

MaineHousing's ACCOUNTING MANUAL

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RECOMMENDED PRACTICES

[Chart of Accounts](#)

GENERAL LEDGER

Purpose and Procedure

The general ledger is necessary to control the recording of information from the journals and make it easier to summarize data for the financial statements. A general ledger is required and all reports to MaineHousing (MH) must agree with the general ledger. It should be posted, updated and balanced on a monthly basis.

An owner may elect to maintain the general ledger on a cash basis, which is acceptable. However, the Owner/Managing Agent must then maintain a worksheet to convert from a cash basis to an accrual basis. This worksheet should be retained to facilitate the reconciliation between the general ledger and reports submitted to Owner and MaineHousing.

After posting all required journal entries for any period, new account balances should be calculated.

A trial balance of the general ledger account balances should be tabulated for each period after ledger postings and calculations have been completed.

Discrepancies in the general ledger trial balance should be investigated immediately and not be carried over to subsequent accounting periods.

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JOURNALS

Descriptions

<u>Title</u>	<u>Purpose</u>
Journal of Monthly Rent	To record the accrual of monthly income due from tenants and HAP payments.
Cash Receipts Journal	To record monthly cash receipts and miscellaneous income.
Cash Disbursements Journal	To record monthly distribution of expenses (if cash basis issued); or To record monthly amounts paid against accounts payable and other accrued liabilities.
Voucher Register	To record monthly distribution of expenses and record accounts payable voucher register is used and if on the accrual basis).
Payroll	To record payment of payroll and distribution of these costs. (The cash disbursements journal can be used to distribute these expenses where a payroll journal is not used due to the limited number of employees).

A separate journal entry each month summarizes the totals of each journal (cash receipts, disbursements, etc.) for posting to the general ledger.

All general ledger control accounts (i.e., accounts receivable, accounts payable, etc.) must be in agreement with subsidiary ledgers or other detail records and should be maintained on a monthly basis.

A suitable time schedule and checklist for closing the general ledger and other accounting records should be established and maintained by each owner.

The general ledger, journal entries, and supporting records are permanent records. They must be maintained on file after the close of each fiscal year. The general ledger, related journals and journal entries must be maintained as permanent records of the development.

MONTHLY JOURNAL ENTRIES

Purpose

Monthly journal entries provide the data source and cross-referencing between the general ledger and the books of original entry and other supporting data. Their use establishes a uniform procedure that facilitates the closing of the accounting records from month to month. When preprinted, the clerical effort of rewriting similar information month after month can be avoided.

Procedures

A suggested listing of journal entries is included within this section of the manual.

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Each owner should determine the standard entries required to close the accounting records each month. The respective account numbers, titles, and descriptions could be preprinted on the standard journal entry form.

Each entry should identify the month of the posting.

It is recommended that each entry indicate the signature of the preparer, the initials of the person posting and approval of the owner or managing agent.

Description of Monthly Entries (other than those from Journals)

<u>Title</u>	<u>Purpose</u>
Insurance Write Off	To record the monthly expense of the insurance premium to the respective period that the insurance covers.
Reserve Transactions	A monthly or quarterly entry must be made to record interest earned on the savings accounts. The reserve balances will be increased with debits and credits will be made to the interest income account.
Accrued Real Estate Taxes	To reflect the monthly accrual of real estate taxes. The cash transfer to the Tax and Insurance Reserve is recorded through the cash disbursements ent
Adjusting and Non- recurring Entries	As required

All journal entries should be numbered in sequence and postings identified by number. Refinements will be acceptable, but are not necessary for purposes of MaineHousing.

RECORDING MONTHLY RENTS

Policy

MaineHousing requires that each owner utilize an accounting system which provides for (1) the recording of monthly rents on an accrual basis, and (2) the periodic reporting of unpaid tenant balances. To accomplish these objectives, the Journal of Monthly Rents and the Tenant Account Ledger Card are suggested for each Owner's system. Alternative system approaches which accomplish the above objectives will be acceptable to MaineHousing.

Procedures

Prior to the first day of each month, a listing of all available renting units is entered in the Journal of Monthly Rent. Consideration should be given to preprinting of standard information on the journal formats.

Each renting unit should be accounted for in the Journal of Monthly Rents.

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A determination of the monthly rents/charges and other payments due from each tenant should be made and entered in the journal.

Unoccupied apartments should be identified and appropriately coded in the journal.

Amounts which pertain to each unit (occupied and unoccupied) should be distributed to the appropriate columns based on the following:

Accounts Receivable - This column would include the total amount due from each resident.

Vacancy Losses - These columns are used to record the rental amounts for the unoccupied units.

Occupancy Income - These columns are used to reflect the gross available rents from all units, occupied and unoccupied.

Other Income - The columns are used to record the income derived from tenants for services provided and from miscellaneous sources.

Amounts entered in the accounts receivable column of the journal are posted to the detailed Unit Control Card, which is maintained for each tenant.

A total of the amounts posted should be prepared from the Unit Control Cards and the total compared to that of the monthly journal entry to assist in verifying posting accuracy.

Tenant collections should be posted to the Unit Control Card daily, when received.

As Tenants pay the monthly charges it may be desirable to remove the tenants' Unit Control Cards from the "unpaid" to the "paid" file.

Periodic reviews of unpaid tenant balances should be made each month. Suggested points of review are the 5th, 10th, and daily thereafter.

The Journal of Monthly Rents is totaled and crossfooted each month.

Each month the Journal of Monthly Rents is summarized by account number and entered on a Journal Entry.

After posting journal entries to the general ledger, a trial balance of the tenants' Unit Control Cards should be prepared. The total should agree with the general ledger each month. Differences should be investigated immediately.

Special Procedures - MaineHousing does not require that bills or statements be issued to tenants for charges each month. However, if collections from tenants are slow, each Owner should review his collection pattern and determine if the rent collection procedures prescribed within this section of the Manual are being followed and if additional follow-up procedures are necessary.

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Aging Procedures on Tenants Receivables

A detailed review of unpaid balances should be performed each month.

The review should consist of:

Preparing schedules which classify delinquent tenants into periods; one month unpaid, two months unpaid, and three or more months unpaid; and

Determining the reasons for payment delinquency.

A trial balance of the unpaid tenants' Unit Control Cards should be prepared each month and agreed to the general ledger control account.

A listing of the tenant's payments that are in arrears should be prepared from the information on the tenants' Unit Control Cards.

If a tenant has made partial payments, these amounts should be applied against the oldest balances.

Uncollectible Tenant Receivables

Once a determination has been made by the Agent that a tenant receivable is uncollectible, the amount should be clearly indicated on a cumulative annual report.

The following information shall be maintained for all amounts written off:

Date written off
Tenant's name
Balance written off
Amounts subsequently collected, if any
Remarks

RECEIPTS

Deposits and Recording Procedure

If the normal procedure is to receive rent payments in the mail, someone other than the person preparing the bank deposit or posting the accounting records should detail the daily receipts. This detail should be compared independently to the journal total each day.

All checks should be endorsed "for deposit only" to the credit of the housing development immediately upon receipt. Checks or money orders should be made payable to the housing development.

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All receipts should be entered daily in the Cash Receipts Journal. Each day's receipts should be totaled on the journal and agree to the bank deposit prepared.

All receipts must be deposited intact daily. The person preparing the bank deposits should be, if practical, someone other than the person posting the accounting records or reconciling bank accounts. Expenses should never be paid directly out of cash receipts.

Rent and miscellaneous income receipts shall be deposited in the Development Operating Bank Account.

The bank deposit receipt should be verified by the Agent to the amount entered in the Cash Receipts Journal each day.

Entries made in the Cash Receipts Journal for Accounts Receivable are posted to the detail Tenant Ledger Cards daily. The ledger cards are maintained on a current basis for billing and payment amounts. This will provide current information on tenant balances.

The Agent should perform an independent review of the Cash Receipts Journal on a periodic basis.

All miscellaneous receipts should be reviewed by the Agent for propriety.

All bank debit and credit memos and deposit items returned as uncollectible should be received and controlled by the agent.

Summarizing and Posting Procedures

Each Cash Receipts Journal sheet should be headed with the page number, month, and year.

Entries made in the journal are to be distributed to the appropriate columns.

Monthly, the amount columns should be totaled. The sum of the operating cash account and other debit columns should equal the sum of the various credit columns.

The amounts summarized in the journal each month should be reflected on monthly Journal Entries.

The journal entry should be posted to the general ledger monthly.

A new journal page should be started in the subsequent month.

DISBURSEMENTS

Check Preparation Procedures

The generally accepted procedures for the preparation and signing of checks include the following:

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No checks are to be prepared to “cash” or “bearer”. Checks for replenishment of petty cash funds should be drawn to the person who is custodian of the fund or to the project's petty cash account.

All disbursements (except those made from the petty cash fund) should be made using pre-numbered checks. Checks must be issued in sequence. Spoiled and voided checks should be mutilated and maintained on file for subsequent audit.

The supply of unused checks is to be adequately safeguarded, and if practical, they should be under the control of someone other than the person responsible for preparing or signing checks.

The Owner/Agent should be able to demonstrate internal controls with respect to separation of signing from the preparation of and accounting for disbursements. MaineHousing recommends that all checks issued for \$1,000 or more have two authorized signatures, but consideration should also be given to the use of dual signatures on checks for less than \$1,000.

The checks should be signed by someone independent of the person approving invoices or maintaining accounting records.

No checks are to be signed in advance of their being completely filled out.

Unpaid bills should be filed by due date. Discount periods should be noted and taken when feasible.

When due, approved invoices or check requests are removed from the unpaid bill file, the check is prepared, and the details are entered in the Cash Disbursements Journal.

Supporting documentation for each disbursement should include an invoice, evidence of initial order, and proof of receipt of merchandise or services.

Approved invoices or check requests are submitted with the check at the time of signing. The check signatory should review supporting documentation before signing checks.

All paid invoices and check requests are cancelled and filed by vendor name or other reasonable system. When paid, each invoice should indicate the date paid and the check number.

If practical, signed checks should be mailed to vendors by someone other than the person preparing the check and mailed immediately.

Payment should not be made against vendor statements unless original invoices shown on the statement are attached.

Petty Cash

The following pertains to the use of petty cash funds:

All petty cash funds should be on an imprest basis, i.e., cash and receipts for purchases should always agree to the total of the fund.

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The responsibility for the fund should rest with one individual.

There should be a maximum limit established for a single disbursement which can be made from the fund, e.g., \$20.

Each disbursement from the fund should be approved by the Management Agent.

Replenishment of the fund should only be made after proper review of the documentation is made by the Management Agent.

No personal or salary checks of employees should be cashed using the imprest funds.

All paid vouchers should be signed in ink by the person receiving the cash payments.

The petty cash fund should be periodically reviewed and counted by the Management Agent.

Check Requests

Occasionally a disbursement will be required where no invoice is available. In these instances, a "check request" should be prepared. A check request should indicate the following:

- Date
- Vendor
- Amount of disbursement
- Account code to be charged
- Remarks concerning disbursement
- Approval of Agent

The check requests should be filed with other vendor invoices. Use of the attached sample form is suggested.

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DEVELOPMENT NAME _____
ME36-H017-_____

CHECK REQUEST

Date _____ \$ _____

Pay to: _____

Account No.	Amount	Description
_____	\$ _____	
_____	\$ _____	
_____	\$ _____	
=====		

Purchase Authority Checked _____ Posted _____

Receiving Copy Checked _____ Check No. _____

Invoice Checked, Matched _____ Approved _____

Approved _____

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Summarizing and Posting Procedures

The Cash Disbursement Journal sheets should be headed with the page number, month, and year. Page numbers should begin with "1" each year and progress consecutively.

Each check issued should be listed in the Cash Disbursement Journal in check number sequence.

Disbursements are distributed to the appropriate columns as indicated by the account coding on the invoices paid by each check.

At the end of each month, columns should be totaled. The sum of the debit amount columns should equal the sum of the credit amount columns.

Expense category columns, reserve column, and the general column amounts should be summarized by account number.

The summary amounts should be reflected on the journal sheets below the respective columns analyzed.

All total amounts for each account should be entered on the appropriate standard journal entry.

The standard journal entry is used for posting to the general ledger each month. The general ledger may be posted directly from the journals.

Each month, a new journal sheet should be started for cash disbursement transactions.

Accrual of Invoices - When the accrual method of accounting is used, unpaid invoices can be listed in the Cash Disbursements Journal at month end. The accounts payable credit column is used for these invoices. Debit amounts are distributed to the appropriate expense columns. As invoices are paid in the subsequent month, each entry then reflects a credit to the cash column and a debit to the accounts payable column. An alternative approach would be to reverse amounts entered as accounts payable in the subsequent month.

BANK ACCOUNTS AND CASH FUNDS

Development Operating Account

Each owner shall maintain a development operating account (1120), at a depository approved by the MaineHousing. This account is to be used for the deposit of all receipts pursuant to the Mortgage and Security Agreement. All disbursements from this account shall be made in a manner consistent with the requirements of the Mortgage and Security Agreement. Surplus funds in this account may be used for short-term investments in accordance with the provisions of this manual. This flexibility is designed to maximize development interest earnings.

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The bank account shall be opened in an insured bank, and shall be entitled:

“ _____ Development Operating Account”
Name of Owner/Development Name

Imprest Payroll Account (Desirable but Optional)

The imprest payroll account is used to control disbursements of payroll checks and to maintain these disbursements separate from the operating account. Its use is optional, but is suggested when there are more than ten (10) employees on the payroll.

The bank account is to be placed with an insured bank, and is to be entitled:

“ _____ Payroll Account”
Name of Owner/Development Name

The Board of Directors, owner or managing agent, whichever is appropriate, shall designate the authorized signatures required on the payroll checks.

Deposits to the account should be limited to transfers of funds from the Development Operating Account (1120). Disbursements should consist only of payroll checks. The bank should be instructed to charge all service charges, if applicable, to the operating account. Either a zero or a nominal amount should be placed on deposit for this account. The amount placed on deposit should be reflected in the Imprest Payroll Account (1121).

Restricted Reserve and Escrow Funds

Owners are required to establish and maintain restricted reserve and escrow accounts as provided for in their Mortgage and Security Agreement.

Following is a list of restricted reserve and escrow accounts that typically apply to MSHA financed developments:

1. Reserve Fund for Taxes and Insurance
2. Reserve Fund for Replacements
3. Reserve Fund for Capital Improvements
4. Reserve Fund for Operating Deficit Escrow

Unless prior written approval is obtained from MaineHousing, all reserve funds maintained by the owner shall be in interest bearing accounts in depositories fully insured by the U.S. Government or in bank-related investments that are fully guaranteed by the United States of America.

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Security Deposit Account

All funds received representing security deposits for rentals shall be placed in a separate account (1191). These funds should be deposited in an interest-bearing account. Disbursements of funds shall be in compliance with state law.

Bank accounts used for the deposit of these funds are to be entitled:

Authorized signatures are to be designated by the Board of Directors, owner or managing agent, whichever is appropriate.

Bank Reconciliation Procedures

Bank accounts are generally reconciled monthly. Where practical, this should be done by persons other than those responsible for preparing or signing checks or handling cash.

Bank reconciliations indicate the balance per bank, deposits, interest, outstanding checks, other reconciling items and balance per general ledger.

Each deposit in transit is listed separately and indicates the date recorded on the books and by the bank.

Outstanding checks are listed sequentially by check number. Appropriate indications (X) should be made in the Cash Disbursements Journal for checks that have cleared the bank.

The bank reconciliation should contain adequate explanation of other reconciling items as well as comments regarding their ultimate disposition.

Bank reconciliations should be reviewed regularly by the Agent, and he should initial his approval on the reconciliations.

Bank reconciliations must be retained on file in an orderly manner.

INVENTORY RECORD KEEPING

Policy

It is not anticipated that supplies maintained on hand will be of significant dollar value to warrant deferral in financial statements. Generally, these inventories consist of janitorial supplies, tools and equipment, replacement parts, ground maintenance materials, etc. When purchased, these supply items should be charged directly to the appropriate expense accounts. If sizeable inventories of supplies are maintained, their value should be periodically determined and consideration should be given to deferral of unexpended amounts at the end of each accounting period. The prepaid series of accounts should be used to reflect any deferred amounts.

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Although prepaid balances are not recorded on the general ledger, MaineHousing recommends that suitable physical control exists over major supply inventories. The following procedures emphasize this material control function.

Procedures

An inventory record should be maintained for items in each principal class of materials; i.e., supplies, replacement parts, etc.

The inventory record may be in the form of a Cardex file, individual ledger card or account analysis schedule. Information on the record should consist of:

- Name and description of part and serial number
- Location of material
- Inventory quantity on hand
- Cost of each purchase
- Sources of supply
- Minimum inventory level

Responsibility for inventories should be assigned to specific custodians.

All goods should be adequately safeguarded against loss by theft and protected against physical deterioration. Suitable locked rooms or storage areas should be considered with access limited to authorized personnel.

The agent should periodically review the perpetual inventory records to determine that they are properly maintained.

Periodic Physical Inventories. The quantities counted should be verified against perpetual records. Large discrepancies between physical counts and records should be investigated and the reasons for the differences determined.

INVESTMENTS

General Policy & Procedures

Cash in excess of operating requirements should be invested in interest-bearing accounts. MaineHousing requires that supporting information on all investments be maintained.

All investment transactions are to be authorized by the Board of Directors, owner or managing agent, as appropriate.

Securities are to be held in safekeeping by the bank.

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Adequate records of investments details are to be maintained. The only investments approved by MaineHousing shall be: secured by obligations of, or fully guaranteed as to principal by, the United States of America or any agency thereof, or the State of Maine or time deposits in a financial institution whose deposits are insured by an agency of the Federal Government.

Investment income must remain in the same fund as the investments. For example, earnings on Reserve Fund for Replacement investments would remain in that Reserve Fund.

INSURANCE

Policy

Insurance coverage is to be maintained for each development in accordance with its loan documents and/or MaineHousing program requirements.

Procedures

Monthly, an amount equal to approximately 1/12 of the annual premiums is transferred from the Development Operating Account to the Tax and Insurance Escrow maintained in accordance with the Mortgage and Security Agreement.

PROPERTY AND EQUIPMENT

Posting and Summary Procedures

Subsidiary records are maintained to support each asset charged to the property and equipment accounts. These records or schedules should agree with the respective general ledger control accounts, and they should reflect any accumulated depreciation amounts.

Each asset should be recorded on a separate card or schedule.

The following information should be recorded for each asset:

- General ledger account number and title
- Asset depreciation and serial number
- Present location, building/unit number, etc.
- Date acquired
- Vendor
- Cost
- Estimated useful life
- Method of depreciation or amortization
- Annual depreciation
- Amount of depreciation or amortization to date

Property and equipment purchases are originally recorded in the Cash Disbursements Journal or Voucher Register.

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When originally recorded, pertinent information should be written on the asset record card or schedule.

Ledger cards or schedules are maintained on file by account number for future reference.

When disposal of assets is effected, the asset record should reflect the details of the transaction, including the proceeds and gain or loss, if any.

Supporting records to the property and equipment accounts should be balanced to the general ledger at least quarterly but must be updated and balanced to the General Ledger annually, at fiscal year end.

Purchasing Procedures

A formal authorization and approval policy should be established by the owner or managing agent for all capital asset purchases.

The policy established could cover:

- Additions and replacements including any trade-in information
- Retirements
- Disposals
- Expenditures in excess of original authorizations
- Major repairs and replacements

Written approval is required from MaineHousing for all design modifications pursuant to the Mortgage and Security Agreement.

Capital expenditure is defined as the acquisition of fixed assets and/or costs relating to improvements to the development's physical plant, including the buildings, equipment, furnishings and/or land. MaineHousing's recommended policy with regard to capitalization of expenditures is that an item should have a cost of at least \$500 with a useful life of at least 3 years to qualify. Acquisitions that fall below these limits may be charged to the appropriate expense account.

Expenditures for design modifications as defined below must have prior written approval by MSHA. Design modification is defined as follows:

“Remodel, add to, reconstruct, or demolish any part of the development or dispose of any useful real or personal property of the development.”

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ACCOUNTS PAYABLE

Invoice Processing - Procedures

All invoices should be forwarded to the person who processes them for payment on a timely basis. This is particularly important when discounts are available.

Duplicate copies of invoices should be clearly stamped "copy" to prevent duplicate payment.

Once received, vendor invoices are generally processed as follows:

Prices, terms and quantities are compared to approved purchase order or original requisition;

Receipt of goods and services is verified and recorded on the invoice;

Mathematical accuracy of footings, extensions and discounts should be verified and noted on the invoice.

Proper account coding should be inserted on the invoice.

Final approval for payment should be obtained. All invoices should indicate that the above checks and approvals were made. The use of a "block stamp" is recommended for indicating checks and approvals.

Invoices and vouchers should be filed by due date after the above audit has been performed. This open file can serve as the detail accounts payable ledger. If desired, an individual "Subsidiary Account Ledger" card can be used. Vendor charges and payments would then be posted to these records.

Periodically, weekly or biweekly, the unpaid invoices which are due for payment are removed from the unpaid file and payment checks are prepared.

A trial balance of the accounts payable file should be prepared each month. If the accrual method is used, the trial balance must agree with the balance in the general ledger control account. Any differences should be reconciled promptly.

Statements received from vendors should be verified against the open accounts payable file and kept available in file for auditing purposes for a period of at least three months.

Accrued Liabilities

Accrued liabilities, according to the individual account definitions, are those expenses applicable to the current period which are not payable until some future accounting period.

A careful review should be made at the end of each operating quarter and at year-end for determination of the final sum total of all accrued liabilities. These amounts should be recorded in

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the general ledger for incorporation on the Quarterly Operating Report and Annual Financial Report.

Usually, such accruals are recorded during or at the end of one month and paid or reversed the next month. Journal entries are prepared recording these amounts.

Employee Withholdings

Credits to the various employee withholding accounts are generally derived from the payroll journal.

Offsetting payments to taxing authorities and others are debited directly against these accounts.

Care should be exercised to determine that account balances at month-end represent the actual amounts due.

Employee withholdings must be recorded monthly in the general ledger. Withholding payments must be paid promptly pursuant to the Federal and State requirements.

LONG-TERM LIABILITIES

Definition

Long-term liabilities consist of any financing or borrowing which will not be liquidated within the current operating fiscal year. The portion which will be liquidated during the fiscal year must be recorded as a current liability.

The Owner, Board of Directors or General Partner(s) must authorize all borrowing and designate those officers of the corporation or partners who are empowered to sign obligations in the name of the corporation or partnership.

The Owner, Board of Directors or General Partner(s) must ascertain compliance with the restrictions of each debt agreement.

Any incurring of long-term debt must have prior written approval of MaineHousing.

A copy of the debt agreement and other pertinent documents related thereto must be maintained as a part of the permanent records of the development.

Notes Payable

Appropriate subsidiary records should support each of these general ledger accounts.

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The following information should be maintained for each note:

- Date incurred
- Description and purpose
- Payee
- Due date(s) and rate of interest
- Original amount of note
- Payments made, including date and check number
- Current balance
- Copy of the original note
- Approval letter from Maine State Housing Authority

Mortgage Loans Payable to Maine State Housing Authority

Pertinent information should be extracted from original agreements and retained in summary form for easy reference. Information should consist of:

- Date or Mortgage
- Description of Property
- Interest Rates
- Repayment requirements
- Original amount of mortgage
- Payments made, including date and check number
- Current balance

Mortgage Loans Payable to Others

The same information required for the MaineHousing mortgage should be retained for all other mortgages. Pursuant to the terms of the Mortgage and Security Agreement, before obtaining any other mortgages, the owner/managing agent must obtain prior written approval of MaineHousing.

PARTNERS' EQUITY OR RETAINED EARNINGS

Records Required and Procedures

Ledger books shall be maintained in accordance with legal requirements of the State. A schedule of stockholders/or partners in alphabetical sequence noting the number of shares or per cent held by each is to be maintained. All transactions and related amounts should also be entered therein.

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If a Partnership -

The most recent partnership agreement must be filed with the MaineHousing's office of General Counsel;

Pursuant to the terms of the Mortgage and Security Agreement between MaineHousing and the developer, any significant change in the ownership of interests in the developer must have MaineHousing's prior approval.

If a Corporation -

Stock Certificates are to be pre-numbered and issued in sequence;

The stockholder records and unissued certificates are to be held in the custody of an officer of the corporation as designated by the Board of Directors;

Surrendered stock certificates are to be effectively cancelled and attached to the related stub in the stock certificate book;

When transfers of certificates are made, the officer authorized to sign new certificates must inspect the surrendered certificates for proper assignment and comparison of shares cancelled.

Stockholder records should be periodically balanced to the appropriate general ledger accounts.

PAYROLL RECORDS

Timekeeping Records

Each owner shall adopt a suitable time-keeping record to be prepared by each employee. Typically, the record would indicate, by day, the time worked. The time record should be signed by the individual employee and approved by his immediate supervisor and the Agent. This record is used as the supporting document for payroll disbursements and is to be retained on file.

Each day period, all employees complete a time record for the hours worked during that period. This should be approved by his immediate supervisor.

The time records are then forwarded to the Agent for approval of regular time and overtime worked.

The Agent, after approving the time records, forwards them to the individuals responsible for preparing the payroll.

The time records are used as the basis for calculating gross wages due each employee and for expense distribution purposes.

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Payroll Preparation

The need for a separate payroll journal and a separate imprest payroll bank account should be determined by the Agent based on the number of personnel on the payroll. When using a payroll journal, the record-keeping task is facilitated and systems such as “write it once” or outside computer service bureaus can be used. If a payroll journal is not used due to the limited number of employees, all entries should be recorded in the Cash Disbursements Journal. An employee earnings card is required under either approach.

The following procedures pertain to payroll preparation and are applicable whether using a separate payroll journal or the Cash Disbursements Journal:

Each employee should be listed in the journal in the account number sequence to which their gross wages are to be expensed. This facilitates the distribution of gross wages by grouping similar individuals.

The net pay of each employee should be determined by calculating the total earnings and subtracting various deductions. All amounts are to be recorded in the journal.

Gross earnings should be charged to the appropriate salary and wage expense account. Employee deductions are credited to the related liability accounts and the net pay is credited to cash.

A payroll check should be prepared for each employee. Payments should never be made by cash.

When a payroll journal and an imprest cash account are used, a single line in the Cash Disbursements Journal should reflect the drawing of a check for the total net payroll. The Operating Cash Account is credited and the Imprest Payroll Account is debited. The Imprest Payroll Account is also credited with the net payroll from the payroll journal.

Once the payroll is prepared, all calculations should be rechecked for accuracy.

A responsible individual other than the preparer should review the entries made in the journal after he has signed the payroll checks.

When a payroll journal is used, a standard journal entry is generally prepared each month summarizing amounts in all columns. This entry is then posted to the general ledger.

When the accrual basis of accounting is used, the Accrued Payroll and Wages Account (2120) can be used as the clearing account for payrolls. Amounts are recorded and distributed to the respective expense account based on the period earned rather than when paid.

Payroll checks should not be signed in advance.

MaineHousing's ACCOUNTING MANUAL

Payroll and Personnel Records

An employee earnings card is prepared and used for summarizing (a) gross wages, (b) deductions, and (c) net earnings on a monthly and year-to-date basis.

The card should contain pertinent information about the employee related to payroll such as social security number, number of dependents for payroll purposes, straight and overtime wage rate, etc.

The employee earnings cards should be compared at least quarterly to the gross wage amounts shown in the general ledger expense classifications. All payroll deductions must agree with the Federal and State tax returns filed for the quarters in question.

Employee File

An employee file should be established for current and future use.

Suggested contents of an employee file are:

- Approved employee application
- Dependent statements (W-4 - State and Federal)
- Authorizations for other deductions
- Approved rate change forms
- Other employee information

MAINTENANCE AND REPAIRS RECORDKEEPING

Records

Owners should maintain a schedule of planned and completed maintenance and repairs which would include the following:

- Work order number
- Building and unit number
- Date work scheduled
- Description of work
- Estimated time to complete
- Estimated cost for materials and labor
- Whether costs were chargeable to tenant
- Account to be charged
- Date work completed
- Names of personnel performing work
- Actual cost of materials and labor

MaineHousing's ACCOUNTING MANUAL

PURCHASING

Purchase Order System

Each owner should consider the need for a purchase order system. Generally, the purchase volume of supplies and services can be controlled through the review and approval of vendor invoices by the Agent. However, when the purchase volume is large, formal purchasing procedures can aid in controlling expenditures. Adherence to established ordering procedures helps to insure that disbursements are made only for authorized purchases.

The basis of a good purchasing system is the Purchase Order. Purchase Orders are available in stock form. This multi-copy document provides space for (1) vendor name and address, (2) required delivery date, (3) item(s) requested, (4) quantity, (5) price, and (6) approval.

The various copies should be distributed as follows:

Part 1, Original - to the vendor.

Part 2, Acknowledgement - to the vendor along with original copy for return acknowledging receipt, terms, and condition of order request.

Part 3, Receiving Report - used to indicate receipt of shipment and subsequently attached to invoice as supporting evidence of the transactions.

Part 4, Purchasing - retained in open file until receipt of goods and then removed.