

Bryant Woods Homeowners Association

Electronic Accounting Procedures

In 2016, all expenditures, including payroll, were done by paper checks (except for a few utility bills on AutoPay). All those paper checks had two signatures.

Currently, BWHOA uses online bill pay, AutoPay, and credit cards for almost all vendor and payroll payments.

In 2018, BWHOA had 404 expenditures not counting payroll and payroll tax. Out of those expenditures 5 were paper checks, requiring two signatures. 52 were US Bank Bill Pay paper checks created and sent by the bank, primarily for recurring service providers and Board Member expense reimbursements (10 totaling \$400). The remaining 347 transactions were credit card or AutoPay. That doesn't include AutoPay for payroll related payments.

Our traditional internal control for expenditures, the "two signature check", is no longer adequate. With the advancement of banking and business processes, new controls are being recommended for adoption.

Electronic Expenditures

Approved Recurring Expenditure list is developed as part of the budget process. Recurring Expense items are predictable and are charged on a regular monthly, quarterly or annual basis. The amount of the charge is not under BWHOA control, except to eliminate the service.

- Amount is determined solely by the vendor.
 - Utilities¹ – PGE, NW Natural, City of Lake Oswego (water), Comcast, Republic
 - Pool License² – Clackamas County
 - Registration Fee² – State of Oregon
 - Bank & Merchant Fees¹ – US Bank, QBO credit card merchant fees (Dues)
 - Payroll Service – Gusto¹ (payroll/payroll taxes), Tsheets³ (timekeeping) See Payroll section below
 - On-line Service – QBO Subscription¹, Neighborhood Link³ (BWHOA.org)
- Payment based on on-going contractual obligations.
 - Landscaping² – Signature
 - Pest Control³ – Summit
 - Pool Service² – Wet Kat
 - Tree Service² – For Love of Trees
 - Pet Waste Management³ – Green Pet
- Debt payment or leases (if the association had such commitments).

Electronical Payment Methods

¹Auto Pay (ACH) – Vendor pulls money from our U.S. Bank account

²US Bank Bill Pay – Vendor receives U.S. Bank generated check

³Credit Card – Charged to Board Members credit card

- See below for details about each method of payment

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Auto Pay and ACH Expenditures

Auto Pay expenditures are used for utilities, bank fees, merchant fees (for credit card deposit transactions), payroll checks, payroll taxes and some on-line fees. The amount, timing or frequency of the charge cannot be controlled by BWHOA, except by terminating the service. Accountant goes online to vendors website to set up Auto Pay which allows the vendor to 'pull' payment directly from our checking account in the form of an ACH (Automated Clearing House). There is not physical paper check, there is only a 'bank to bank' transfer.

Online Bill Pay - US Bank Bill Pay

Recurring items that are contractual, such as Wet Kat and Signature Landscaping are processed from electronic invoices sent to the Committee Chair and Accountant from the vendor. Other vendors and Board Members submit either a paper or an electronic invoice for payment or reimbursement. Any non-routine item and all items over \$500 require Committee Chair approval. Typically, approval is done prior to the purchase when possible.

Credit Card Expenditures

Numerous, small purchases are made in the course of managing the business of BWHOA. With a few exceptions (such as tent rental or pool purchases), credit card transactions are usually \$200 or less. Use of BWHOA credit cards eliminates the need for Board Members to use their own resources for BWHOA expenses and eliminates numerous reimbursement checks.

Every Board Member is issued a U.S. Bank credit card. The cardholder signs an agreement that all purchases will be for the benefit of BWHOA and any unauthorized purchases, if not repaid, become a lien on their property. Card limits are set at \$2,000 but may vary depending upon level of expenditures necessary to meet cardholder responsibility. Board Members are authorized to make purchases for budgeted expenditures. The most common credit card expenditures are primarily for supplies, postage, social events and on-line services (websites, timekeeping service, QBO accounting).

Internal Controls

- As part of the Budget process, prepare list of anticipated electronic expenditures for AutoPay and Online Bill Pay.
- AutoPay
 - Payment is issued by bank directly to vendor
- Online Bill Pay
 - Treasurer is notified by US Bank when new vendor added for Auto Pay
 - Checks are issued by bank directly to vendor
- Credit Card
 - Monthly Credit Card statement is electronically share with full board.
- All officers have access to U.S. Bank online and QBO
 - In QBO attach Invoices and credit card charges to expense item
 - In QBO attach U.S. Bank checking account statement to bank reconciliation
- Monthly, full board reviews Budget to Actual report
- Quarterly send QBO Transactions report to Board. A detail list of each expenditure item.

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Electronic Payroll Process & Expenditures

Seasonal employees are hired to serve as lifeguards at the pool. Occasionally, employees are hired to work in the common area. A Board Member serves as Committee Chair. In this role, Committee Chair hires employees for their areas of responsibility, sets pay rates, submits hiring information and approves time worked. Employees submit time worked using Tsheets, an online timekeeping system. Accountant manages on-line timekeeping and payroll system, and records payroll transactions in QBO. All payroll and payroll tax transaction are paid electronically. Payroll Register reports and Time Card summary are posted on Dropbox > BWHOA – Accounting > Payroll.

Employee Hiring and Set-up

- Accountant invites Committee Chairs to Dropbox < BWHOA Accounting < Payroll
- Hiring is done by Committee Chair. Information is posted on Dropbox and Accountant is notified.
 - Employee name, cell phone number, email address, pay rate
 - Signed I-9 from employee; W-4 is NOT needed.
- Accountant enters employees into Gusto, an on-line payroll service. Gusto notifies employee to enter their address, SSN and W-4 withholding information, and bank deposit information. (Employees can update this information at any time.)
- Once employee is set up in Gusto, Accountant is notified. Gusto employee information is imported into Tsheets for timekeeping. An email is sent from Tsheets to employees instructing them to download a timekeeping app to their cell phones and/or computers.

Timekeeping and Payroll Process

- Employees use cell phones to clock in and out for work, including job code. Employees may notify Accountant to change the time record, if needed.
- In Tsheets, at the end of pay period, Accountant generates time summary, makes any needed corrections (i.e. failure to clock out) and posts in Dropbox and notifies Committee Chair to approve hours worked.
 - Once approved, Accountant exports Tsheets hours into Gusto.
- Payroll is processed in Gusto:
 - Accountant verifies Tsheets hours imported correctly
 - Accountant adds premium pay (holidays, swim lessons), processes & approves payroll
 - Accountant posts Gusto payroll register and bank withdrawal information in Dropbox
 - Accountant records payroll transactions into QBO
 - Accountant emails pay stubs to employee
 - Accountant notifies Committee Chair that payroll processed and is available on Dropbox.
 - Gusto pulls cash from U.S. Bank for payroll and payroll tax payments.
 - Gusto directly deposits pay into employee bank accounts
 - Gusto pays Federal and State payroll taxes.
 - Accountant matches to QBO transaction entries to U.S. Bank withdrawal entries.

Internal Control

- Committee Chair hires employees and approves time
- Gusto calculates pay and processes all payments
- Detailed electronic reports supporting expenditures are posted in Dropbox for Treasurer and Chairs
- All officers have access to U.S. Bank online and QBO
- Monthly, full board reviews Budget to Actual report; Quarterly QBO Transactions report to Board

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Electronic Dues Payment Process

Members can pay Dues electronically via QBO. Invoices are emailed to members from QBO that contain links to make payments by Visa, Mastercard, Discover, AMX or bank transfer. The payment is deposited into U.S. Bank, and associated merchant fee is deducted, from U.S. Bank. In 2018 about 25% of dues payments were electronically paid via QBO. Another 25% were paid by members' bank via Bill Pay (which is electronic for member but paper check for BWHOA).

- Annually, all members receive an invoice for dues via U.S. Mail and by email.
 - Email invoice resent weekly in January.
- Accountant sends quarterly invoices via QBO email.
 - Fewer than 10 members have not provided email addresses; invoices are mailed.
- Accountant verifies QBO payments received by bank are applied to correct member account & invoice.
- Monthly, Accountant emails past due invoices accounts in arrears.
- Quarterly, past due finance charges are billed to members and emailed via QBO or U.S. Mail.

Internal Control

- All members receive a mailed invoice at least once per year.
- Dues revenue is recorded January 1 when invoices issued; budget and actual are equal.
- Past due reports by name are provided to selected board members periodically – for pool key exchange and voting purposes.
- Outstanding Accounts Receivable is on the Balance Sheet with comparison to prior year; financial statements provided monthly to all board members and homeowners.
- Monthly, Accountant sends Accounts Receivable Aging report to Treasurer for discussion at board meeting.
- Treasurer pursues any past due accounts if not paid by year end; repayment plans using the homeowners' bank's online bill pay service are encouraged.
- All officers have access to U.S. Bank online and QBO.
- If not paid, outstanding dues become a lien on their property.

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Background Information

Our purpose is to draft procedures to address the shift from paper to electronic processes. In the past, paper checks had two signatures. Currently, BWHOA uses online bill pay (US Bank check created and sent by Bank), AutoPay (Vendor 'pulls' money from our bank account), and credit cards for almost all vendor and payroll payments.

In 2018, BWHOA had 404 expenditures not counting payroll and payroll tax:

- 5 were paper checks, requiring two signatures.
- 52 were US Bank Bill Pay paper checks created and sent by the bank, primarily for recurring service providers and Board Member expense reimbursements (10 totaling \$400).
- 347 transactions were credit card or AutoPay. That doesn't include AutoPay for payroll related payments.
- All payroll related items are electronically pulled by Gusto, our payroll processing company.

Our traditional internal control for expenditures, the "two signature check", is no longer adequate. With our advancement of electronic banking and business processes, new internal controls are needed. These two principles are the foundation of good internal control in our electronic environment:

- Closely monitor and manage expenditures consistent with adopted budget. During budget process develop list of recurring and one-time expenditures, then closely monitor execution.
 - a. Monthly, full board reviews Budget to Actual report by detail line item
 - b. Publish Budget to Actual report in Woodsman at summary level
- Full disclosure, access and review of detail transactions by full board
 - a. Committee chairs approve expenditures prior to payment
 - b. All officers have access to U.S. Bank online and QBO
 - c. Quarterly report to Board with detail list of each expenditure item by general ledger account from QBO

Our migration away from paper invoices, paper checks and manual accounting evolved over a few years:

- Mar-2015 Migration to US Bank for better electronic banking options
- June 2015 Electronic deposit for dues and fees with desktop scanner
All utilities payment set up on Auto Pay
- July 2015 Credit Cards replace reimbursement checks for board member purchases
- Apr 2016 Online services for Tsheets (timekeeping) & Gusto (payroll/tax processing)
- Dec 2016 Dues payments online with PayPal
- Feb 2017 Migrate accounting to QuickBooks Online (QBO)
Link QBO transactions to US Bank for automatic cash
downloads and matching for deposits & disbursements
- Mar 2017 US Bank online Bill Pay replaces most remaining manual checks
- Dec 2017 Dues payments online changed from PayPal to QBO
- Jan 2019 Eliminate paper files for receipts.
Attach support documents to transactions.
Attach electronic invoice to QBO expense items.
Attach electronic receipt to QBO revenue items.
Attach electronic copy of merchant deposit to deposit in QBO Attach electronic bank statements
& bank reconciliations to transaction in bank services as of month end