

2. The Fiscal Management System Explained

2-A. Introduction

SCFS has adopted a system to assist you in managing your fiscal responsibilities. As you know, the First Steps law requires each partnership to stay within an 8% administrative overhead cap.

After speaking with many counties and reviewing the North Carolina Smart Start model, we implemented a regional finance management model for fiscal functions, which will take some of the burden off each county's Executive Director. Initially, North Carolina's Smart Start program expected each county to manage its own fiscal and accounting functions. However, with time, it became clear that county staff members were stretched thin, many accounting functions were suffering, and the situation was resulting in negative audit findings. As a result, NC adopted a regional model in which the counties share a professional to complete all accounting functions. First Steps has contract with accounting firms and these firms are called Regional Finance Managers (RFM).

Each RFM will serve each county equally and each county should consider itself a client. As a group, counties will rate the RFM's performance each year. If the majority of the counties find the RFM's performance unacceptable, SCFS will work to correct the situation or replace the RFM.

2-B. Specific RFM Fiscal Functions

Each RFM will be responsible for working with your county on a number of important functions. Some of the major tasks that the RFM will work on throughout the year are listed below.

Ongoing

- ***Only RFMs have access to bank accounts and authorization to sign checks***
- Manage county bank accounts and balances
- Compiling payment authorizations and invoices
- Enter spending data into the accounting system
- Enter revenue data into the accounting system
- Provide quality control for all invoices and payments
- Ensure proper classification of expenditures
- Pay/issue checks for all authorized vendor invoices
- Processing payroll
 - Frequency: (24 or 26 times per year as requested by each county partnership)
 - New employees must document work completed for at least one(1) pay period before receiving first payroll check (*i.e., no employee may be paid before work has been performed*).
 - If RFM prepares payroll, time sheets must be received before payroll checks are distributed/released to the county partnership.
 - If payroll is contracted (*i.e., school districts, United Way offices, other government agencies, etc.*), signed time sheets must accompany the invoice of contract entity.
 - No RFM payroll checks or contract payroll reimbursements should occur without proper (signed) time sheets

Monthly

- Review spending by line-item and project surpluses/deficits
- Conduct face-to-face meetings with County Partnerships (*as requested*)
- Reconcile bank account(s)
- Perform cash-on-hand analysis (*or as necessary*)
- No requirement to provide reports to counties

Quarterly

- Complete federal and state payroll taxes reports
- Unemployment insurance report – ensure compliance with laws

Annual

- Generate audit financial reports
- Act on behalf of county partnerships during audit reviews
- Assist in the development of the annual budgets by providing expense reports
- Prepare county partnerships federal Return of Organization Exempt From Income Tax returns (Internal Revenue Form 990)
- Conduct face-to-face meetings with County Partnerships (*as requested*)

Other

- Maintain all necessary financial reports according to federal and state regulations
- Maintain all necessary reports for county partnerships to maintain non-profit status

In this manual you will find detailed directions that will assist you in completing all the transactions involved in completing the items discussed above.

2-C. Monthly Reports

Each month you will receive reports from the SCFS accounting system that gives you detail on each of your spending accounts. These reports will tell you exactly where your actual spending has fallen below or above your expected spending.

You will receive the following reports via email directly from the accounting system:

Last day of each month:

- Program Budget and Expense Summary
- Center Budget and Expense Summary
- Category Budget. vs. Expense (Detailed)
- Current CASH Balances (Non-Formula Allocation)
- Interest Income
- Legislative Match Report

Every Monday:

- Bank Check Register (Last 30 days)

You have direct access to various other report formats and you may generate and print any report 7 days a week 24 hours per day – anytime.

When you receive these reports you should:

- Review these reports for accuracy
- Discuss emerging spending patterns with your vendors and understand why spending is occurring slower or faster than expected and whether your vendors still expects to spend its entire contract award by the close of the fiscal year
- Use to determine your available cash balance
- Discuss these findings with your RFM to alert him/her of upcoming spending patterns
- Discuss with your board any case in which a vendor will be unable to spend its entire contract award as you may wish to redirect a portion of this budget to another program