**Legal Services of Northern Virginia**

**Accounting Manual**

Adopted by the LSNV Board of Directors
on October 12, 2011

(additional edits approved by the Board on 9/14/16, 1/10/18, and 6/24/20)

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# I. INTRODUCTION

This Accounting Manual has been prepared pursuant to the Accounting Guide for LSC Recipients, and is intended to comply with the LSC Regulations appearing at 45 CFR § 1600 et seq. It is the policy of Legal Services of Northern Virginia, Inc. (LSNV) to abide by these regulations at all times, with the following possible exception: If a conflict should arise between the policies set forth in this manual and the policies set forth in the Accounting Guide for LSC Recipients, the position stated in the Accounting Guide for LSC Recipients will prevail.

All LSNV employees are bound by these policies, and any deviation from established policy (with the possible exception noted above) is prohibited. In the event an item is not specifically covered in this manual, LSNV staff members are to refer to the Accounting Guide for LSC Recipients.

The policies and procedures set forth in this manual are intended to be LSNV Management guidelines established for the purpose of implementing “best practices” accounting at LSNV
in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as well as LSC regulations. The policies and procedures in this manual may be updated from time to time, as necessary, to conduct LSNV business effectively and efficiently in accordance with current GAAP and LSC regulations.

# II. LSNV AND ITS MISSION

Legal Services of Northern Virginia, Inc. (LSNV) is a full-service law firm that serves eligible clients throughout Northern Virginia. Incorporated in 1980 as a 501(c)(3) nonprofit organization, LSNV was established by consolidating several existing local legal aid organizations into a regional service program. LSNV is partially funded by Legal Services Corporation and by the state government and local governments in Northern Virginia, as well as by foundations, the private bar, and other donors.

In April 2018, the LSNV Board of Directors adopted the following new mission statement for the organization: ***To provide access to justice for disadvantaged individuals and communities.***

LSNV deals exclusively with civil (non-criminal) cases for Northern Virginians who are unable to afford private legal counsel. At present, LSNV maintains eight work sites throughout Northern Virginia – as well as outreach offices in the Fairfax and Arlington Courthouses.,

LSNV provides services in a variety of substantive civil legal areas, including family law; public benefits claims; housing law; access to health care; consumer law; elder law; child advocacy; AIDS/HIV issues; and employment and civil rights law. Staff and volunteers provide
legal advice, brief service, and representation in administrative hearings and in court, as well as community legal education, and advocacy before local and state governmental entities, all without charge to clients.

# III. LSNV-RELATED ROLES AND RESPONSIBILITIES

**Board of Directors:** The Board of Directors holds a minimum of four meetings per year. The ultimate responsibility for LSNV’s financial statements rests with the Board of Directors which defines appropriate parameters for fundamental financial decisions. All financial decisions within those parameters are recorded in the minutes of the Board meetings.

The LSNV Board reviews and approves the annual operating budget as well as any capital expenditure budget; authorizes the opening or closing of all bank accounts, as appropriate, consistent with operational needs and investment security purposes of the organization; authorizes procedures to add and/or remove bank account signatories; and hires the Executive Director.

At each regular Board meeting, the Board reviews LSNV’s financial reports, which compare actual expenses against budgeted expenses. The Board minutes are to reflect any financial decisions made during the meetings.

**Budget and Finance Committee:** LSNV has established a Budget and Finance Committee composed of several LSNV Board members and the Executive Director. This committee is intended to fulfill the LSC requirement for the establishment of a Financial Oversight Committee. The Budget and Finance Committee provides overall financial guidance to LSNV, oversees and reviews program audits, reviews the annual financial reports, and recommends any changes deemed necessary to insure proper administration and control of LSNV funds and property. The Budget and Finance Committee is chaired by the Board Treasurer and assists the Board in fulfilling its fiduciary responsibilities relating to accounting and financial reporting practices. Subject to any requirements of State law, this committee shall:

* Review LSNV’s annual operating budget and capital expenditure budget, if any, and revise them as necessary or appropriate;
* Recommend approval of the final revised LSNV operating budget and capital expenditure budget, if any, to the full Board of Directors;
* Review quarterly financial management reports provided by the LSNV Accountant;
* Review accounting and internal control policies, and make recommendations for changes and improvements;
* Review the LSNV audited financial statements and related Management Letter, if any, with the external auditor and with senior LSNV staff in order to assess the effectiveness of LSNV’s management of its financial and accounting functions;
* Recommend to the full Board any changes deemed necessary to ensure proper administration and control of LSNV financial resources and property;
* Review, on a regular basis, LSNV’s investment policies, and make recommendations concerning those investment policies;
* Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to LSNV’s accounting and reporting practices;
* Coordinate Board training on financial matters relating to the operation of LSNV;
* Act as a liaison between the full Board and LSNV staff on fiscal matters;
* Establish any rules and processes for handling complaints concerning accounting practices and/or internal control practices;
* Review the annual IRS Form 990 for completeness, accuracy, and on-time filing, and provide assurances of compliance to the full Board;
* Ensure that LSNV’s operations are conducted and managed in a manner that emphasizes the following:
	+ ethical and honest behavior;
	+ compliance with applicable laws, regulations, and policies;
	+ effective management of LSNV’s resources and risks;
	+ accountability of persons within the organization; and
* Institute any changes necessary or appropriate to ensure proper oversight and control of LSNV’s financial resources and property.

**Executive Director:**  The Executive Director, hired by the Board, is responsible for hiring competent staff and overseeing the appropriate procedures for ensuring the integrity of LSNV’s financial accounting and reporting. The Executive Director is responsible for keeping the Board informed of the financial position of the organization. The Executive Director – working in conjunction with the Board – also has responsibility for negotiating contracts, accepting grants and/or contracts, and reporting such transactions to the Board.

**Deputy Director of Program Services:** The Deputy Director of Program Services serves as a back-up to the Executive Director in his/her absence, or may take on specific roles to assist the Executive Director. The Deputy Director of Program Services assists in formulating organization-wide policies, including that financial policies are in compliance with Legal Services Corporation’s regulations, serves as a secondary signatory on checks, and may also review financial documents and reports. If the Deputy Director of Program Services is unable to serve this role, the Deputy Director of Advocacy may be asked by the Executive Director to step in.

**Program Administrator:**  The Program Administrator oversees financial operations and establishes procedures to properly document, record, and report financial transactions. The Program Administrator plays an important role in ensuring a proper segregation of duties in the Finance Department. The Program Administrator also oversees LSNV’s Human Resources needs, including personnel management, serves as the Plan Administrator for all LSNV benefit plans, and orientation of new employees on LSNV policies and procedures.

**Accountant:** The Accountant reports to the Executive Director and is responsible for the daily data entry involved in all financial transactions, including the following: recording deposits; processing check requests; processing payroll and 403(b) payments; assisting with the preparation of the annual operating budget and capital expenditure budget, if any; preparing monthly and quarterly financial statements; providing financial information that is required for grant applications and reports; and preparing pre- and post-audit financial reports. The Accountant is also responsible for performing all bank reconciliations after the Executive Director has received all unopened bank statements, reviewed them, and placed his/her initials on them. Through the use of documented journal entries, the Accountant makes any required adjustments to the general ledger cash accounts that have been identified during bank statement reconciliations. The Accountant shall provide the Executive Director with all bank reconciliations and related documents for review and approval.

Employees with significant accounting responsibilities are required to designate someone in their stead to perform any accounting responsibilities that are integral to the performance of the organization while taking any leave.

**IT Staff:** LSNV’s Information Technology personnel maintain the computer network and ensure that full system backups are run daily on the network. The IT team is responsible for backups on the server. The Accountant maintains the financial files on the hard drive of a dedicated computer, but backs up the financial system to the network. Additionally, as added protection, the Accountant runs a separate backup of the accounting data files onto a flash drive.

All accounting software is password protected and only authorized personnel (Executive Director, Program Administrator, and Accountant) have access.

# IV. ACCOUNTING PRINCIPLES

Legal Services of Northern Virginia maintains a computerized accounting system that separately records LSC funds/financial activity from all other (non-LSC) funds/financial activities. LSNV prepares its financial statements from these accounting records in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and in accordance with regulations promulgated by Legal Services Corporation, including the requirement of separate records for net assets (fund balances), revenues, support, expenses, gains, losses, and contributions based on the existence or absence of donor-imposed restrictions on funds. The LSC regulations appear in 45 CFR § 1600 et seq. (which can be found at http://www.lsc.gov/laws/regulations.php). As a condition for eligibility to receive LSC grant awards, LSNV agrees to adopt and utilize those accounting policies and procedures that conform to LSC regulations, and to modify the LSNV accounting policies and procedures as necessary when any of the LSC regulations are amended or when LSC issues new regulations that impact on LSNV’s methods of accounting for funds and/or property.

This manual describes LSNV’s accounting and financial reporting system and discusses its internal control system. LSNV’s internal control system aims to:

* provide standards that allow program personnel to evaluate performance in the financial area in accordance with consistent criteria;
* provide criteria which allow a non-financial manager to assess whether the system for which he or she is responsible reduces inherent financial management risks sufficiently
to demonstrate the proper discharge of his/her stewardship reporting responsibilities;
* make improvements, as needed, in order to safeguard assets against unauthorized use or disposition;
* provide a high degree of accuracy and reliability with respect to financial information and reporting;
* promote operating efficiency;
* encourage adherence to prescribed management policies; and
* help LSNV personnel to establish accounting methods that will ensure compliance with regulations and laws that have a direct and material effect on the organization’s program and how it is delivered.

# V. COST STANDARDS

LSNV will comply with 45 CFR § 1610 pertaining to Use of Non-LSC Funds, and 45 CFR § 1630 pertaining to Cost Standards and Procedures. Expenditures will be:

* Reasonable and necessary for providing high-quality legal services for eligible clients, whether directly or indirectly. A cost is deemed to be reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. Consideration is given to the following factors:
	+ Whether the cost is generally recognized as ordinary & necessary for LSNV operation or performance of a grant, project, service or other activity;
	+ Generally accepted sound business practices, arms-length bargaining, federal and state laws and regulations, and the terms and conditions of the grant or contract;
	+ Whether the cost is prudent under the circumstances given LSNV’s responsibilities to our clients, employees, the public at large, LSC, and the Federal government;
	+ Whether the cost was a significant deviation from LSNV’s established practices, which would unjustifiably increase the grant or contract costs
* Determined in accordance with generally accepted accounting principles.
* Consistent with policies and procedures that apply uniformly to all activities.
* Adequately and contemporaneously documented.
* Actually incurred during the effective term of the grant or contract and LSNV was liable for payment.
* Allocable. Costs are allocable to a particular cost objective such as a grant, project, service, or other activity, in accordance with the relative benefits received. If a cost is to be allocated to LSC funds, it must be treated consistently with other costs incurred for the same purpose in like circumstances. It also is either incurred specifically for the grant, benefits the grant and can be distributed in reasonable proportion to the benefits received, or is necessary to the recipients overall operation.
* Accorded consistent treatment over time.

LSNV may not use non-LSC funds for any purpose prohibited by the LSC Act or for any activity prohibited by or inconsistent with Section 504 of the LSC Act.

* 1. LSNV may receive tribal funds and expend them in accordance with the specific purposes for which the tribal funds were provided.
	2. LSNV may use non-LSC funds to provide legal assistance to an individual who is not LSC financially eligible for services, provided the funds are used for the specific purposes for which those funds were provided and not otherwise prohibited by the LSC Act or prohibited by or inconsistent with Section 504 of the LSC Act.
	3. LSNV may receive public or IOLTA funds and use them in accordance with the specific purposes for which they were provided if the funds are not used for any activity prohibited by or inconsistent with Section 504 of the LSC Act.

“Public Funds” – means non-LSC funds derived from a Federal, State, or local government or instrumentality of a government. For purposes of this part, IOLTA funds shall be treated in the same manner as public funds.

“Non-Public Funds” (“Private Funds”) - means funds derived from an individual or entity other than a governmental source or LSC.

Costs specifically unallowable with LSC funds:

* Contributions or gifts to another organization or to an individual.
* No single purchase or single lease of personal property, single contract for services, single combined purchase or lease of personal property and contract for services, or capital improvement for $25,000 or greater may be purchased with LSC funds without prior approval from LSC. No purchase of real estate without prior approval from LSC; and
* Any cost allocable to an activity that violates the LSC Act or other provisions of law; LSC rules, regulations, guidelines, or instructions; or the terms of any LSNV grant or contract.

**COST ALLOCATION METHODOLOGY:** Direct costs are allocated to a particular grant to the degree that the costs were incurred to achieve the objectives of the grant. Costs that are fund-specific are allocated directly to the relevant funding source at the transaction level when entered into the accounting software. These costs include, but are not limited to, the following:

Legal Aid Works pro bono subgrant – allocated to LSC

Fundraising costs – allocated to Contributions or LSC if the purpose is to raise funds available to carry out the purposes of the LSC grant and the funds received are used consistently with all other LSC funding restrictions.

DOJ grant partners – allocated to DOJ

Travel reimbursement for HIV outreach – allocated to Ryan White

Personnel Cost Allocations

Any common expenses will be allocated among funding sources on the basis agreed to by the applicable funding organizations, if any. In the absence of any agreed upon basis, the allocation will be made in a fair, consistent, and equitable manner to the individual cost centers and funds, as shown on the following pages:

*Salaries*

The LSNV Accountant shall prepare a spreadsheet that allocates salaries across funding sources.

LSNV will allocate direct and indirect costs using the following methodology:

On a bi-annual basis, the Accountant will run individual personnel activity reports in KEMPS to determine the amount of time spent on different funding codes. LSNV will divide the hours spent on LSC work in both LSC eligible cases and matters by the total hours that LSNV spent on cases and matters to determine the percentage of time that is spent on LSC cases and matters.

Indirect costs shall be allocated to LSC by dividing the direct salary amount by the total LSNV salary amount for the period. LSNV will apply this percentage to the allowable indirect costs.

For allocating to other funding sources, LSNV will divide each funding source’s direct salary amount by the total LSNV salary amount for the period. LSNV will apply this percentage to the allowable indirect costs. If using the percentage of hours spent on LSC cases and matters to allocate direct and indirect costs is more than the total amount of the LSC grant, LSNV will decrease the amount of hours that it will allocate to LSC in its report.

Costs will be allocated to LSC for the purposes of Private Attorney Involvement labor costs from employee time coded to MPS (Pro Bono Work), MPR (PAI Recruitment), and B (Private Bar Activity). The fringe benefit ratio (LSNV total actual fringe/actual salary) is applied to the direct salary costs. Costs for supporting and management staff and operating costs are derived by applying the percentage of PAI cases to total cases.

Some funding sources may not allow indirect costs or limit the amount or percentage of indirect costs. If the allowable costs are less than the amount calculated above, the excess can be allocated to LSC and those funding sources that do not restrict the amount of indirect costs. However, the funder’s refusal to allow indirect costs must be documented. The excess indirect costs shall be allocated to LSC and the other funding sources proportionately by direct salary amounts. This percentage will be applied to the excess funding amount.

*Timesheets*

All employees providing client services are to record their time by matter, case, and funding source within the Kemps Case Management and Time Keeping System. This source of information will be the basis of charging the employees’ time to a particular funding source
and for calculating the percentage of operating costs to be applied to the funding source.

All employees code their time to LSC if their work is LSC-eligible and not directly attributable to a non-LSC grant. Normally, this would result in an attribution of too many hours to LSC; therefore, only a portion of the hours coded to LSC are actually allocated to LSC, with the remainder being allocated to LSCV and other funding sources. Because of this, the salaries allocated to LSC are invariably less than the amount that the cumulative time records might otherwise indicate.

*Fringe Benefits*

Employee fringe benefits are allocated based on the organization-wide percentage of fringes to total salaries for the period. For example, LSC salaries may be calculated as $428,800 for a particular six-month period using the spreadsheet described above under “Salaries”. During that time period, the organization-wide total salary expense may be $1,427,650. If the organization-wide total health insurance for the six-month period happens to be $233,400, the organization-wide percentage of health insurance to total salaries would be 16.35% ($233,400 / $1,427,650). Therefore, the amount of health insurance allocated to LSC funding for the six-month period would be $70,108 ($428,800 x 16.35%). Percentages are also calculated in this manner for the remaining fringe benefits.

Operating Cost Allocations

Operating costs are allocated based upon (1) individual grant document/budget specifications, and (2) staff location. Operating costs that are not allocated under (1) or (2), above, are allocated to LSC, LSCV, and other funding sources based on percentage of revenue to total revenue.

For example, LSC revenue for a particular six-month period may be $629,207 and total organization-wide revenue for the same period may be $2,493,077. Therefore, LSC revenue
is 25.24% of total revenue received ($629,207 / $2,493,077). If total rent for the six-month period happens to be $186,007, the amount of rent to be allocated to LSC funding is $46,948 ($186,007 x 25.24%). The following operating expenses are allocated to LSC in the same manner: Photocopy Support, Computer Service, Office Supplies, Postage, Telephone, Malpractice Insurance, Kemps Hosting, and Audit Services.

If a non-LSC funding source does not allow the allocation of indirect costs, such as operating and maintaining facilities, salaries of administrative staff and executive officers, etc., LSNV may allocate a proportional share of a non-LSC funding source’s share of an indirect cost to LSC funds, so long as the activity associated with the indirect cost is permissible under the LSC Act, statutes, and regulations.

Recording Cost Allocations in the LSNV Accounting System

The calculations shown above are normally generated in an Excel spreadsheet. Journal entries are then prepared to record the allocations to the relevant funding sources. At a minimum, the allocations are entered into the computerized accounting system twice during a fiscal year. The first allocation is normally made for the period July – December. The second allocation is made for the period January – June, after completion of the auditor’s field work for the annual audit.

Receipts or reductions of expenditures which operate to offset or reduce expense items that are allocable to grant awards as direct or indirect costs shall be credited as a cost reduction or cash refund in the same fund to which the related costs are charged. Examples of such applicable credits are purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments of overpayments or erroneous charges.

# VI. FIDELITY BONDING

A fidelity bond is a bond obtained from an insurance company which will indemnify LSNV against losses resulting from defalcation due to fraud or lack of integrity, honesty, or fidelity of one or more LSNV employees, officers, agents, directors, or other persons holding a position of trust with LSNV. The LSNV Program Administrator will procure a blanket fidelity bond in an amount that will satisfy the requirements of 45 CFR § 1629, which requires such fidelity bond coverage to be set at an amount that constitutes at least 10 percent of LSNV’s annualized LSC funding level for the previous fiscal year, or of the initial grant (if the program is newly established). The blanket fidelity bond will cover all individuals who handle cash, sign checks, and/or have purchasing or other financial authority over, or access to, LSNV financial records and assets.

# VII. LSNV BUDGETS, FINANCIAL STATEMENTS,  AND ANNUAL AUDIT

**Budget:** LSNV’s proposed annual operating budget and capital expenditure budget, if any, are prepared by the Executive Director in conjunction with the Accountant and other key staff members as necessary. The operating budget and capital expenditure budget, if any, are reviewed and modified as deemed appropriate by the Budget and Finance Committee, and approved by the Board as a whole.

**Financial Statements:**  LSNV’s external auditing firm prepares annual audited financial state-ments according to U.S. Generally Accepted Accounting Principles (GAAP) and in accordance with LSC guidelines. The audited financial statements contain data in a columnar, matrix format, displaying the following:

* Comparative financial statements with memorandum totals only for the prior year;
* Separate reporting of LSC net assets on the Statement of Financial Position (Balance Sheet); and
* Separate reporting of LSC grant activity on the Statement of Activity or in a supplemental schedule, which shows expenses charged to the LSC grant by natural expense classification along with separate reporting of PAI and other LSC grant or contract activity.

Net assets (i.e., LSC grant revenues) not expended during an accounting period or designated for future periods are classified as permanently restricted, temporarily restricted, or unrestricted net assets. At the end of the fiscal year, unexpired LSC grant revenues are reported as temporarily restricted net assets.

The balance in each class of net assets (Permanently Restricted, Temporarily Restricted, or Unrestricted) is displayed in the Statement of Financial Position, and the amount of change in each of those classes is displayed in the Statement of Activities.

**Annual Audit:** LSNV engages an external auditor to conduct annual audits. The Budget and Finance Committee of the LSNV Board ensures that the audit will be performed in accordance with the requirements in the LSC Audit Guide for Recipients and Auditors. At the conclusion of the audit, the auditor normally prepares a Management Letter to be presented, along with the audited financial statements, to the LSNV Board. The minutes of the Board meeting will reflect that the annual audit was reviewed, that the auditor’s Management Letter was discussed, and that any issues, concerns, or deficiencies were addressed.

# VIII. INTERNAL CONTROLS

The financial policies and procedures of this manual discuss LSNV internal controls as they relate to the following areas:

* Receipt of Funds
* Investment of Funds
* Transfer of Funds
* Purchasing with LSC Funds
* Purchasing (General)
* Cash Disbursements
* Business Credit Cards
* Dues and Membership Fees
* Salary Advances
* Payroll
* Expense Reimbursements and Per Diem
* Conferences, Continuing Professional Education, and Training
* Travel Advances
Reconciliations
* Petty Cash
* General Ledger
* Cell Phones
* Small Equipment

**Receipt of Funds**

**Checks or Money Orders Not Intended for Deposit into the Client Trust Account.**

The Office Manager of the Fairfax Office opens all mail and the Office Manager or the Program Administrator enters into a Receipts Log any checks or money orders that are not intended for deposit into the Client Trust Account. If the Office Manager should happen to receive any checks or money orders that are intended for deposit into the Client Trust Account, the Office Manager shall promptly give those checks to the Managing Attorney for the Fairfax Office. For all other checks and money orders, the Office Manager or Program Administrator shall scan the check or money order into a shared folder entitled Cash Receipts Log on Onedrive.

All checks and money orders not intended for deposit into the Client Trust Account are to be restrictively endorsed by the Office Manager or Program Administrator. The Office Manager shall then forward the endorsed checks to the Program Administrator for preparation of any deposit slip(s). The Program Administrator prepares the deposit slips and then takes the deposit slips and related checks to the bank and makes the deposit. If the deposit is made via a bank teller, the Program Administrator obtains a stamped deposit slip and/or a printed bank receipt authenticating the transaction. The Program Administrator will provide the authenticating documentation to the LSNV Accountant, who will then enter the transaction into the computerized accounting system in a timely manner, properly identifying the source and purpose of the funds.

Bank deposits are made at least once a week (daily when feasible).

At least once a week, the Accountant reviews the bank activity via the bank’s online website. Any electronic deposits or payments appearing on the online statement are to be recorded by the Accountant in the accounting software. The Program Administrator also may review banking activity online.

**Investment of Funds:** All funds held for immediate operating expenses are currently maintained in a federally insured bank account. The balance in that account normally will not exceed the current FDIC limit, but occasionally may do so for a short period of time prior to a transfer of any funds deemed by LSNV Management to be in excess of current operating needs. Funds in excess of the current FDIC limit that are not needed for immediate operating expenses are to be invested in additional financial institutions in federally insured accounts or Certificates of Deposit, or via another investment method such as money market accounts in reputable financial institutions. If the LSNV Board adopts an investment policy outside LSC’s stated policies, as outlined in the Accounting Guide for LSC Recipients, the LSNV Board must acknowledge such divergence by resolution, and record it in the minutes of the Board meeting. In such cases, the LSNV Board accepts full responsibility for the security of those investments.

**Transfer of Funds:** LSNV maintains several bank and investment accounts to ensure that virtually all funds are FDIC protected. Movement of funds from one financial institution to another must be considered when the total dollar amount in any one financial institution currently exceeds, or soon is likely to exceed, the amount which can be FDIC protected. The LSNV Program Administrator and Accountant do not have the authority to electronically transfer funds from one financial institution to another without the prior approval of the Executive Director. When the Accountant makes a determination that funds need to be transferred from one financial institution to another in order to ensure maximum FDIC protection, the Accountant will notify the Executive Director via e-mail, making a recommendation as to the amount of available funds to be transferred and the financial institution to which it may be transferred. Upon such notification, the Executive Director will review the recommendation in light of current and anticipated operating needs, and make a determination as to what amount of funds is to be transferred, if any, and to which financial institution the funds are to be transferred. The Executive Director will advise the Accountant of his/her determination by return e-mail in order to provide documentation of the authority for any transfer of funds that may occur.

**Purchasing Policies:**

All board members and all staff members with purchasing authority shall complete an annual conflict of interest disclosure, which contains LSNV’s conflict of interest policy as it relates to both board and staff members.

All purchases must be approved in advance of obligating LSNV. For contracts or leases lasting longer than three years, the Executive Director, or his designee shall re-evaluate the contact according to the following principles to ensure that the contact is still the best value. Consideration shall be given to the costs and time expended to change contracts.

LSNV must have a written contract with vendors who develop or improve LSC–funded products, technologies, and software. The contract must include a provision disclosing LSC's royalty-free, nonexclusive, and irrevocable license and prohibiting third-party vendors from denying its existence, challenging its legality, or interfering with LSC's full exercise of it.

Before endeavoring to purchase real estate, LSNV must consult with and comply with all provisions contained in 45 CFR 1630 and 1631, including receiving prior approval from LSC before any purchase of real estate.

Purchases may be made by the Program Administrator, Accountant, Office Managers, Managing Attorneys of each office, Deputy Directors of Programs and Advocacy, the IT Manager, the Director of Development, Director of Grants Management and Special Projects, and the Executive Director according to the following guidelines:

**Purchases under $500:**

Managing Attorneys are granted authority to approve staff reimbursement requests. All reimbursements for non-travel related expenditures by employees must be approved prior to issuance of payment. Reimbursements should not be used to circumvent the advance approval process for purchases.

Office Managers and Managing Attorneys are granted approval authority for the purchase of routine office supplies of less than $500 per month, from approved vendors. To determine if a vendor is approved, Office Managers should contact the LSNV Accountant. Approved vendors are to be evaluated every three years to ensure the best value by the LSNV Accountant. For corporate purchasing purposes, “routine office supplies” includes items such as printer cartridges, paper, pens, legal pads, and other consumable items normally used in a law office. Computers or photocopiers are not considered routine office supplies. Anticipated monthly purchases totaling $500 or more for items not defined as routine office supplies require written approval by the Executive Director prior to ordering.

The office manager at each LSNV law office is responsible for checking delivery tickets or packing slips against goods delivered. The original packing slip or delivery ticket is to be forwarded to the LSNV Accountant for verification against the invoice for goods purchased.

Procedures for making payments to vendors are described below, under Cash Disbursements.

**Purchases between $500-$5000**: Purchases and contracts for services between $500 and $5000 may only be made at the discretion of the Executive Director. Before using any federal funds for sole source contracts for purchases or services between $500-$5000, LSNV should consult with the System for Award Management to determine whether a specific contractor was suspended or debarred by the Federal Government. (See <https://sam.gov>). The purchaser must either certify that the purchase or service is the best value by affirmatively confirming that, in the purchaser’s professional judgment, a product or service meets price, quality, and performance requirements, or must provide a price comparison looking at the relative cost and quality of products.

**Purchases between $5,001 - $10,000:** Purchases and contracts for services between $5001 and $10000 may only be made at the discretion of the Executive Director. The purchaser must have received at least three quotes for the goods or services. The decision of which vendor to use should consider the following factors:

1. Price (i.e., reasonableness, cost analysis, market research, cost by category, cost of expenses);
2. Performance (i.e., vendor timeliness, delivery schedule, understanding of and ability to meet business need, responsiveness, professionalism);
3. Quality (i.e., vendor qualifications, experience, technical expertise, project plan/approach);
4. Past performance;
5. Before using any federal funds for purchases or services over $5000, LSNV should consult with the System for Award Management to determine whether a specific contractor was suspended or debarred by the Federal Government. (See <https://sam.gov>). and
6. Willingness to accept contracting terms.

The LSNV Accountant will keep documentation of the quotes received and of any documentation that evidences consideration of the above factors.

**Purchases over $10,000:** Purchases over $10,000 shall be at the approval of the Executive Director. In addition to following requirements for purchases between $5000 and $10,000, the quotes and evaluation factors shall be considered by at least two staff members.

Furthermore, no purchase of real estate, single purchase or single lease of personal property, single contract for services, single combined purchase or lease of personal property and contract for services, or capital improvement for $25,000 or greater may be purchased with LSC funds without prior approval from LSC. The request to LSC should include:

* Three quotes (unless the item qualifies as a sole source acquisition and there is written documentation stating the reasons for not obtaining competitive bids). The selection criteria used to determine the source of any item for which quotes must be obtained should be documented. Copies of all quotes will be maintained for a period of not less than five years.
* A letter or memorandum containing: (1) a statement of need explaining how the acquisition will further the delivery of legal services to eligible clients; (2) a brief description of the property to be acquired, including the make and manufacturer of the item, the name of the source supplying the item, the quantity to be acquired, and the total dollar amount of the acquisition; (3) copy of this Manual containing LSNV’s procurement policy; and (4) documentation showing that the recipient followed its procurement policies and procedures in soliciting, reviewing, and approving the purchase, lease, or contract for services.).

Note, pre-approval also applies for costs apportioned between LSC funds and one or more funding source when the cost allocable to LSC is $25,000 or greater.

The LSNV Accountant shall maintain documentation of the quotes and the evaluation factors that were considered, in addition to any correspondence to and from LSC if pre-approval is necessary.

**Purchases over $50,000:** A formal Request for Proposal (RFP) shall be prepared for purchases of any goods or services that singly or cumulatively amount to more than $50,000.

* 1. The RFP process shall be construed to be a competitive procurement process requiring a thorough evaluation of any offeror’s proposal and qualifications. It shall not be construed to mean that a contract must be awarded to the lowest bidder. Contracts are to be awarded to a firm based on its level of experience and demonstrated competence in past performance, and on the qualifications and capabilities required for timely reaching all milestones within the contract, up to and including successful completion of each of the terms and conditions set forth in the contract, all at a fair and reasonable price to LSNV.
	2. The identification of appropriate vendors under the RFP process may be undertaken by word of mouth recommendations, by Internet searches for industry-specific products or services, or by any other reasonable means deemed appropriate under the circumstances.
	3. The LSNV Executive Director or his/her designee shall provide complete RFP packages to those vendors identified as the most likely candidates from whom to solicit proposals.
	4. Included in each RFP shall be the question “Has your firm ever been terminated from a contract for nonperformance?” If the answer to that question is “Yes”, then the firm shall be required to describe the facts and circumstances of the incident in detail.
	5. LSNV shall maintain a control record of all RFP’s distributed, indicating the date and time of distribution, as well as the method of distribution. The control record will contain the name and address of the vendor and, if known, the name and telephone number of the contact person at each vendor. This control record may be used to ensure that each vendor receiving an RFP has had reasonable opportunity to respond with a proposal. It may also be used as a mailing list in the event that the RFP is modified.
	6. The LSNV Executive Director or his/her designee shall ensure that all vendors receiving an RFP have an opportunity to engage in a pre-proposal meeting with LSNV staff, if requested, to discuss the basic requirements underlying the RFP, and to obtain information concerning funding levels, contract terms and conditions, scope of work, milestones required, evaluation criteria, specific points that must be addressed in any proposal submitted, and the selection process.
	7. Once the RFP’s have been distributed, all inquiries from vendors should be forwarded to the LSNV Executive Director or his/her designee. In no case during the proposal process should a vendor be provided with the name and contact information of any member of the LSNV Board of Directors.
	8. The Executive Director or his/her designee, shall interview or correspond with one or more representatives from the firms on the short list.
	9. Following the interviews with the firms on the short list, the Executive Director or his/her designee shall prepare a summary evaluation of each firm interviewed.
	10. The Executive Director may meet and discuss the proposals/bids with the selection team, but shall have no vote as to which firm is to be awarded the contract and may not attempt to influence the selection committee’s decision.
	11. Before using any federal funds for purchases over $50,000, LSNV should consult with the System for Award Management to determine whether a specific contractor was suspended or debarred by the Federal Government. (See <https://sam.gov>).
	12. Assuming that the procurement process has been conducted in a thorough, professional, and ethical manner, and barring any issues of discrimination or conflict of interest, the selection committee should, as a general rule, recommend to the full Board that the contract be awarded to the firm considered to be the most qualified and responsible vendor whose bid, conforming with all the material terms and conditions of the RFP in its final form, is lowest in price.

**Sole Source Contracts:** Sole source contracts for purchases or services over $5000 may be awarded on the basis of a requirement for unique qualifications, the existence of a stringent time constraint, or certain instances of demonstrated experience or expertise in a critical area. To assure nondiscrimination and to avoid any actual or potential conflict of interest, any recommendation for a sole source procurement in lieu of a competitive bid procurement shall contain justification for the lack of competition. Furthermore, before using any federal funds for sole source contracts for purchases or services over $5000, LSNV should consult with the System for Award Management to determine whether a specific contractor was suspended or debarred by the Federal Government. (See <https://sam.gov>). The Executive Director shall approve any sole source contracts in writing. The LSNV Accountant shall maintain documentation of the justification for not using the competitive process outlined above.

**Cash Disbursements:**

Payments are issued based on approved invoices or approved check requests only, and not on monthly statements. Invoices received by the Accountant are matched with Purchase Orders
(if applicable), receiving documents, etc., and reviewed for accuracy. Vendor statements will be checked for accuracy, and any outstanding balances will be investigated. If the invoice is issued incorrectly, the Accountant first will check with the staff member who requested the purchase and then will communicate with the Vendor to obtain a corrected invoice. Vendor statements will be retained and filed in the vendor folders.

Only pre-numbered checks are to be used. No checks are to be issued payable to “Cash” or “Bearer” and, aside from any payroll checks that may be issued by an outside payroll processing firm, only checks relating to expense reimbursements, travel advances, or salary advances may be made payable to an employee.

All checks in an amount of $5,000 or more require two signatures. Only authorized signatories for the LSNV operating account are permitted to sign checks drawn on that account. Those authorized signers are required to review supporting documentation before signing the checks. No blank checks are to be signed.

Accounts Payable invoices generally are processed weekly, unless vendor due dates require otherwise. Unless advised to the contrary, vendor due dates take precedence over regular weekly check run dates. To the extent reasonably feasible, the Accountant will pay invoices according to vendor terms in order to take advantage of good cash management techniques, allowing for check delivery timeThis procedure should allow the program to utilize cash flow to the advantage of the program and yet meet vendor payment requirements.

Payments to vendors are prepared by the LSNV Accountant. An Accounts Payable Check Register is printed for all checks issued through the accounting software. The checks, once printed, are placed in numerical order, matched to the relevant invoice(s), and reviewed for accuracy. The full check packet, along with the check register,
is then presented to the Executive Director or other authorized check signer for review and signature. The check signer initials the check register to signify that he/she has received and reviewed all of the checks listed on the check register. The check register is then returned to the Accountant. The signed checks are given to the Office Manager for mailing to the respective payees, except that, to the extent feasible, any expense reimbursement checks for employees may be hand-delivered. Also, checks drawn on the LSNV operating account at BB&T Bank to transfer funds to another bank (for example, to replenish LSNV’s money market account at Capital One Bank following a semi-monthly payroll) may be delivered directly to the Program Administrator to execute the transfer. All documentation supporting disbursements shall be returned to the LSNV Accountant.

All cash disbursements must be supported by adequate documentation and appropriate approval. Approval on all payments is made by the Executive Director or his designee and is indicated by a signature or initials on the supporting invoice or documentation. Upon payment, invoices are to be marked “Paid”. The bottom apron of disbursed checks and all supporting documentation are to be placed in the accounting files in chronological order by specific vendor, or, in the case of seldom used vendors, in chronological order within certain miscellaneous vendor files marked with letters of the alphabet. Documentation relating to any destroyed checks will be retained in the check register file.

Blank checks are stored in numerical order in a locked file cabinet in the Accountant’s office. Only authorized personnel will have access to blank checks. Authorized personnel include only three persons: the Accountant, the Executive Director, and the Program Administrator. The Program Administrator has access to blank checks in order to conduct LSNV business in the absence of the Accountant. When a new box of blank checks is received, the exterior of the box should be marked to show the sequence of check numbers contained in the box.

When an emergency manual check is required at a time when the Accountant is away, a photocopy of the completed and signed manual check will be made available to the Accountant, who will use it later to enter relevant financial data into the computerized accounting system. Then, the copy will be stapled to a check register and filed at the earliest opportunity.

**Business Credit Cards:** LSNV may maintain one or more business credit cards. The Board of LSNV shall authorize the obtaining of such cards and the names or position titles of the LSNV employees who shall be authorized to use such cards. There will be an agreed-upon expense limit for the cards and the Board may, in its discretion, define or limit the types of expenses which may be paid with the various cards.

On a monthly basis, the credit card company will provide LSNV with an invoice for each business credit card that has been used to make a purchase or payment during that billing cycle. Once approved for payment by the Executive Director or his or her designee, those invoices will be paid promptly by the LSNV Accountant, using the LSNV Operating Account. The President of the Board of Directors shall review the credit card statements from the Executive Director.

**Dues and Membership Fees:** LSNV pays for its employees’ Virginia State Bar Dues, which are required to practice law in Virginia. Local and specialty bar dues may be paid, at the discretion of the Executive Director and the availability of program funds. However, only dues that are required for the practice of law will be paid with LSC funds.

Membership fees to professional organizations and/or support centers may be paid by LSNV, depending upon the availability of program funds and approval by the Executive Director. However, these expenses may not be paid with LSC funds.

**Salary Advances:** As a general rule, LSNV does not make personal loans to employees. Despite this, LSNV management traditionally has recognized that there are times when it may be appropriate to approve an employee’s request for a salary advance, though no employee should ever consider approval of such a request to be a foregone conclusion. Each request for salary advance will be considered on its own merit. The more unexpected and dire an employee’s circumstances are – and the more that those circumstance impact upon the employee’s ability to do his or her job in a satisfactory manner – the more likely that the request will be granted.

Should an employee wish to request a salary advance, he/she should print out the LSNV form entitled “EMPLOYEE REQUEST FOR SALARY ADVANCE”, which can be found on Sharepoint. This form should be filled out, signed, and dated by the requesting employee, and then transmitted to the LSNV Executive Director, who is responsible for making the final decision with respect to the request for salary advance. If the request is approved, the Executive Director should circle the word “Approved” on the form, sign and date the form, and then provide the original of the form to the LSNV Accountant for implementation. If the request is disapproved, the Executive Director should circle the word “Disapproved”, indicate on the form (under “Comments:”) the reason(s) for the disapproval, and then return the original of the form to the requesting employee.

**Payroll:** LSNV maintains an imprest payroll account at Main Street Bank, located on Main St. in Fairfax, Virginia. LSNV’s payroll is processed through ADP’s Internet-based Pay eXpert payroll system on a semi-monthly basis. The Accountant enters payroll-related changes into the ADP database, as required, and then submits the electronic file to ADP for initial processing. Once processed, the Accountant reviews the resulting electronic payroll files to ensure accuracy. When it is determined that all of the electronic files are correct, the Accountant marks the “Accept” button and then electronically sends the file to ADP for final processing. At that point, ADP is authorized to complete their electronic processing and generate related reports, pay checks and pay vouchers that are accessed online. LSNV’s net payroll is drawn from an Imprest Payroll account at Main Street Bank, which is funded at the beginning of each month, by a transfer check from the BB&T Operating Account for the estimated net pay for the month. The Program Administrator deposits the check to the Main Street Savings account, and presents the deposit to the Executive Director for review. On the day before the pay date, Main Street automatically transfers the funds required for the net pay from the Savings Account to the Imprest Payroll Account.

Employees are encouraged to receive their pay by direct deposit upon hire, and are able to access, review and print their pay vouchers online through the ADP Employee Portal on the actual pay date. The Program Administrator and the LSNV Accountant have access to all payroll reports provided by ADP through the Employer Portal.

On or near the actual pay date, if an employee receives pay checks in lieu of direct deposit, the Program Administrator will deliver the pay checks to the payees, either by hand-delivery (at the Fairfax Office) or by mail (to all other LSNV offices).

In addition to semi-monthly payroll reports, ADP prepares and electronically files quarterly and annual withholding reports. The LSNV Accountant reviews the reports for accuracy and files them in the appropriate LSNV file cabinet.

Step-by-step details of how the LSNV Accountant processes payroll (including the website address used, the log-in user name, and password) are contained in a confidential supplemental accounting guide maintained by the LSNV Accountant.

All LSNV staff members track their time in the Kemps Case Management System. Staff members print out their respective timesheets on a monthly basis, normally by the 5th of the month following the month being reported. The printed reports are signed by the respective employees and submitted to their approving supervisors for review and signature. The supervisors submit all approved timesheets to the LSNV Program Administrator or LSNV Accountant, who maintains a log of incoming timesheets to determine whether or not all timesheets have been submitted. The Program Administrator notifies staff when timesheets are delinquent or missing. When processing payroll, the Accountant uses the timesheets to enter any leave time taken (vacation leave, personal leave, and sick leave) into the ADP payroll system. Timesheets are filed by month, and maintained in the Accountant’s office. Employees submit leave requests for sick leave and vacation/personal leave that they plan to take, or, in emergency cases, have already taken. Leave requests require the approval of the employees’ immediate supervisors. The leave request forms are cross-checked against the time records by the immediate supervisors before signing Timesheets. Supervisors should keep leave request forms for one year.

A system of personnel files is kept for each employee. These files are maintained in the Program Administrator’s office. Normally, the files contain the employee’s résumé, notations concerning reference checks, the original appointment letter, position classification, salary information, copies of benefit enrollment forms, evaluations, promotions, disciplinary actions taken (if any), and terminations. Changes in addresses and telephone numbers, salary level, hours worked, benefit coverage level, etc., are entered into the personnel files and also into the online websites Kelly & Associates (as it relates to Medical and Dental Health Plans, Group Term Life Insurance and AD&D, Group Long Term Disability Insurance, and employee assistance program), TASC(as it relates to Flexible Benefit Plan enrollment), and Fidelity Investments (as it relates to the LSNV 403(b) Plan). The various employee benefit programs are offered to all eligible employees in accordance with the Personnel Manual, as it may be amended from time to time.

**Expense Reimbursements**

**Persons Entitled to Reimbursement.** LSNV will reimburse certain categories of individuals for certain types of program expenses incurred on behalf of LSNV. The following categories of individuals are eligible for program expense reimbursement:

* Employees
* Members of the LSNV Board of Directors
* Clients authorized by LSNV attorneys to incur program expenses
* Volunteers and summer law students/interns authorized to incur program expenses

**Business Expenses that may be Reimbursed.** Expenses incurred by an employee while conducting authorized business on behalf of LSNV may be reimbursable to employees to the extent that the employees utilize their own personal funds to pay for such authorized business expenses. To request reimbursement, an employee should complete the form entitled “LSNV Staff Reimbursement Request”. This form can be accessed on LSNV’s computer network under the folder “LSNV Administrative Forms”. This same form should be used to request mileage expense reimbursement for the use of privately owned vehicles during business travel. Approved expenses are reimbursable to the extent specified below:

* Privately Owned Vehicle Transportation (other than for normal commuting) – the current mileage reimbursement rate established by the IRS on an annual basis, plus actual costs of tolls and parking;
* Buses, taxis, ferries, airport shuttles (other than for normal commuting) – actual cost;
* Airplanes – actual cost at the “economy class” rate;
* Required overnight stay away from home –
	+ LSNV will reimburse the cost of staying at a “conference hotel” or in a reasonable nearby alternative, which shall be preapproved by the Executive Director.
	+ LSNV will reimburse for reasonable costs for meals. LSNV will not reimburse for alcohol.
	+ For reference in considering whether a cost is reasonable in a particular destination, consider the per diem rates set by the Federal Government at https://www.gsa.gov/travel/plan-book/per-diem-rates/.

Within 30 calendar days of completion of the activity requiring the expenses, the employee must forward to his/her immediate supervisor a signed statement of expenses, including appropriate supporting documentation (airfare invoices, taxi/shuttle receipts, room and meal billings, receipts for incidental items of business necessity, etc.). Expense reimbursements for the Executive Director shall be sent to the President of the Board for approval. A receipt is required in order to obtain reimbursement for any business expenses unrelated to mileage reimbursement. In those cases where a required receipt cannot be included, the employee must provide a notation of the expense, and explain why the receipt cannot be included. To the extent that any authorized expense is to be charged to a particular funding source or to a specific activity, the employee must indicate on the reimbursement request form the fund and/or activity to be charged.

It is the employee’s responsibility to prepare the expense reimbursement request in a timely manner. Any reimbursement request submitted more than 60 calendar days after completion
of the activity is subject to being returned unpaid to the employee. The employee will be reimbursed by the program for all relevant business expenses submitted in accordance with the above policies and procedures, subject to final approval by the LSNV Executive Director.

**Conferences, Continuing Professional Education, and Training:**  Professional development at LSNV is encouraged and LSNV may provide a professional training allotment for certain employees. Training requests must be reviewed for approval/disapproval by the requesting individual’s immediate supervisor, who then must forward the request to the Deputy Director for Advocacy who will consult with the Executive Director for additional review and for a final determination as to its approval or disapproval. For Conferences, Continuing Professional Education, or other types of staff training, the request must include a description of the training, the registration fees for the training/conference, and realistic estimates for the total cost of related travel, meals, and lodging, if any. The request must also include a completed registration form and a completed check request form. If the conference/training is to be paid from a particular funding source, the employee should indicate on the request form what funding source is to be charged. If the training is such that it qualifies for a legal aid discount on its cost (such as Virginia CLE seminars and webinars), the requesting employee must submit a completed form requesting the discounted price.

An approved Training Request form, along with the registration form and discounted pricing request form (if applicable) as well as the check request form, should be forwarded to the Program Administrator well in advance of the scheduled date of the requested training. Employees shall endeavor to submit training requests far in advance of the training to qualify for any early registration discounts. If the training request is approved, the Deputy Director for Advocacy will sign the request form and forward it to the Accountant for processing. Approval of the expenditure will be communicated to the requesting employee by the Accountant. If the training request is disapproved, the Executive Director will so indicate on the Training Request form, make an annotation on the “Comment” line as to why the request was disapproved, and return the original form to the requesting employee.

**Travel Advances.** Whenever possible, travel expenses that have been identified in advance (airfare, hotel, registration) should be paid with the LSNV credit card. Travel advances to an employee require approval by the Executive Director on a case by case basis and should be rare. An employee requiring advance travel funds should submit the form entitled “Training Request” as described in the section above.

When a travel advance has been issued, a final travel expense statement must be submitted within 10 days of the end of the travel period. The amount of any travel funds received in advance must be deducted from the total expenses actually incurred on the trip. If total allowable expenses exceed the advanced travel funds, LSNV will issue a for the difference due the employee. If the advanced travel funds exceed total expenses, the employee shall reimburse LSNV for the difference.

**Reconciliations**

**Bank Reconciliations.** All LSNV bank statements are delivered, unopened, to the Executive Director or his/her designee, who reviews the cancelled checks for unauthorized signatures, unusual endorsements, and other such matters as may come to his/her attention.

The Accountant reconciles all LSNV bank accounts to the General Ledger on a monthly basis. Bank statements are reconciled as soon as possible, usually within ten (10) working days after receipt. The Accountant presents the reconciliation printouts from QuickBooks, along with the bank statements, to the Program Administrator for review and approval. The Program Administrator ensures that the reconciled bank statements are in agreement with the General Ledger balances and that any differences are fully explained in a journal entry to accompany the completed reconciliations. The Accountant posts any necessary entries into the General Journal. Upon completion of all reconciliation work, the Accountant files the bank statements and related documentation in the accounting office.

Stale checks (i.e., checks that have been outstanding for more than 6 months) will be voided. The Accountant researches each uncashed check to determine whether the check should be re-issued. If the invoice is no longer valid, a credit memo will be issued in the system to reverse the charge. The credit memo will be dated as of the date the check is to be voided.

**Other Reconciliations.** In addition to bank reconciliations, the Accountant also maintains reconciliations on the following Balance Sheet accounts on a regular basis:

* All Cash Accounts – reconciled monthly by the Accountant with respect to all cash, investment, and imprest accounts. Required adjustments to the General Ledger,
as identified through the reconciliation procedure, are recorded and posted promptly
by means of a General Journal entry.
* Employee Advances – reconciled monthly by the Accountant for any salary and travel advances and other miscellaneous receivables. Follow-up is made for repayment if the receivable has not been cleared out within thirty (30) days of due date.
* Grants Receivable and Unearned Revenue – reconciled monthly by the Accountant for all funding sources. Follow-up is made for any payments outstanding for more than thirty (30) days from the billing date.
* Prepaid Expenses – reconciled by the Accountant at least quarterly for all prepaid expenses. Journal entries are made to expense the appropriate portion of any prepaid amounts to the current operating expenses.
* Accounts Payable – reconciled monthly by the Accountant to ensure that the total amount of these liabilities is in balance with the total amount of the individual invoices.
* Other Accrued Expenses – reconciled at least quarterly by the Accountant to ensure that the balance in such accounts (such as accrued vacation) is in balance with the underlying detail.

**Petty Cash:** Each LSNV Law Office maintains an Imprest Petty Cash Checking Account established with an initial balance of $1000. The Imprest Petty Cash Checking Accounts are to be used only for litigation and emergency non-litigation purposes, and require approved documentation prior to issuance of a check. The term “emergency” is defined as an instance when waiting for a check from the Fairfax Office would be untimely and thus create a negative impact on LSNV. Each office’s Managing Attorney or Deputy Director of Program Services must approve each disbursement. The Imprest Petty Cash Checking Accounts are not to be used to circumvent normal corporate purchasing procedures.

Petty Cash checks written for non-litigation purposes should be issued only in an emergency. The term “emergency”, as it is used in this sense, includes, but is not limited to:

* Filing fees/court fees for client purposes (not funds advanced by the client) which must be filed by a certain date and which the Fairfax Office may not be able to deliver on time,
* COD deliveries of materials, and
* Non-routine invoices which, if not paid immediately, will cause LSNV to incur a late charge or penalty. (See below for prohibition against using the Petty Cash Accounts for paying routine invoices. Normal monthly invoices should be submitted to the Fairfax Office for payment, regardless of the due date.)

Petty Cash Accounts may not be used for the following purposes:

* Travel Advances or Reimbursements
* Payroll Advances
* Unapproved Training
* Normal monthly invoices that were not submitted to the Accountant in a timely manner.

In order for a Petty Cash check to be issued, an approved Check Request form (or an approved and coded invoice) must be furnished to a person who is authorized to sign Petty Cash checks. The Check Request form (or coded invoice) must adequately describe the item or purpose for which the Petty Cash check is being requested.

In order to have an Imprest Petty Cash Checking Account replenished, a completed and approved (signed) Re-Cap/Petty Cash Reimbursement Request form must be forwarded by each Law Office (except the Fredericksburg Office and the Route 1 Office, neither of which have an Imprest Petty Cash Account) to the Accountant in the Fairfax Office. The Re-Cap/Petty Cash Reimbursement Request form must be approved and signed by the Managing Attorney at each Law Office where a Managing Attorney is located).

**General Ledger:** LSNV uses QuickBooks Online. The General Ledger accommodates fund accounting and/or cost accounting. LSNV uses a double-entry method for recording all transactions. A trial balance is prepared monthly, after all adjusting and closing entries have been posted. The monthly trial balances are kept on file in the Accountant’s office until the annual audit for that fiscal year has been completed and the audit report has been issued.

Routine entries are made directly into the General Ledger from the following sources:

* Accounts Payable – when invoices and credit memos are entered to record an expense transaction or in response to an employee’s check request.
* Accounts Receivable – when Grants Receivable are recorded at month-end or year-end to facilitate proper accounting and reporting in accordance with GAAP and LSC regulations.
* Bank Deposits – when checks, money orders, and currency that is received and deposited into a bank account is recorded.
* Cash Disbursements – when checks (including manual checks) issued in payment of invoices/check requests are recorded.

Entries from the above sources are the only entries that are made directly to the General Ledger. Any entry that does not originate from one of the above sources must be posted initially to the General Journal. Standard General Journal entries may originate from the following:

* Depreciation – depreciation estimates are recorded monthly at the rate of one-twelfth (1/12) of the annual budget for depreciation expense.
* Payroll – each payroll is recorded to reflect an increase in Salaries Expense and a decrease in available cash.
* Telephone and electronic transfers between savings and checking accounts, purchase/disposal of Certificates of Deposit, and other adjustments such as those related to interest earned on bank accounts or fees paid in the form of bank service charges.
* Fixed Assets – entries to record the sale or other disposition of an asset and its applicable depreciation.
* Bank Reconciliations – if any adjustments are deemed necessary as a result of the monthly bank reconciliations, the Accountant will post any necessary adjusting journal entries.
Allocation of expenses to appropriate funding sources.
* Transferring Deferred Revenue to the appropriate revenue account when earned.
* Recording the appropriate amount of expense from a prepaid account (for example, prepaid insurance) to an expense account.

All General Journal entries should be accompanied by a thorough description of the transaction, and should be adequately documented, sequentially numbered, and approved by an authorized signer.

**Cell Phones:** As a general rule, LSNV does NOT pay for cell phones or cell phone usage by its employees. There are two general exceptions to this rule under which LSNV may assist an employee in paying cell phone expenses:

1. Where an employee who plays a key role in the organization travels frequently and must be in regular contact with multiple staff members throughout the organization. One example of this situation might be the Technology Manager; or
2. A temporary emergency situation in which all of the LSNV network phones in a given office are nonfunctional for an extended period of time.

**Small Electronic Equipment:** LSNV provides certain small electronic devices (such as laptop computers and battery-powered calculators) to staff so that they can conduct business in an effective and efficient manner. Such equipment is to be used for business purposes only. These items are to be reflected on an inventory list maintained by the Technology Manager. The inventory list is to reflect the name of the individual to whom the equipment has been issued.

When a staff member who has been assigned a laptop computer and/or a battery-powered calculator terminates employment, he/she is to confirm with the LSNV Technology Manager that the equipment has been retained by LSNV.

# IX. REVENUE RECOGNITION

**Recording Incoming Funds:** Grant revenues received at, and donations/contributions made to, LSNV are recorded as increases in revenues as well as increases in net assets in the form of either unrestricted funds or restricted funds (as directed by the donor) on the Statement of Financial Position (Balance Sheet). If there is a restriction (as to time or use) on any funds received, those funds will be recorded as Temporarily Restricted until the restriction has been met. If there is no restriction, the funds will be recorded as Unrestricted Revenue. All grant funds, with the exception of IOLTA funds, are considered to be restricted in some way, unless otherwise noted. For revenues received in excess of $250, LSNV shall inform the donor or grantor in writing of the prohibitions and conditions that apply to the funds, specifically that they may not be used in any manner inconsistent with the regulations of the Legal Services Corporation or any other federal law.

**In-Kind Contributions:** In-Kind Contributions for services donated to LSNV are recognized at the fair market value of the service, so long as the program would have had to purchase the service absent the donation. In-Kind Contributions for materials or equipment are recognized at the fair market value of the contribution, and capitalized pursuant to LSNV’s capitalization policy. In-Kind Contributions will be recognized when the services or materials are received.

**Invoices for Grants Receivable**: Except for grants from Fairfax County, all grant invoicing is to be done by the Director of Grants Management and Special Projects and the Accountant, who will provide a copy of each invoice to the Accountant promptly upon completion. The Accountant will enter each invoice into the Accounts Receivable module of the accounting software to record the credit to revenue and the debit to the related receivable for each grant affected.

The Accountant invoices Fairfax County for the quarterly grant payment. This normally is done online through the County’s Web-based Reporting and Invoicing System (WebR), which can be accessed on the Internet at https://www.fairfaxcounty.gov/webr. With respect to the timing of these invoices, the next quarter’s payment can be requested on or after the 1st day of the last month of the current quarter. For example, LSNV’s grant payment for the second quarter (October 1 – December 31) may be requested from Fairfax County on or after September 1.

The Fairfax County website is also used to submit the monthly grant expenditure reports, which are due to the County by the 15th of the month following the month for which a report is being submitted (for example, the July report is due by August 15). Complete step-by-step instructions for submitting these online invoices and reports, including login information and passwords necessary to access the website, are set forth in a supplemental guide maintained by the Accountant. Due to the sensitive nature of the information contained in the guide, it shall be available only to the LSNV Accountant, Program Administrator, and Executive Director.

As part of the monthly financial reporting process, the Accountant will notify the Executive Director and the Director of Grants Management and Special Projects of any anticipated grant funding that has not been received in a timely manner. The Director of Grants Management and Special Projects will review that information in a timely manner and may elect to contact the respective grantor(s) to ascertain whether or not the funds are collectable.

**Derivative Income:** Derivative income resulting from an activity supported in whole or in part with LSC funds shall be allocated to the fund in which the LSC grant is recorded in the same proportion that the amount of LSC funds expended bears to the total amount expended by LSNV to support the activity. Examples of derivative income include attorney fee awards and reimbursed costs, sales and rentals of real or personal property, and interest earned on grant or contract advances. Attorneys' fees received shall be recorded during the accounting period in which the money from the fee award is actually received by the recipient and may be expended for any purpose permitted by the LSC Act, regulations and other law applicable at the time the money is received.

**Grant Close-Out:**  When a grant has been completed (i.e., the grant funds have been fully expended and/or the end of the grant period has been reached) final financial reports will be prepared ensuring that final numbers match the amount billed and/or received. If LSNV ceases to receive funds from LSC, LSNV must create a close-out plan that is in compliance with 45 CFR sections 1630.18-.21.

# X. CLIENT TRUST ACCOUNTS

Each LSNV Law Office has a Client Trust Checking Account. All Client funds received by LSNV that are not used for direct payment of court fees are kept in a Client Trust Checking Account in accordance with the Rules of Professional Conduct of the Virginia State Bar. This rule requires establishment of accounts that segregate Client funds. It also permits (but does not require) that such funds be placed in an interest-bearing (IOLTA) bank account as a depository for Client funds.

The Managing Attorneys of the various LSNV Law Offices have responsibility for the proper management of their respective Client Trust Account. Any Law Office that does not have an appointed Managing Attorney (or if the appointed Managing Attorney is absent for an extended period of time), a Staff Attorney will be delegated that responsibility by the Executive Director.

The Office Manager in each Law Office reconciles the Client Trust Account and ensures that the total amount of cash in the account equals the combined total of all the individual Client accounts. Client Trust Accounts should be reconciled monthly, and the reconciliations should be promptly forwarded to the Deputy Director of Program Services and the Executive Director. Upon the Executive Director’s approval, the Executive Director will forward the reconciliation to the Accountant for entry into the General Ledger.

The Attorney of Record (AOR) on each client case is responsible for obtaining funds from clients for deposit into the Client Trust Account, issuing receipts to the client, requesting the disbursement of those funds, and requesting that a refund of any unused balance be issued to the client when the case is closed.

The Managing Attorney of each Law Office, or a signatory on the account, records Receipts and Disbursements on each individual Client Record, prepares checks based on invoices/requests from the AOR, and prepares monthly statements of the account.

The Managing Attorney of each Law Office, or a signatory on the account,) makes copies of checks/money orders as required, prepares a bank deposit slip for Client funds received, and deposits the client funds into the Client Trust Account.

The Managing Attorney in each Law Office, or a signatory on the account, reviews backup documentation prior to signing checks from the Client Trust Account to ensure that the request/invoice has been approved and that the expenditure is reasonable and accurate.

Clients will be asked to bring in a certified check or Money Order if at all possible; however, cash may be accepted when clients cannot reasonably be expected to furnish a check or money order. Electronic transfers may be accepted if a client cannot reasonably deliver a certified check or money order.

Any check made payable to both the Client and LSNV will be held for the Client. At the time the client comes to the office, he/she will be asked to sign a receipt that the check was received. Both the Client and an authorized representative of LSNV will endorse the check so that it can be deposited into the Client Trust Account. A copy of the receipt and of the check will be placed in the Client file for future reference.

If a client is deemed to be unable to pay for certain fees, LSNV may pay for the fees on behalf of the client, according to the “Purchasing – General” policy. However, under no circumstances will the Client Trust Account advance any funds on behalf of a client.

LSNV will reimburse the Client Trust Accounts for any bank charges for Stop Payment Orders and/or monthly bank service charges, if any.

* Signatories: Each Client Trust Account has at least two approved signatories. The signatories generally are the Managing Attorney and one other staff member. However, only one authorized signer is required to sign a check disbursing funds from a Client Trust Account.
* Client Records: Each client with funds in the Client Trust Account has a Client Trust sheet that records the deposit of funds and the disbursement of those funds from the Client Trust Account. This Client Trust record should be balanced after each transaction, bringing forward the balance in the Client account. An entry is made every time a Client deposits funds into his/her account and every time a check is issued on behalf of the Client for costs and fees.
* Client Receipts: A receipt is issued to each Client for funds that are received by LSNV staff members. To the extent that the receipts are sequentially numbered, they should be issued in the proper sequence. A Staff Attorney or designated support staff member in each Law Office prepares the receipt. The original receipt is given to the Client, the second copy is given to the employee designated to record the funds on the Client Record and to bring the balance forward.
* Client Disbursements: An invoice or Check Request supports the disbursement of Client funds. The invoice/Check Request must indicate the Client’s name and the purpose of the check, and be approved by the Attorney of Record or the Managing Attorney. The completed document is forwarded to the designated support staff member for processing. The invoice/Check Request is included with the check when a signature is obtained from an authorized signatory on the Client Trust Account. All supporting documents are subsequently filed with the Client Trust Account files. The designated support staff member should then update the Client Record with the disbursement to bring the current balance forward. A client’s case should not be closed if it has an outstanding balance. Every effort should be made to promptly refund clients of money in their trust account upon completion of the case.
* Monthly Reconciliations: The reconciliation of the Client Trust Accounts, with any supporting documentation, should be forwarded to the Accountant monthly. The monthly reconciliation process will include reconciling the checkbook balance with bank balance. A Client Trust Accounting sheet will be completed quarterly showing the total of the Client Trust Records and the bank statement.
* The Accountant and the Law Offices will work together regarding outstanding checks. If an LSNV check has been outstanding for more than two months, due diligence will be made to contact the Payee to assure that the check gets cashed promptly. If a check was lost, a Stop Payment Order will be issued and a new check issued. LSNV shall deposit money into the trust account from the petty cash to cover any costs of issuing a Stop Payment Order. If the outstanding check is a refund to a missing client and has been outstanding for five (5) years or more (15 years if the check was a traveler’s check or 7 years if the check was a certified check or money order), or if a missing client has funds in the client trust account for five (5) years or more, the funds should be escheated to the Commonwealth of Virginia according to the State’s Unclaimed Property Law. The following efforts shall be utilized as part the AOR’s due diligence to refund money to a missing client and should be done as promptly as possible upon determination that a check is outstanding for more than two months or that a client’s case is closed with funds remaining in the trust account:
1. Sending a letter to the client via first class mail to the last known address of client, which is required under Va. Code 55-210.2.
2. Calling the client.
3. Sending an e-mail to the client.
4. Searching for the client using the website: <http://www.yellow.com>.
5. Searching for the client using the Westlaw People Search.

The amount of due diligence used to locate a missing client must be reasonable under the circumstances. If the amount owed to the client is over $100, the Managing Attorney of the Office must consult with the Deputy Director of Program Services to determine the appropriate amount of effort to locate the client. The Deputy Director of Program Services shall work with the Managing Attorneys on an annual basis to determine what property needs to escheat to the Commonwealth and will undertake that endeavor.

**Accountant Review and Record Keeping:**  Upon receipt of the monthly bank reconciliations from the various LSNV Law Offices, the Accountant will review the reconciliations and post relevant entries to the General Ledger.

# XI. MANAGEMENT REPORTS

The LSNV Accountant prepares the following financial reports on a monthly basis:

* Grants Receivable Listing
* Statement of Financial Position (Balance Sheet)
* Statements of Revenues and Expenditures, in the following formats:
	+ YTD Actual compared to Prior YTD Actual
	+ YTD Actual compared to Budget YTD
	+ YTD LSC and PAI Activity (on an annual basis)

On a quarterly basis, statements of revenue and expenditures by major funding source will be prepared by the Accountant.

The above reports normally will be issued around the middle of the month following the end of the period being reported. These reports are distributed to the Executive Director. The Executive Director will furnish all or some of the above reports to the members of the Budget and Finance Committee and the Board President.

# XII. ANNUAL AUDIT OF FINANCIAL STATEMENTS

LSNV’s financial statements are audited by an independent Certified Public Accountant annually. The audit agreement complies with LSC’s Audit Guide, and the audited financial statements are prepared in compliance with LSC regulations as well as the regulations of other funding organizations that require an independent audit.

LSNV’s financial books of record are closed as of June 30th each year. The LSNV Accountant prepares the annual unaudited financial statements, along with all necessary worksheets, prior to the arrival of the external auditor’s staff. These statements will be subject to any audit adjustments. The external auditor will provide any adjusting journal entries to the LSNV Accountant as soon as possible following the auditor’s site visit. The Accountant will enter the
adjustments into the accounting system promptly and then prepare the LSNV year-end allocation
reports. The completed allocation reports will be sent to the external auditor for inclusion in the final audit report. The final audit report and accompanying Management Letter, if any, will be distributed to LSNV’s Management and Board of Directors.

# XIII. PRIVATE ATTORNEY INVOLVEMENT

LSNV will adhere to 45 CFR § 1614 pertaining to Private Attorney Involvement. LSNV will devote an amount equal to at least twelve and one-half percent (12½%) of the LSC annualized basic field award to the involvement of private attorneys in the delivery of legal services (this is referred to as the “PAI requirement”).

Activities undertaken to meet this requirement will include the direct delivery of legal assistance to eligible clients through programs such as organized pro bono plans and private attorney contracts. Other activities may also include, but are not limited to:

* Support provided by private attorneys to LSNV in the delivery of legal assistance to eligible clients on a pro bono basis through the provision of community legal education, training, technical assistance, research, advice and counsel; co-counseling arrangements; or the use of private law firm facilities, libraries, computer-assisted legal research systems or other resources;
* Support provided by LSNV in furtherance of activities undertaken to meet the PAI requirement, including the provision of training, technical assistance, research, advice and counsel, or the use of recipient facilities, libraries, computer assisted legal research systems or other resources; and
* Hiring qualifying (see note, below) private attorneys to work part-time providing direct services to clients.

“Qualifying” - No PAI funds will be committed for direct payment to any attorney who, for any portion of the previous two years, has been an LSNV staff attorney. “Staff attorney" means an attorney more than one-half of whose annual professional income is derived from the proceeds of a grant from the Legal Services Corporation, or is received from LSNV or from a contractor that limits its activities to providing legal assistance to clients eligible for assistance under the Act.

LSNV estimates that the local prevailing market value of attorney time in Northern Virginia is $250.00 an hour. If deemed appropriate, private attorneys may be reimbursed for actual costs and expenses.

# XIV. ACCOUNTING FOR FIXED ASSETS

Equipment and Property purchases are to be recorded in a property subsidiary record, which is to include a detailed description of the item; date acquired; check number; original cost; fair value and method of valuation (if donated); salvage value, if any; funding source; estimated useful life; depreciation method; identification number; and location. The detailed property records are to be reconciled to the General Ledger. The property subsidiary record will be maintained by the Accountant, who will use it to calculate the annual depreciation expense on Fixed Assets.

**Asset Capitalization**

Expenditures for, or donations of, real property and personal property in excess of $5,000 and a useful life of more than one year will be capitalized and depreciated. LSNV has the discretion to capitalize items with a lower value. Real Property purchases represent those purchases of buildings and land. Personal Property expenditures represent purchases of computer software and hardware, other equipment, furniture, and improvements to leased and owned property. However, the costs of maintaining a library are not capitalized; rather, they are charged immediately to the appropriate expense account.

**Depreciation**

Capitalized assets will be depreciated (expensed) over time using a straight-line method according to the following guidelines:

* Computers 3 to 5 years
* Furniture and Fixtures 5 to 10 years
* Leasehold/Building Improvements Term of lease, or life of building improvements
 (whichever is shorter)

**Physical Inventory**

For property control purposes, LSNV will do a physical inventory and the results will be reconciled with property records at least once every two (2) years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the cause of the difference, and the accounting records shall be reconciled to the results of the physical inventory with an appropriate note included in the financial statements, if determined to be material by the recipient’s auditor.

**Disposal Property**

Before property is disposed of, it shall first be examined for sensitive information, inventoried, and disposed of by one of the following methods:

* Trading in the property at the time of acquiring replacement property.
* Property with a fair market value of less than $5,000 will be donated to another nonprofit organization or sold to the highest bidder.
* Property with a fair market value of more than $5,000 will be transferred to another recipient of LSC funds or transferred to another nonprofit organization or sold to the highest bidder.
* Property with a fair market value of more than $15,000 additionally requires the property to be advertised for at least 14 days to obtain bids/quotes before selling.
* If LSC funds were used to purchase the property, and the fair market value of the property is higher than a negligible value:
	+ It can be traded in at the time of acquiring replacement property;
	+ It can be sold at a reasonable negotiated price if the value is $15,000 or less;
	+ It can be transferred to another LSC recipient; or
	+ It can be transferred to a nonprofit organization serving the poor in the same service area with the prior approval of LSC.
* Additionally, if LSC funds were not used for the purchase of the property, and no other avenues are available, the property will be sold to an employee or to a member of his/her family. When this situation occurs, all employees shall be given an opportunity to bid on the property.
* If an item is unusable, it will be disposed of as trash.
* Amounts required to be written off through abandonment or loss will be recognized as expense in the Property & Equipment Fund.

LSC’s prior approval must be obtained before the sale or disposal of real property.

If LSNV ever stops receiving LSC funds, LSNV must comply with the provisions in 45 CFR 1631.12(b) when disposing of property purchased with LSC funds.

# XV.  RECORD RETENTION

The following lists represent LSNV’s record retention policy:

**Accounting Records**

* General Journal – PERMANENT
* General Ledger – PERMANENT
* Cash receipts log – 7 years
* Cash receipts ledger – 7 years
* Cash disbursements ledger – 7 years
* Bank statements and canceled checks – 7 years
* Bank reconciliations – 7 years
* Billings for services – 7 years
* Employees’ travel and expense reports – 7 years
* Expense bills (source documents) – 7 years
* Petty Cash records – 7 years
* Annual Audited Financial statements – PERMANENT
* Monthly/Quarterly Financial statements – 7 years
* Inventories – 7 years
* Indirect Cost Allocation Documentation (after fiscal year end) – 7 years

**Fixed Assets**

* Equipment in use – KEEP ON FILE
* Equipment (after disposition) – 3 years
* Equipment traded in on similar asset (after disposition) – 3 years
* Equipment disposed of (no trade-in) – 3 years
* Depreciation schedules – PERMANENT

**Contracts**

* Insurance Policies (expired) – 3 years
* Leases (after termination) – 7 years
* Grant Agreements (after expiration of grant) – 6 years
* Restricted funds documentation (after use of funds) – 7 years

**Tax Returns**

* Federal Form 990 and working papers – PERMANENT
* State information returns and working papers – PERMANENT
* Payroll tax returns – 4 years
* Withholding tax statements (W-2) – 4 years

**Corporate Organization Records**

* Corporate charter and Articles of Incorporation – PERMANENT
* Articles of Merger - PERMANENT
* Minutes of Board of Directors meetings – PERMANENT
* Annual reports – PERMANENT

**Personnel Records**

* Individual employee records (after termination) – 4 years
* Payroll Master Ledger (annual) – PERMANENT
* Employment Applications – 2 years
* Timesheets (after termination) – 4 years
* Employee pension and insurance records – PERMANENT

**Correspondence**

* General correspondence – 2 years
* Legal correspondence – PERMANENT

**All Records pertaining to an LSC Grant**

* For a period of six (6) years from the date of termination of the grant.

# XVI. NOTIFICATION OF ANY LOSSES TO LSC

Legal Services Corporation must be notified telephonically within two (2) working days of the discovery of any information that indicates LSNV may have been the victim of misappropriation, embezzlement, or other theft or loss of any funds (LSC funds, non-LSC funds used for the
provision of legal assistance, or client funds). Such notice shall be followed by written notice by mail or facsimile within ten (10) calendar days. Written notice of a theft of any property other than funds will be provided to LSC’s Office of Inspector General within ten (10) calendar days from the time of the discovery of the theft. The required notice shall be provided regardless of whether the funds or property are recovered.

Legal Services Corporation must be notified within twenty (20) days of any of the following arising from an LSC funded activity: a monetary judgment; a sanction or penalty entered against the program for matters such as Rule 11 sanctions; malpractice judgments; EEO claims; IRS penalties; penalties arising out of the Americans with Disabilities Act; or voluntary settlement of any similar action or matter; or any other matter which may have a substantial impact on the delivery of services.

The LSNV Executive Director is responsible for all notification requirements to Legal Services Corporation.