the event of unexpected interruptions in computer operations.

602 COMPUTER SECURITY

Control Objective

To prevent access to data stored on the computer to an unauthorized user, and ensure that only authorized software is installed.

Major Controls

A. Use of Passwords

A system of user IDs and passwords with frequent revisions will be employed.

B. Access to Sensitive Files/Modules Restricted

The operating system will allow access only to authorized files/modules.

C. Diskettes and Removable Hard Disks, and Sensitive Output Reports Will be Stored in a Secure Location

All off-line media will be stored in a secure location, with back-up data stored at an off-site storage facility.

D. Internal Controls

Administration of security controls will be performed by employees with responsibilities independent of one another.

E. Authorized Software

Only POASC-authorized software will be installed on servers and workstations.

Procedures

602A User IDs and Passwords

1. Passwords will be assigned to employees needing to access the system. The Operations Manager will maintain a master listing of employees' passwords. Passwords will be changed periodically, but no less often than quarterly
2. Access privileges for terminated or transferred employees will be immediately canceled by the Operations Manager. All passwords will be changed when an employee is terminated.
3. POASC will ensure that only licensed and approved software is installed on servers and workstations

602B Off-Line Data and Programs

Diskettes and removable media, including local back-up copies when not in use, will be stored in locked fireproof cabinets.

602C Access to Output

1. Computer outputs or reports will be produced according to a pre-planned schedule or when requested by an authorized individual.
2. Computer outputs and all copies will be stored in a secure location and access restricted to authorized individuals.

602D Physical Access

Access to servers, computer terminals, modems and communications lines will be controlled with the use of passwords. Only authorized internet web sites will be accessed.

700 - PAYROLL PROCEDURES

Payroll procedures are organized under six categories: personnel requirements, personnel standing data, timekeeping and labor distribution, preparation of payroll, payroll payment and handling payroll deductions.

701 PERSONNEL REQUIREMENTS

Control Objective

To ensure that POASC hires only those employees -- full- or part-time -- it absolutely needs and exerts tight control over hiring new employees and promoting existing employees.

Major Controls

Payroll Policies

POASC has adopted payroll policies for installing new employees on the payroll system and removing terminated employees from the system as well as handling vacation, holiday and sick pay.

Procedures

701A New Employees

1. Requests for new employees will be initiated by the Operations Manager and compared with the approved annual personnel budget.
2. The Operations Manager will obtain the concurrence of the Board of Directors prior to hiring new personnel.
3. All new employees will complete an employment application, State Withholding Tax Form A-4 , IRS Form W-4 and will provide information required by INS Form I-9.

701B Vacation and Sick Pay

1. Employees' earned vacation balances will be adjusted each pay period to reflect vacation earned/taken.

2. Sick leave taken will be recorded against each employee's available sick time.
3. Before vacation or sick time is paid, an authorization request is to be prepared by the employee, reviewed and approved by the Operations Manager, and routed to the POASC office.

701C Bonus Pay

1. Bonus pay may only be paid if approved by the Board of Directors.
2. An authorizing memorandum, with a justification provided, will be initiated by the Operations Manager to the Board of Directors to add bonus to the next payroll check.
3. A copy of the bonus pay authorization memorandum will be maintained by the Operations Manager to support the payment.

701D Terminations

1. A termination form will be completed by the Administrative Assistant and routed to the Operations Manager for approval for each terminating employee.
2. The approved termination form will be routed to the Accounting Clerk for updating the standing payroll data.
3. The approved termination form will be maintained in the terminated employee's personnel file.

702 PERSONNEL STANDING DATA

Control Objective

To calculate and record payroll data accurately and completely for all employees.

Major Controls

Internal Accounting Controls

- A precise paper trail covering all transactions
- All changes in standing personnel data approved by the Operations Manager.
- Separate payroll and personnel files periodically reconciled.

Procedures

1. Changes to standing personnel data will be initiated with a personnel action form when making changes in new hires, terminations, pay rate changes or payroll deductions.
2. A change to payroll standing data will be authorized by the Operations Manager.
3. Authorized changes to the payroll standing data will be processed by the Accounting Clerk.
4. A copy of the personnel action form will be retained in the employee's personnel file.

703 TIMEKEEPING AND LABOR DISTRIBUTION

Control Objective

To ensure that payment for salaries and wages is made in accordance with documented time records and that employee time is properly distributed.

Major Controls

A. Timekeeping Policies

A written timekeeping and labor distribution policy will instruct employees on the proper charging of time and reasonably assure the accuracy of recorded time.

B. Time Card Preparation

Labor hours will be accurately recorded. Any corrections to timekeeping records will be annotated and show the appropriate authorizations and approvals.

C. Internal Reviews

The Internal Review Unit will monitor the overall integrity of the timekeeping and labor distribution system.

D. Internal Accounting Controls

- Periodic checks on the way employees prepare their time cards
- Segregation of responsibilities between timekeeping/payroll and those responsible for operating within budgets (Operations Manager)

Procedures

703A Orientation and Training

1. Each new employee will receive instruction on proper timekeeping and labor charging practices.
2. For employees who are not following proper labor-charging procedures, a periodic refresher will be conducted. Repeated offenses may result in disciplinary action.

703B Time Card Preparation

1. Each employee will prepare his/her own time card on a daily basis.
2. In preparing time cards, each employee will:
 - a. Enter his/her own hours in ink and sign the completed timekeeping record
 - b. Keep timekeeping documents under the employee's control
 - c. Make corrections in ink by crossing-out the error and initialing the change
 - d. Submit the completed time card to the supervisor/ manager for approval

703C Distribution, Approval and Collection of Time Cards

1. Before the beginning of a pay period, one time card will be distributed to each employee.
2. Each employee's time card will be approved in writing by an assigned supervisor. The Operations Manager will maintain a list of supervisors authorized to approve time cards.
3. Completed time cards will be collected by an authorized person.

703D Overtime and Compensatory Time Approval

Overtime and compensatory time will be approved in advance by the Operations Manager and justification will be included on the time card.

703E Reconciliation of Payroll to Time Cards

1. Hours shown on time cards will be reconciled each payroll period by the Accounting Clerk with the hours recorded on attendance records and the total hours recorded on the payroll.
2. The completed cards, along with a copy of the pay stub, will be given to the Treasurer the week the Payroll is disbursed at the time the weekly checks are being signed, and reviewed for labor hours, vacation, sick pay, and holidays paid.

703F Internal Review

Periodically, Internal Review will monitor the overall integrity of the payroll/timekeeping system by:

1. Performing unannounced interviews with employees on their labor charging practices
2. Completing periodic comparisons of budgeted labor with actual costs
3. Periodically confirming that records of Vacation, Sick and Holiday Pay have been properly maintained, and that actual payroll records have been reviewed by the Treasurer as required above under Reconciliation of Time Cards.
4. Issuing reports to the Operations Manager and Treasurer.

704 PREPARATION OF PAYROLL

Control Objective

To ensure that payment of salaries and wages is accurately calculated.

Major Controls

A. Accuracy of Transactional Data

Cross-checks have been built into the payroll system with the use of control totals and other means to reconcile timekeeping data with payroll data.

B. Internal Accounting Controls

- Time records will be periodically reconciled with payroll records
- Responsibility for checking the accuracy of payroll calculations will be kept separate from responsibility for payroll preparation.

Procedures

1. Total time recorded on time cards and number of employees will be totaled by the Accounting Clerk.
2. Recorded hours from the bi-weekly time records will be manually posted to the Payroll Register.
3. Labor rates will be entered in the Payroll Register by the Accounting Clerk.
4. Gross pay and payroll deductions will be checked by the Bookkeeper.
5. The completed payroll (e.g., calculations, payrolls and payroll summaries) will be compared with timekeeping, labor rate, payroll deductions, etc. by the Bookkeeper.
6. Total hours and number of employees will be compared with the totals in the Payroll Register by the Operations Manager. In his absence, the Treasurer will perform this function.
7. The Payroll Register will be reviewed and approved by the Operations Manager prior to release of payroll.
8. The Payroll Register will be reviewed periodically by the Treasurer and Internal Review, and tests performed for reasonableness.

705 PAYROLL PAYMENT

Control Objective

To ensure payment for salaries and wages is made only to employees entitled to receive payment.

Major Controls

Internal Accounting Controls

- Separation of duties of timekeeping and employees preparing payrolls, with periodic rotation of duties
- Complete audit trail on all direct deposits with authorizing signatures at each juncture

Procedures

1. Payroll payments by direct deposit will be authorized by the Operations Manager, who does not prepare payroll.
2. The payroll bank account (Operating Account) will be reconciled monthly by the Bookkeeper.

706 HANDLING PAYROLL DEDUCTIONS

Control Objective

To ensure that payment deductions are correctly reflected and paid to the appropriate third parties.

Major Controls

A. Reconciliation of Payment and Payroll Deductions

Payroll deductions will be recorded in appropriate General Ledger control accounts and reconciled with payments made to third parties.

B. Exceptional Events

Any late and other notices received from third parties, such as tax authorities, government entities, etc. will be available for review by Internal Review.

C. Internal Accounting Controls

Employees calculating payroll deductions will be different from those who make payments of payroll deductions to third parties and review payroll deduction payments to third parties.

Procedures

1. Payroll deductions will be calculated for each employee by the Accounting Clerk. These will be summarized by pay period and recorded in the General Ledger.
2. Payroll deductions when required to be paid will be reconciled by pay period with the amounts recorded in the control accounts by the Bookkeeper.
3. The Operations Manager and Treasurer will review for accuracy and timeliness payments made to third parties for payroll deductions.
4. Original deduction/benefit elections will be reviewed and approved annually.
5. Late and other notices received from third parties will be stored in a separate file and made available for review by Internal Review.

800 - MANAGEMENT PLANNING AND REPORTING PROCEDURES

In this section, procedures are covered for supporting the annual Budget plan, financial reporting and tax compliance.

801 ANNUAL OPERATING BUDGET PLAN

Control Objective

To effectively support the preparation of the annual Operating Budget and its periodic review.

Major Controls

A. Budget Process Supported by Management

To support decision-making, The Operations Manager and his staff, along with the Chairmen of various POASC standing Committees and the POASC Board of Directors, will be involved in Budget development.

B. Subcommittee of the Finance Committee Develops Budget

The Finance Committee maintains direct control of the Budget process through an assigned subcommittee.

C. Before Acceptance, Budgets Approved by Management Chain

All proposed plans and budgets will be reviewed and approved by each successive level of management and the Finance Committee, and ultimately approved by the Board of Directors.

D Internal Accounting Controls

Accuracy and completeness of plans and budgets will be reviewed by the Operations Manager, Finance Committee and Treasurer.

Procedures

1. In preparation of the annual Operating Budget, the Finance Committee Chairman will establish a Budget Subcommittee in accordance with the POASC *Operating Procedures Section 4.7*. The Treasurer and Chairman will be members of that Subcommittee. The Budget Subcommittee Chairman will request Budget inputs from the Operations Manager and standing Committee Chairmen who may require monies set aside in the operational Budget. Responses are required even when Monies are not requested.
2. To support budget estimating, the Bookkeeper will provide current year-to-date financial data with projections of year-end totals.
3. A proposed budget will be prepared by the budget sub-committee in time for presentations specified below:
 - a. The proposed budget will be presented to the Finance Committee at the November committee meeting and presented to the Board of Directors with the Finance Committee's recommendations no later than the December Board Meeting.
 - b. A presentation of the proposed budget will then be made to the General Membership as soon as practical. Notification to the residents will be published in the UPDATE and other communications media.
 - c. The proposed budget will then be presented to the Board of Directors for their final review and approval prior to the Annual Membership Meeting.
 - d. The approved budget will be presented to the membership at the annual meeting and published in the UPDATE.

4. Based upon budgets accepted, the Operations Manager will prepare the annual comprehensive budget plan, including:
 - a. Revenue forecast
 - b. Personnel forecast
 - c. AR&R Budget
 - d. Capital Improvement budget
 - e. Balance Sheet and Income Statements, both actual and projected. (See Appendix A)
5. Once adopted, the Bookkeeper will enter the approved budget totals for the new fiscal year in the General Ledger, in order to track actual costs against budgeted levels. Those items that are paid aperiodically or as lump-sum payments will not be budgeted in a “straight-line” method.
6. The Budget Subcommittee will conduct, at a minimum, mid-year and fourth quarter budget reviews. Any resulting revision to the budget will be submitted to the POASC Board of Directors for approval.

802 FINANCIAL REPORTING

Control Objective

To ensure the accuracy, completeness and timeliness of financial reporting to support decision-making.

Major Controls

A. Review and Approval of Financial Reports

The Operations Manager and Treasurer will review all financial reports for accuracy and completeness before release.

B. Periodic Trial Balance and Closeouts

To facilitate statement preparation and ensure the accuracy of its financial reporting, POASC will periodically prepare a trial balance and close out its books of account.

C. Financial Statements Audited by a Qualified Public Accounting Firm

The annual financial statements of POASC will be audited by a qualified public accounting firm.

Procedures

1. The Bookkeeper will prepare and abide by a "tickler" system of required financial reports, e.g. annual budget, monthly statement of earnings, monthly statement of cash flows, monthly balance sheet, monthly funds statement, etc.

2. The Operations Manager and Treasurer will review and approve all financial reports before release. The Bookkeeper will prepare all financial reports no later than the 10th of the following month.
3. The Bookkeeper will maintain monthly closeout files containing the following: Financial Statements, A/P transactions, bank reconciliations and records of cash receipts and Accounts Receivable.
4. The Operations Manager will cause the following reports to be submitted to the Treasurer and the Assistant Treasurer monthly: (See Appendix A)
 - a. A Budget Report of all income and expense accounts comparing actual income and expense to budgeted line items.
 - b. A Transaction Report of all expense accounts and transfers.
 - c. A Balance Sheet showing all POASC cash assets and liabilities.
 - d. A Year-to-date Budget Report from the beginning of the fiscal year through the last completed month comparing actual income and expenses to the budgeted line items with an additional column for percentage of variance.
5. The Treasurer will make a report of income and expenses netting income over (or under) expenses on a monthly, quarterly and annual basis to:
 - a. The Board of Directors
 - b. The property owners at the Regular Meeting of the Board of Directors.
 - c. The membership at the Annual Meeting. (See Appendix A)
6. Other reports (interim and/or special) will be prepared by the Operations Manager as required by:
 - a. The Treasurer
 - b. The Budget Subcommittee and/or Finance Committee
 - c. The Board of Directors (See Appendix A)
7. POASC will submit to a full scope audit of its financial statements by a qualified public accounting firm and make all adjustments.
8. A synopsis of the financial statement (unaudited) will be published in the POASC Update on a monthly basis

803 TAX COMPLIANCE AND REVIEW

Control Objective

To accurately prepare and file required tax documents on a timely basis.

Major Controls

A. Retaining Tax Counsel

POASC has retained its public accountant to prepare the Association's annual tax filings.

B. Use of "Tickler" System

All tax returns will be made in accordance with a "tickler" system.

C. Approval of Tax Returns

The Treasurer will review and approve all annual tax returns.

D. Review and Audit of Property Taxes

A subcommittee of the Finance Committee will conduct an annual audit of Property Taxes

Procedures

1. The Bookkeeper will periodically compare the data requirements of all new tax return forms with POASC's reporting and seek revisions, as appropriate, to its coding structure/chart of accounts in order to report all required tax data. The Operations Manager and Treasurer will be informed of any required changes.
2. POASC will maintain a "tickler" system to remind tax accounting staff of required filing due dates for: (not a comprehensive list)
 - a. IRS Form W-2 - Wage and Tax Statement
 - b. IRS Form W-3 - Transmittal of Income and Tax Statements
 - c. IRS Form 940 - Employer's Federal Unemployment (FUTA) Tax Return
 - d. IRS Form 941 - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes
 - e. IRS Form 1099 MISC (also 1099-DIV, 1099-INT, 1099-OID) - U.S. Annual Information Return for Recipients of Miscellaneous Income
 - f. IRS Form 1120 - Corporation Income Tax Return
 - g. IRS Form 8109 - Federal Tax Deposit Coupon
 - h. Quarterly state unemployment tax return
 - i. Annual state corporate income tax return
 - j. State and local sales tax filings if applicable
3. POASC's Operations Manager will have the various tax returns prepared by an outside preparer.

4. Before submission, all annual tax returns and the supporting schedules will be reviewed for accuracy and completeness and approved by the Treasurer. The Treasurer will review and initial monthly and quarterly submissions.
5. The Bookkeeper will prepare a General Journal entry for taxes. The Operations Manager and Treasurer will review and approve all General Journal entries for taxes.
6. Each General Journal entry for taxes will be compared to the General Ledger by the Bookkeeper to ensure proper posting.
7. Property Tax Bill Audit
 - a. An annual audit of POASC property tax bill(s) will be conducted by a sub-committee appointed by the Finance Committee Chairman.
 - b. It shall be the responsibility of the POASC Operations Manager to deliver property tax bill(s) to the Finance Committee Chairman for the purpose of this audit.
 - c. The sub-committee will review the tax bill(s) immediately upon their arrival
 - d. This audit must be completed and results promptly reported to the POASC Treasurer.
 - e. The Chairman of the Finance Committee, jointly with the sub-committee will take steps to file for appeal whenever appropriate.
 - f. The Operations Manager shall maintain up to date property tax information.

804 RESERVE FUND AND INSURANCE REVIEWS

Control Objective

To ensure Reserve Funds and POASC Insurance costs/coverage are reviewed and adjusted on an annual basis

Procedures

1. Asset, Repair And Replacement (AR&R) Fund Review
 - a. A sub-committee shall be appointed in April by the Finance Committee Chairman to conduct a review of the A R & R Fund and provide analysis annually by November 30.
 - b. Any newly identified assets shall be added to the analysis by the Operations Manager as they occur.
2. Capital Improvement Fund Review
 - a. A sub-committee shall be appointed in April by the Finance Committee Chairman to conduct a review of the Capital Improvement Fund analysis and complete its report the following January.
 - b. Any new allocations will be identified and added during this review. (Refer to the Long Range Plan)

3. Insurance Review

A sub-committee will be appointed by the Finance Committee Chairman. The sub-committee will make recommendations regarding POASC insurance coverage to the Finance Committee

900 - INTERNAL REVIEW PROCEDURES

This section covers procedures for supporting the Internal Review Unit, internal review requirements and the internal review process.

901 INTERNAL REVIEW UNIT

Control Objective

To establish and maintain a unit made up of Spanish Cove property owners whose mission is to conduct periodic and aperiodic reviews of POASC financial information and processes.

Major Controls

A. Standing Committee of the POASC Board of Directors

The Internal Review Unit will be a standing committee of the Board of Directors.

B. Internal Accounting Controls

Review duties will be rotated among Unit members to provide cross-training and avoid complacency or over-familiarity in the review process

Procedures

1. The Internal Review Unit will be organized as a standing committee of the Board of Directors. The Chairman of the Unit will be selected by the Chairman of the Board and approved by the Board of Directors.
2. The Chairman of the Internal Review Unit will select the other members of the Unit, which must number more than three and should not number more than seven
3. Members of the Board of Directors and POASC employees may not serve in the Unit.

902 INTERNAL REVIEW REQUIREMENTS

Control Objective

To ensure the accuracy, completeness and timeliness of financial reporting to support the review process

Major Controls

A. Review and Approval of Financial Reports

Before release by the Bookkeeper for review by the Internal Review Unit, all financial reports will be reviewed for accuracy and completeness and approved by the Operations Manager and Treasurer.

B. Periodic Trial Balance and Closeouts

To facilitate internal review and provide a common data reference point, POASC will prepare a trial balance and close out its books of account on a monthly basis, no later than the 10th of the following month.

Procedures

1. The Bookkeeper will prepare and abide by a "tickler" system of required financial reports, e.g. annual budget, monthly statement of earnings, monthly statement of cash flows, monthly balance sheet, monthly funds statement, etc.
2. The Bookkeeper will prepare a monthly trial balance, close the books of account monthly and prepare interim financial statements.
3. All financial reports will be reviewed and approved by the Operations Manager and Treasurer before release.

903 INTERNAL REVIEW PROCESS

Control Objective

To ensure POASC financial reports, statements and data are reviewed on a regular basis.

Major Controls

A. Knowledgeable Personnel

POASC will solicit the assistance of volunteers for the Internal Review Unit who possess the requisite experience and/or training in accounting and finance.

B. Selection of Key Financial Reports

The Internal Review Unit will maintain a "tickler" file or list of key financial reports and statements for use in the review process.

C. Confidentiality

The Internal Review Unit will work with the Operations Manager and Treasurer, who will determine the level and extent of corrective action. Unit members will not discuss any review results outside the Unit or the Operations Manager/Treasurer, pending action by the Operations Manager or recommendation for action to the Board of Directors. Unit members will sign a non-disclosure agreement outlining confidentiality requirements.

Procedures

1. The Internal Review Unit will meet at least monthly, after the closing of the prior financial period and production of financial statements, to conduct a review of the selected prior period activity.
2. At a minimum, the Unit will review the Financial Statements, Cash Receipts Journal, Accounts Payable History report by Vendor and General Ledger account, Accounts Receivable Report, Activity Report for Assessments and other charges and payments to property owner accounts, Bank reconciliations, General Journal entries and other monthly/quarterly financial reports. All reports need not be reviewed each period, nor must they be reviewed in their entirety.
3. As required / desired, the Internal Review Unit may:
 - a. Conduct unannounced inspections of employee time cards to ensure compliance with POSC timekeeping policies and procedures.
 - b. Participate in the validation of the annual inventory of POASC assets as requested by the Operations Manager.
 - c. Review Vacation / Holiday / Sick Time accrual and usage reports
 - d. Review and audit credit card sign-out logs with card transactions as reflected in the monthly credit card statement.
 - e. Review all petty cash reconciliations.
 - f. Review cash receipts logs and cash management records.
 - g. Review all bank reconciliations, including the Activities Committee and Communications Committee bank accounts.

Appendix A List of Reports

➤ As Required

- Payroll Tax Report
- Unpaid Revenue Report
- Cash Receipts Spreadsheet

➤ Monthly

- Trial Balance
- Financial Statements
- Statements to Property Owners (Delinquent Accounts)
- Payment Plan Status (Delinquent Accounts)
- Property Owner Activity Reports
- Prepaid Assessment Status (to Finance Committee)
- Treasurer's Cash Investment Report

➤ Quarterly

- Tax Form 940 / 941
- Collections Status Report (Operations Manager)
- Midyear and 4th Quarter Budget Review Report

➤ Annually

- Financial Statements for Audit
- Annual Budget(s)
- Federal and State Corporation Tax Return