



# **Accounting & Financial Policies and Procedures Manual**

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## **INTRODUCTION**

The following accounting manual is intended to provide an overview of the accounting policies and procedures for the Madera County Transportation Commission, which shall be referred to as “Commission” throughout this manual.

This manual shall document the financial operations of the Commission. Its primary purpose is to provide overall guidance, formalize accounting policies and selected procedures, and provide written policies to ensure that the Commission complies with financial management standards.

These financial management standards require accurate, current, and complete disclosure of the results of its financial activities in accordance with the reporting requirements of all grants and subgrants. Accounting records will be maintained to identify the sources and uses of funds which will include awards and authorizations, obligations, unobligated balances, assets, liabilities, expenditures, and income. Accounting records will be supported by source documentation such as paid bills, payrolls, time and attendance records, contract and subgrant awards and other appropriate documents.

It also documents internal controls. Effective control and accountability must be maintained for all cash, real and personal property, and other assets. Budgetary control will be maintained by the comparison of actual expenditures with budgeted amounts for each grant or subgrant. Financial information will be related to performance or productivity data whenever appropriate or specifically required in the grant agreement.

Applicable OMB cost principles and the funding terms and conditions will be followed by determining the reasonableness, allowability, and allocability of costs.

The contents of this manual were approved as official policy of the Commission by the Board of Directors. All Commission staff are bound by the policies herein and any deviation from established policy is prohibited unless prior authorization from the Executive Director is obtained. Financial procedures will be reviewed as deemed necessary by the Executive Director and/or the Fiscal Supervisor.

## GENERAL POLICIES

### **ORGANIZATIONAL STRUCTURE**

The Commission is organized into a Board of Directors supported by the [Transportation Policy Advisory Committee](#) and the Technical Advisory Committee. The Commission staff includes an Executive Director; a Deputy Director/Fiscal Supervisor; two Principal Planners; two Associate Regional Planners; an Administrative Analyst; and an Office Assistant. There is currently one standing committee -- the Social Services Transportation Advisory Council (SSTAC) which reports through the Technical Advisory Committee. The relationship between the Board, its staff, and the committees is illustrated in Figure 1 and discussed in more detail below.

The Commission Board of Directors is comprised of three (3) members from the Madera County Board of Supervisors; two (2) members from the Madera City Council; and one (1) member from the Chowchilla City Council. The members shall be appointed by the member agencies. Each member agency designates at least one alternate who shall be an elected member of the designated agency.

The [Transportation Policy Advisory Committee \(PACTPC\)](#) has the same membership as the Board with the addition of one (1) person representing the Caltrans District 06 Director. This committee reviews transportation plans and programs prior to action by the Commission, with particular attention to compliance with applicable state and federal planning and programming requirements.

The Technical Advisory Committee (TAC) includes the County of Madera, City of Madera, City of Chowchilla, and one representative from Caltrans District 06. The North Fork Mono Rancheria, Picayune Rancheria of Chukchansi Indians, and other tribal governments are also invited to participate in the monthly TAC meetings. The TAC reviews staff work conducted pursuant to the Overall Work Program; advises the Commission and [PACTPC](#) on transportation issues; and makes recommendations on planning and programming actions to be taken by the Commission. TAC review is generally focused upon the technical merits of various transportation issues coming before the Commission. Staff consults with tribal governments as it relates to transportation planning issues and initiates consultation with the tribal governments at the government to government level.

#### **The Role of Board of Directors**

The Commission is governed by its Board of Directors, which is responsible for the oversight of the Commission by:

1. Employment of the Executive Director
2. Establishing broad policies, including financial and personnel policies and procedures
3. Approving grant applications and amendments
4. Ongoing process of budget development, approval, and review
5. Reviewing and accepting the annual audit
6. Reviewing financial information
7. Identifying and proactively dealing with emerging issues and community needs
8. Reviewing the compensation of the Executive Director
9. Establishing and maintaining programs and systems designed to assure compliance with terms of contracts and grants
10. Reviewing operations and activities
11. Authorizing establishment of all bank accounts and check signers.

The Executive Director shall be responsible for the day-to-day oversight and management of the Commission. The primary responsibility for the Commission’s financial reporting, internal control, and management rests with management, as overseen by the Board of Directors.

**Documentation of Governing Board Meetings**

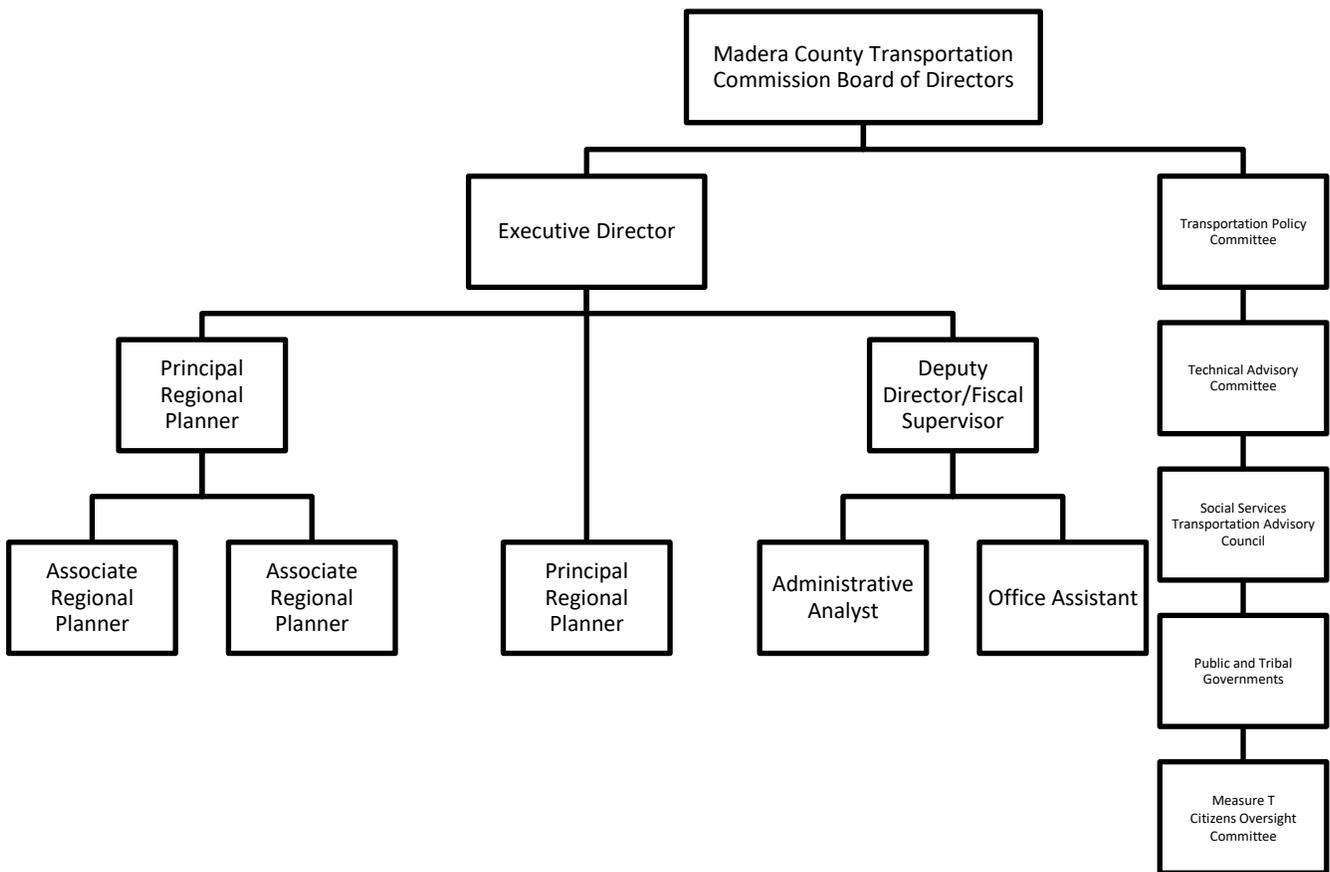
Accurate minutes of all meetings of the Board of Directors will be prepared and retained by the Office Assistant, following all the applicable guidelines and procedures for meetings of the Commission. The Executive Director will receive and review a copy of all minutes of the Board of Directors. The Fiscal Supervisor will note all items in the minutes relating to financial matters and take appropriate action.

**The Roles of the Executive Director and Staff**

The Board of Directors jointly hires the Executive Director who reports directly to the Board. The Executive Director has responsibility for the day-to-day operations and activities of the Commission, including financial management. The Executive Director is responsible for hiring and evaluating the Fiscal Supervisor.

Current job descriptions will be maintained for all employees, indicating duties and responsibilities. The lines of authority on the Commission Organizational Chart will be followed by all employees.

Organization Chart (Figure 1)



## **Responsibilities**

The primary responsibilities of the Fiscal Supervisor consist of:

- General ledger
- Budgeting
- Cash and investment management
- Asset management
- Grants and contracts administration
- Purchasing
- Accounts receivable and billing
- Cash receipts
- Accounts payable
- Cash disbursements
- Payroll and benefits
- Financial statement processing
- External reporting of financial information
- Bank reconciliation
- Reconciliation of subsidiary ledgers
- Compliance with government reporting requirements
- Annual audit
- Leases
- Insurance

## **Standards for Financial Management Systems**

**In accordance with 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards, the Commission maintains a financial management system that provides for the following. Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.**

1. Accurate, current, and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements of 2 CFR Part 200 and/or the award.
2. Records that identify adequately the source and application of funds for Federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.
3. Effective control over and accountability for all funds, property, and other assets. The Commission shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
4. Comparison of outlays with budget amounts for each award. Whenever possible, financial information shall be related to performance and unit cost data.
5. Written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
6. Accounting records including cost accounting records that are supported by source documentation.

## **BUSINESS CONDUCT**

### **Practice of Ethical Behavior**

The highest standards of ethical conduct are required of employees, officers, board members, consultants, and independent contractors in their performance and ~~their~~ Commission responsibilities. Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions.

An obligation exists to exercise honesty, objectivity, and diligence in the performance of duties and responsibilities for the Commission. Activities shall not be entered into which may be in conflict with the interests of the Commission or which would prejudice the ability of the office to objectively carry out its duties and responsibilities. Confidential and proprietary information shall not be used for personal gain or in a manner which would be detrimental to the interests of the Commission.

Each employee, officer, board member, consultant, and independent contractor must apply her/his own sense of personal ethics, which should extend beyond compliance with applicable laws and regulations in business situations, to govern behavior where no existing regulation provides a guideline. Each individual is responsible for applying common sense in business decisions where specific rules do not provide all the answers.

In determining compliance with this standard in specific situations, individuals should ask themselves the following questions:

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with Commission policy?
4. Am I sure my action does not appear inappropriate?
5. Am I sure that I would not be embarrassed or compromised if my action became known within the Commission or publicly?
6. Am I sure that my action meets my personal code of ethics and behavior?
7. Would I feel comfortable defending my actions on the 6 o'clock news?

Each individual should be able to answer "yes" to all of these questions before taking action.

The Executive Director is responsible for the ethical business behavior of her/his subordinates. The Executive Director must carefully weigh all courses of action suggested in ethical, as well as economic terms, and base their final decisions on the guidelines provided by this policy, as well as their personal sense of right and wrong.

### **Compliance with Laws, Regulations, and Commission Policies**

The Commission does not tolerate:

- The willful violation or circumvention of any federal, state, local, or foreign law by an employee during the course of that person's employment;
- The disregard or circumvention of Commission policy or engagement in unscrupulous dealings;

- The manipulation or disregard of policies or provisions to secure a benefit for friends and family members.

Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly forbidden.

The performance of all levels of employees will be measured against implementation of the provisions of these standards.

# CONFLICTS OF INTEREST

## Introduction

In the course of business, situations may arise in which a Commission decision-maker has a conflict of interest, or in which the process of making a decision may create an appearance of a conflict of interest.

All employees, officers, board members, policy members, and volunteers have an obligation to:

1. Avoid conflicts of interest, or the appearance of conflicts, between their personal interests and those of the Commission in dealing with outside entities or individuals,
2. Disclose real and apparent conflicts of interest to the Executive Director, and
3. Refrain from participation in any decisions on matters that involve a real conflict of interest or the appearance of a conflict.

## What Constitutes a Conflict of Interest?

No employee, officer, or board member of the Commission, whether paid or unpaid, shall engage in any business transactions, or shall have a financial interest, direct or indirect, which is incompatible with the proper discharge of their official capacity in the public interest or would tend to impair their independence of judgment or action in the performance of their official duties.

A conflict of interest arises when an employee, officer, or board member involved in making a decision is in the position to benefit, directly or indirectly, from his/her dealings with the Commission or person conducting business with the Commission.

Examples of conflicts of interest include, but are not limited to, situations in which an employee:

1. Negotiates or approves a contract, purchase, or lease on behalf of the Commission and has a direct or indirect interest in, or receives personal benefit from, the entity or individual providing the goods or services;
2. Negotiates or approves a contract, sale, or lease on behalf of the Commission and has a direct or indirect interest in, or receives personal benefit from, the entity or individual receiving the goods or services;
3. Employs or approves the employment of, or supervises a person who is an immediate family member of the director or employee;
4. Sells products or services in competition with the Commission;
5. Uses the Commission's facilities, other assets, employees, or other resources for personal gain;
6. Receives a gift from a vendor, if the employee is responsible for initiating or approving purchases from that vendor.

## **Disclosure Requirements**

An employee, officer, or board member who believes that he/she may be perceived as having a conflict of interest in a discussion or decision must disclose that conflict to the group making the decision. Most concerns about conflicts of interest may be resolved and appropriately addressed through prompt and complete disclosure.

The Commission requires the following:

1. On an annual basis, all members of the Board of Directors, the Caltrans representative, the Executive Director, the Fiscal Supervisor, and any other individual involved with approving expenditures shall complete Form 700, Report of Economic Interests.
2. Employees, officers, or board members of the Commission are required to notify the Executive Director of any financial conflict of interest that may arise in the course of carrying out assigned duties.
3. If a conflict arises during the year, the employee, officer, or board member will immediately notify the Executive Director who will determine appropriate resolution.

## **Resolution of Conflicts of Interest**

All real or apparent conflicts of interest shall be disclosed to the Board Chairperson or the Executive Director of the Commission. Conflicts shall be resolved as follows:

- The chair of the board shall be responsible for making all decisions concerning resolutions of the conflict involving the Executive Director or other board members.
- The Executive Director shall be responsible for making all decisions concerning resolutions of conflicts involving employees.

An employee, officer, or board member may appeal the decision that a conflict (or appearance of conflict) exists as follows:

- An appeal must be directed to the Board Chairperson.
- Appeals must be made within 30 days of the initial determination.
- Resolution of the appeal shall be made by vote of the full Board of Directors.
- Board members who are the subject of the appeal, or who have a conflict of interest with respect to the subject of the appeal, shall abstain from participating in, discussing, or voting on the resolution, unless their discussion is requested by the remaining members of the Board.

## **Disciplinary Action for Violations of this Policy**

Failure to comply with the standards contained in this policy will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the Commission or to the government, for any loss or damage resulting from the violation. As with all matters involving disciplinary action, principles of fairness will apply. Any employee, officer, or board member charged with a violation of this policy will be afforded an opportunity to explain her/his actions before disciplinary action is taken.

Disciplinary action will be taken:

1. Against any employee who authorizes or participates directly in actions that are a violation of this policy.
2. Against any employee who has deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of this policy.
3. Against any supervisor who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this policy.

A board member who violates this policy will be reported to his/her respective governing board for possible removal.

# **POLICY ON SUSPECTED MISCONDUCT**

## **Introduction**

This policy communicates the actions to be taken for suspected misconduct committed, encountered, or observed by employees.

Like all organizations, the Commission faces many risks associated with fraud, abuse, and other forms of misconduct. The impact of these acts, collectively referred to as misconduct throughout this policy, may include, but not be limited to:

- Financial losses and liabilities
- Loss of current and future revenue
- Negative publicity and damage to the Commission's good public image
- Loss of employees and difficulty in attracting new personnel
- Deterioration of employee morale
- Harm to relationships with vendors, bankers, and subcontractors
- Litigation and related costs of investigations, etc.

The Commission is committed to establishing and maintaining a work environment of the highest ethical standards. Achievement of this goal requires the cooperation and assistance of every employee at all levels of the Commission.

## **Definitions**

For purposes of this policy, misconduct includes, but is not limited to:

1. Actions that violate any Commission policies
2. Fraud (see below)
3. Forgery or alteration of checks, bank drafts, documents, or other records (including electronic records)
4. Destruction, alteration, mutilation, or concealment of any document or record with the intent to obstruct or influence an investigation, or potential investigation, carried out by a department or agency of the Federal government or by the Commission in connection with this policy
5. Disclosure to any external party of proprietary information or confidential personal information obtained in connection with employment with or service to the Commission
6. Unauthorized personal or other inappropriate (non-business) use of equipment, assets, services, personnel, or other resources
7. Acts that violate federal, state, or local laws or regulations
8. Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to the Commission.
9. Impropriety of the handling or reporting of money in financial transactions.

10. Failure to report known instances of misconduct in accordance with the reporting responsibilities described herein (including tolerance by supervisory employees of misconduct of subordinates).

Fraud is further defined to include, but not be limited to:

- Theft, embezzlement, or other misappropriation of assets (including assets of or intended for the Commission, as well as those of our clients, subcontractors, vendors, contractors, suppliers, and others with whom the Commission has a business relationship)
- Intentional misstatements in the Commission's records, including intentional misstatements of accounting records or financial statements
- Authorizing or receiving payment for goods not received or services not performed
- Authorizing or receiving payments for hours not worked
- Forgery or alteration of documents, including but not limited to checks, timesheets, contracts, purchase orders, receiving reports
- The manipulation or disregard of policies or provisions to secure a benefit for friends and family members.

The Commission prohibits each of the preceding acts of misconduct on the part of employees, officers, executives, volunteers, and others responsible for carrying out the Commission's activities.

### **Reporting Responsibilities**

Every employee, officer, board member, policy member, and volunteer is responsible for immediately reporting suspected misconduct to the Executive Director, or designee. When the Executive Director has received a report of suspected misconduct, he/she must immediately report such acts to the Board Chairperson.

### **Whistleblower Protection**

The Commission will consider any reprisal against a reporting individual an act of misconduct subject to disciplinary procedures. A "reporting individual" is one who, in good faith, reported a suspected act of misconduct in accordance with this policy, or provided to a law enforcement officer any truthful information relating to the commission or possible commission of a Federal offense.

### **Investigative Responsibilities**

Due to the sensitive nature of suspected misconduct, supervisors and managers should not, under any circumstances, perform any investigative procedures.

The Executive Director has the primary responsibility for investigating suspected misconduct involving any employees.

The Board of Directors has the primary responsibility for investigating suspected misconduct involving the Executive Director, as well as board members and officers.

Investigation into suspected misconduct will be performed without regard to the suspected individual's position, length of service, or relationship with the Commission.

In fulfilling its investigative responsibilities, the Executive Director and/or the Board shall have the authority to seek the advice and/or contract for the services of outside firms, including but not limited to law firms, CPA firms, forensic accountants, and investigators, etc.

Members of the investigative team (as authorized by the Board) shall have free and unrestricted access to all Commission records and premises, whether owned or rented, at all times. They shall also have the authority to examine, copy, and remove all or any portion of the contents (in paper or electronic form) of filing cabinets, storage facilities, desks, credenzas, and computers without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of an investigation into suspected misconduct or related follow-up procedures.

The existence, the status, or results of investigations into suspected misconduct shall not be disclosed or discussed with any individual other than those with a legitimate need to know in order to perform their duties and fulfill their responsibilities effectively.

### **Protection of Records – Federal Matters**

The Commission prohibits the knowing destruction, alteration, mutilation, or concealment of any record, document, or tangible object with the intent to obstruct or influence the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States government, or in relation to or contemplation of any such matter or case.

Employees that are in violation of this policy will be subject to the investigative, reporting, and disclosure procedures described earlier in this Policy on Suspected Misconduct.

### **Disciplinary Action**

Based on the results of investigations into allegations of misconduct, disciplinary action may be taken against violators. Disciplinary action shall be by the Executive Director. The seriousness of misconduct will be considered in determining appropriate disciplinary action, which may include:

- Reprimand
- Probation
- Demotion
- Termination
- Reimbursement of losses or damages
- Referral for criminal prosecution or civil action

This listing of possible disciplinary actions is for information purposes only and does not bind the Commission to follow any particular policy or procedure.

### **Confidentiality**

The Executive Director will treat all information received confidentially. Any employee, officer, or board member who suspects dishonest or fraudulent activity will notify the Executive Director immediately and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see “Investigative Responsibilities” section above).

Great care must be taken in the investigation of suspected improprieties or irregularities to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Commission from potential civil liability.

Any employee, officer, board member, policy member, or volunteer who discovers or suspects fraudulent activity may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other inquirer should be directed to the Board or legal counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Commission's legal counsel or the Board.

#### **Disclosure to Outside Parties**

Allegations of and information related to allegations of suspected misconduct shall not be disclosed to third parties except under the provisions described in this policy (such as disclosure to outside investigators hired by the Commission to aid in an investigation).

However, all known frauds involving the Executive Director or members of the Board of Directors, as well as all material frauds involving employees below the senior management level, shall be disclosed to the Commission's external auditors.

## SECURITY

The Commission's blank check stock shall be stored in a locked file cabinet in the Commission office ~~of the Office Assistant~~. Access to this cabinet shall be by keys in the possession of the Administrative Analyst and Office Assistant.

Petty cash is stored in a drawer locked with a key. The Office Assistant and the Administrative Analyst will be the only employees with keys to the petty cash drawer.

### **Access to Electronically Stored Accounting Data**

The Commission utilizes passwords to restrict access to accounting software and data. Only duly authorized personnel with data input responsibilities will be assigned passwords that allow access to the system.

Accounting personnel are expected to keep their passwords secret and to change their passwords as necessary. Administration of passwords shall be performed by a responsible individual independent of programming functions.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties.

### **Storage of Back-Up Files**

The Commission maintains back-up copies of electronic data files in a secure fire-safe environment. Access to back-up files shall be limited to individuals authorized by management. Multiple copies of backup media are recommended so as to not overwrite the most recent backup.

The Commission should have a regularly scheduled test of its capability to restore from backup media.

### **Storage of Sensitive Data**

In addition to accounting and financial data, other sensitive data, such as social security numbers of employees or clients, etc. may be stored in areas. Therefore, the Commission:

1. Minimizes the storage of sensitive data outside the secure accounting file cabinet by shredding documents with such data or deleting the sensitive data from documents that are stored outside the accounting file cabinet whenever possible; and
2. Requires that all sensitive data that is stored in areas other than the accounting file cabinet be secured in locked filing cabinets.

Further, the Commission restricts access to sensitive data to Commission employees only (no temporary workers or contractors) and only to employees with a legitimate need for such access. The Commission also requires employees to claim print jobs which contain sensitive information immediately upon printing.

## **GENERAL LEDGER AND CHART OF ACCOUNTS**

The general ledger is the collection of all asset, liability, net assets, revenue, and expense accounts. It is used to accumulate all financial transactions and is supported by subsidiary ledgers that provide details for certain accounts. The general ledger is the foundation for the accumulation of data and production of reports. The Commission will utilize a double entry system of accounting for all funds so that information can be provided by cost objectives.

### **Chart of Accounts Overview**

The chart of accounts is the framework for the general ledger system and the basis for the accounting system. The chart of accounts consists of account titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense, and gain and loss account.

The Commission's chart of accounts is comprised of four types of accounts:

1. Assets
2. Liabilities
3. Revenues
4. Expenses

### **Distribution of Chart of Accounts**

All Commission employees involved with account coding or budgetary responsibilities will be issued a current chart of accounts. As the chart of accounts is revised, an updated copy of the chart of accounts shall be promptly distributed to these individuals.

### **Control of Chart of Accounts**

The Fiscal Supervisor monitors and controls the chart of accounts, including all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the Fiscal Supervisor, who ensures that the chart of accounts is consistent with the Commission's structure and meets the needs of the Commission.

### **Account Definitions**

#### **Assets**

Assets are probable future economic benefits obtained or controlled by the Commission as a result of past transactions or events. Assets are classified as current assets, fixed assets, contra-assets, and other assets.

Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.

Fixed assets (property and equipment) are tangible assets with a useful life of more than one year that are acquired for use in the operation of the Commission and are not held for resale.

Contra-assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable.

Other assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property, and long-term investments.

## **Liabilities**

Liabilities are probable future sacrifices of economic benefits arising from present obligations of the Commission to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities are classified as current or long-term.

Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, short-term notes payable, and deferred revenue.

Long-Term Liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example is the non-current portion of a mortgage loan.

## **Revenues**

Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute a Commission's ongoing major or central operations. Revenues include grants received from government agencies, private foundations and corporations, and contributions received from donors.

Gains are increases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the Commission except those that result from revenues.

Losses are decreases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the Commission except those that result from expenses.

Gains or losses occur when the Commission sells a fixed asset or writes off as worthless a fixed asset with remaining book value.

### **Expenses**

Expenses are outflows or other activities using assets, or incurrences of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute the Commission's ongoing major or central operations.

### **Fiscal Year of Commission**

The Commission shall operate on a fiscal year that begins on July 1 and ends on June 30. Any changes to the fiscal year of the Commission must be ratified by majority vote of the Commission's Board of Directors.

### **Accounting Estimates**

The Commission utilizes numerous estimates in the preparation of its interim and annual financial statements. Some of those estimates include:

1. Useful lives of property and equipment
2. Fair market values of investments
3. Joint cost allocations
4. Allocations of certain indirect costs
5. Allocations of time/salaries

The Fiscal Supervisor will reassess, review, and approve all estimates yearly. All key conclusions, bases, and other elements associated with each accounting estimate shall be documented in writing. All material estimates, and changes in estimates from one year to the next, shall be disclosed to the external audit firm.

### **Journal Entries**

All general ledger entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, including an explanation of each such entry. Examples of such journal entries are:

1. Recording of noncash transactions

2. Corrections of posting errors
3. Nonrecurring accruals of income and expenses

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Depreciation of fixed assets
2. Amortization of prepaid expenses
3. Accruals of recurring expenses
4. Amortization of deferred revenue

Recurring journal entries shall be supported by a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, a journal voucher.

## POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

### REVENUE

#### Revenue Recognition Policies

The Commission receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements in the following manner:

1. **Grant income** - Quarterly accrual based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards).
2. **Tax revenue income** – Yearly accrual based on incurrence of allowable costs (for cost-reimbursement awards)

Revenue may be recorded on the cash basis of accounting (i.e., recorded as revenue when received) as deemed appropriate by the Fiscal Supervisor and adjusted on the Commission's fiscal year end or the grant year end, as applicable.

## ADMINISTRATION OF AWARDS

### Definitions

The Commission may receive financial assistance from a grantor agency through the following types of agreements:

**Grant:** A financial assistance award given to the Commission to carry out its programmatic purpose.

**Contract:** A mutually binding legal agreement where the Commission agrees to provide services and the funder agrees to pay for them.

**Cooperative Agreement:** A legal agreement where the Commission implements a program with the direct involvement of the funder.

### Compliance with Laws, Regulations, and Provisions of Awards

The Commission recognizes that as a recipient of grant and public funds, the Commission is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. To ensure that the Commission meets this responsibility, the following policies apply with respect to every grant or contract received directly or indirectly from an agency:

1. For each grant award, the Executive Director will be responsible for administering the award.
3. The Executive Director or designee shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
  - a. Read each award and understand the key compliance requirements and references to specific laws and regulations.
  - b. Review the section of the Catalog of Federal Domestic Assistance (CFDA) applicable to the award.
  - c. The Executive Director will communicate grant requirements to those who will be responsible for carrying them out or impacted by them.
5. The Fiscal Supervisor shall identify and communicate any special changes in policies and procedures necessitated by Federal awards as a result of the review of each award.
6. The Fiscal Supervisor shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to the appropriate cost principles regulations, and communications with the awarding agency personnel.
7. The Fiscal Supervisor shall inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants. The Fiscal Supervisor shall also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

### **Close Out of Federal and Non-Federal Awards**

The Commission shall follow the close out procedures described in 2 CFR Part 200 and in the grant agreements as specified by the granting agency. The Commission and all subrecipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement, unless prior approval is received from the granting agency, or other specified time period for non-federal grant awards.

## **BILLING/INVOICING POLICIES**

### **Overview**

The Commission's primary sources of revenue are:

- Reimbursement grants – billed quarterly, or as funders require, based on allowed, incurred expenses
- Tax revenues – received according to the specific tax ordinance and guidelines

### **Responsibilities for Billing and Collection**

The Commission's Fiscal Supervisor is responsible for the invoicing of funding sources and the collection of outstanding receivables. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections.)

### **Billing and Financial Reporting**

The Commission strives to provide management, staff, and funding sources with timely and accurate financial reports applicable to all awards. These reports include quarterly and cumulative expenditures, a project budget, and a balance remaining column.

The Commission shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of the Fiscal Supervisor.

The following policies shall apply to the preparation and submission of billings to agencies under awards made to the Commission:

1. The Commission will request reimbursement after expenditures have been ~~incurred, unless~~ incurred unless an award specifies another method.
2. Labor costs billed on invoices are reflective of the labor hours worked for the same period and fiscal year.
3. Each award normally specifies a particular billing cycle. Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
4. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts, with the exception of the indirect cost allocation which may not be posted as of that point in time.
5. All financial reports required by each award will be prepared and filed on a timely basis. To the extent the Commission's year-end audit results in adjustments to amounts previously reported to agencies, revised reports shall be prepared and filed in accordance with the terms of each award.

The Commission shall maintain separate billing records in addition to the official general ledger accounting records. Billing records shall be reconciled to the general ledger on a periodic basis.

At the time invoices (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded on the books of the Commission by the Fiscal Supervisor.

If an award authorizes the payment of cash advances to the Commission, the Fiscal Supervisor may require that a request for such an advance be made. Upon receipt of a cash advance, the Commission shall reflect deferred revenue equal to the advance. As part of the periodic invoicing process, the deferred revenue shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period.

### **Accounts Receivable Entry Policies**

Individuals independent of the cash receipts function shall post customer invoices, credit adjustments, and other adjustments to the accounts receivable subsidiary ledger.

## CASH RECEIPTS

### Overview

Cash (including checks payable to the Commission) is the most liquid asset the Commission has. Therefore, it is the objective of the Commission to establish and follow the strongest possible internal controls in this area.

### Processing of Checks and Cash Received in the Mail

The following procedures will be followed:

- All cash and checks received by mail shall be forwarded to the Fiscal Supervisor, who will record the cash receipts ~~in triplicate~~ on the County of Madera – Deposit Permit form.
- In the event that the Fiscal Supervisor is absent or on leave, the Office Assistant or Administrative Analyst will record the cash receipts.
- After the Deposit Permit form is completed, staff will coordinate with the County Auditor-Controller's Office to receive a cash receipts batch proof.
- The deposit permit and batch proof, with accompanying checks, ~~is prepared and are~~ taken to the County Treasurer within 24 hours of receipt or as soon as reasonably possible.
- The Fiscal Supervisor will record the deposit on the proper general ledger.

### Timeliness of Bank Deposits

Bank deposits will be made on a daily basis, unless the total amount received for deposit is less than \$10,000. In no event shall deposits be made less frequently than weekly.

## **GRANTS RECEIVABLE MANAGEMENT**

### **Monitoring and Recognition**

The Commission records grants receivable and income as follows:

1. Upon billing the granting agency, grants receivable and grants revenue will be recorded. If a cash advance is received, the deferred revenues will be reduced and grants revenues will be recognized in an amount equal to the expenses incurred for that period.
2. During the year, when cash is received for expenses incurred, the grants receivable is reduced.
3. In order to comply with GAAP requirements, at the end of the fiscal year, the remaining deferred amount will offset the remaining receivable, and advance will be recorded as deferred revenue.

## **POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS**

### **PURCHASING POLICIES AND PROCEDURES**

**Please refer to the Commission's Procurement Policies and Procedure Manual for specific purchasing and procurement policies and procedures.**

## **POLITICAL INTERVENTION**

### **Prohibited Expenditures**

Consistent with its agreements and government codes, the Commission shall not incur any expenditure for political intervention. For purposes of this policy, political intervention shall be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the Federal, state, or local level. Examples of prohibited political expenditures include, but are not limited to, the following:

1. Contributions to political action committees
2. Contributions to the campaigns of individual candidates for public office
3. Contributions to political parties
4. Expenditures to produce printed materials (including materials in periodicals) that support or oppose candidates for public office
5. Expenditures for the placement of political advertisements in periodicals

### **Endorsements of Candidates**

The Commission will not endorse any candidates for public office in any manner, either verbally or in writing. This policy extends to the actions of management and other representatives of the Commission, when these individuals are acting on behalf of, or are otherwise representing, the Commission.

### **Prohibited Use of Commission Assets and Resources**

No assets or human resources of the Commission shall be utilized for political activities, as defined above. This prohibition extends to the use of Commission assets or human resources in support of political activities that are engaged in personally by board members, members of management, employees, or any other representatives of the Commission. An employee shall not, directly or indirectly, solicit or receive political funds or contributions, knowingly, from other officers or employees of the Commission or from persons on the employment lists of the Commission during working hours. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing the Commission), these individuals must at all times be aware that Commission resources cannot at any time be utilized in support of political activities.

Partisan political activity of any kind during working hours is strictly prohibited. However, participation on a school board, or similar non-partisan community board is encouraged and will not be considered in violation of Commission policies.

Employment may not be offered as a consideration or reward for the support or defeat of any political party or candidate for public office.

## LOBBYING

The Commission must comply with all Federal statutes relating to lobbying activities.

What is lobbying?

A lobby activity is any contact with an executive or legislative official with regard to governmental policy, action, legislation, programs including negotiation and administration of grants, contracts and loans. It includes urging others to make governmental contacts. Lobbying does **not** include:

- Broad discussion of social, economic, and other policy issues (cannot address merits of specific legislation.)
- Monitoring legislative, regulatory, or other activities (unless part of another lobby activity).
- Responding to a request from an executive agency or legislature for information, advice, recommendations, or comment.

As required by Section 1352, Title 31 of the U.S. Code, and implemented as 34 CFR Part 82, when entering into a grant or cooperative agreement over \$100,000, as defined at 34 CFR Part 82, Section 82.105 and 82.10, the Commission is required to certify that:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of the Commission, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the making of any Federal grant, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal grant or cooperative agreement;
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an office or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with a federal grant or cooperative agreement, the Commission is required to complete and submit a Disclosure of Lobbying Activities form.
3. The Commission shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subgrants, contracts, under grants and cooperative agreements, and subcontracts) and that all subrecipients shall certify and disclose accordingly.
4. In addition, Commission staff involved in Lobbying Activities with non-Federal funds is required to complete a Lobbying Activity Log and submit it.

## **CHARGING OF COSTS TO FEDERAL AWARDS**

### **Overview**

The Commission charges costs that are reasonable, allowable, and allocable to an award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to any awards.

### **Segregating Unallowable from Allowable Costs**

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Accounting personnel shall be familiar with the allowability of costs provisions of 2 CFR Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards," particularly:
  - a. The list of specifically unallowable costs found in Subpart E, such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.
  - b. Those costs requiring advance approval from Federal agencies in order to be allowable in accordance with Subpart E, such as foreign travel, equipment purchases, etc.
3. No costs shall be charged directly to any award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR Part 200.
4. For each award, an appropriate set of general ledger accounts (or account segments) shall be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to an award or to activity associated with an award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e., if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit).

### **Criteria for Allowability**

All costs must meet the following criteria from 2 CFR Part 200, Subpart E, in order to be treated as allowable direct or indirect costs under an award:

1. The cost must be "reasonable" for the performance of the award, considering the following factors:
  - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the Commission or the performance of the award;

- b. Restraints imposed by such factors as generally accepted sound business practices, arm's length bargaining, federal and state laws and regulations, and the terms and conditions of the award;
  - c. Whether the individuals concerned acted with prudence in the circumstances;
  - d. Consistency with established policies and procedures of the Commission, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be "allocable" to an award by meeting one of the following criteria:
  - a. The cost is incurred specifically for an award;
  - b. The cost benefits both the award and other work, and can be distributed in reasonable proportion to the benefits received; or
  - c. The cost is necessary to the overall operation of the Commission, except where a direct relationship to any particular program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions of 2 CFR Part 200 or the award itself. 2 CFR Part 200 is included as a reference.
4. Treatment of costs must be consistent with policies and procedures that apply to both financed activities and other activities of the Commission.
5. Costs must be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles.
7. Costs may not be included as a cost of any other financed program in the current or prior periods.
8. The cost must be adequately documented.

### **Direct Costs**

Direct costs are costs that are incurred/performed primarily as a service to clients or the general public, when significant and necessary to the organization's mission. These costs are generally incurred for a specific objective and can be easily identified with a particular project (fund/contract) or activity. The Commission identifies and charges these costs exclusively to each award or program receiving the benefit.

Each invoice shall be coded with the appropriate account reflecting which program received direct benefit from the expenditure. Direct costs may be allocated as either program expenses or program coordination (administration). Invoices are approved by the appropriate project manager and reviewed by the Fiscal Supervisor.

Time sheets or personnel activity reports are also submitted on a regular basis, reflecting employees' work and which programs directly benefited from their effort. Time sheets or personnel activity reports shall serve as the basis for charging salaries directly to Federal awards and non-Federal functions. See the Payroll section of this manual for detailed procedures.

Equipment purchased for exclusive use on an award and reimbursed by an agency shall be accounted for as a direct cost of that award (i.e., such equipment shall not be capitalized and depreciated).

### **Indirect Costs**

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular grant or program but are necessary to the operation of the organization. Indirect costs may be allocated to benefiting grants through the use of an indirect cost rate.

### **Indirect Cost Rate**

The Commission maintains an annual indirect cost proposal. Each year a new indirect cost proposal is prepared and submitted with documentation to Caltrans, Division of External Audits, for approval. The indirect cost rate approved is used when determining the overhead applied to each Federal award.

Examples of the types of expenditures normally included in the indirect cost pool are:

1. General administration
2. Salaries and benefits of the executive officers, fiscal, human resources, and administrative personnel
3. Depreciation of equipment and buildings
4. Office rent and maintenance
5. General office repairs and maintenance

These rates are submitted to the Commission's Cognizant Agency and will be binding on all other Federal agencies and their contracting officers unless specifically prohibited by statute.

The following costs are unallowable as part of the indirect cost base (administrative cost center):

- Interest
- Equipment of \$5,000 and greater except with prior approval
- Building improvements
- Building renovations

Compensation for the use of buildings and other equipment may be made through use allowances or depreciation.

### **Accounting for Specific Elements of Cost**

The Commission shall utilize the following methods of charging specific elements of cost to Federal awards as direct or indirect costs:

**Salaries and Wages** – Salaries and wages shall be charged directly and indirectly based on the functions performed by each employee, as documented on each employee's timesheet (or personnel activity sheet), as follows:

*Direct costs* – The majority of the employees of the Commission charge their time directly since their work is specifically identifiable to specific grants or other (non-Federal) programs or functions of the Commission.

*Mixed charges* – The following employees may charge their salary costs to both direct and indirect activities:

Executive Director  
Deputy Director/Fiscal Supervisor

Principal Regional Planner  
Senior Regional Planner  
Associate Regional Planner  
Administrative Analyst  
Office Assistant

Compensated absences (vacation leave earned, sick leave used, and holiday pay) are considered part of salary costs. The costs associated with compensated absences will be recorded as a direct or indirect cost in the same manner that salary costs are recorded.

**Employee Benefits** – The Commission incurs costs for the following statutory and non-statutory employee benefits:

- FICA
- Unemployment insurance
- Worker’s compensation
- Health insurance
- Contributions to retirement plan
- Accrued vacation fringe

The Commission will charge each such benefit cost directly and indirectly in the same proportion as each individual’s salaries and wages.

**Occupancy Expenses** – Monthly rent expense and related pass-through expenses shall be allocated indirectly.

**Utilities** – Utilities costs include electricity and water. Such utilities costs shall be charged indirectly.

**Supplies and Materials** – To the maximum extent possible, office supplies and materials are charged directly to the grant or program/function that uses the supplies or materials. All supplies and materials used by staff that is engaged in indirect activities shall be charged indirectly.

**Postage and Shipping** – To the maximum extent possible, postage and shipping costs shall be charged directly to the grant or program/function that benefits from the postage or shipping costs.

**Photocopying and Printing** – Photocopying costs include all paper and copy supplies, copier maintenance charges and the actual lease cost or depreciation expense of the copier. Photocopying costs shall be charged directly and indirectly based on the activity.

All printing costs are charged directly to the benefiting grant or program/function.

**Communications** – Communication costs include the costs of local telephone service and long-distance telephone charges, including charges associated with telephone calls, facsimile transmissions, and Internet connections. Local telephone service costs are charged indirectly.

**Outside Services** – The Commission incurs outside service costs for its annual audit, legal fees, etc. Outside service costs shall be charged as follows:

*Audit fees* – Cost of the financial statement audit and any preparation applicable reports shall be charged as a direct cost or an indirect cost.

*Legal fees* – Legal fees shall be charged directly to the program/work element that benefits from the services. Legal fees that are not identifiable with specific direct grants or work elements shall be charged indirectly.

*Consultants* – Costs associated with consultants shall be charged directly to the program/work element that benefits from the services. Fees that are not identifiable with specific direct grants or work elements shall be charged indirectly.

***Insurance*** – To the extent that insurance premiums are associated with insurance coverage for specific grants or programs, those premium costs shall be charged directly. All insurance costs that are not identifiable with specific direct grants or work elements (such as the Commission’s general liability coverage) shall be charged indirectly.

***Credits*** – The applicable portion of any credits resulting from cash discounts, volume discounts, refunds, write-off of stale outstanding checks, trade-ins, scrap sales or similar credits shall be credited directly or indirectly in the same manner as the purchase that resulted in the credit.

The above costs are typical examples of other expenses which may be used as a guide.

# ACCOUNTS PAYABLE MANAGEMENT

## Overview

The Commission strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation. The following are general policies for accounts payable:

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the vendor invoice for the related goods or services.
- The vendor invoice should be supported by an approved purchase order, where necessary, and should be reviewed and approved by the Fiscal Supervisor prior to being processed for payment.
- Invoices and related general ledger account codes are reviewed prior to posting to the accounting system.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized
2. Invoices are processed in a timely manner
3. Vendor credit terms and operating cash are managed for maximum benefits

## Recording of Accounts Payable

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

Accounts payable are processed twice a month, or more if necessary. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment.

## Accounts Payable Cut-Off

In order to ensure that expenditures are charged to the proper grant period, if the invoice pertains to goods or services of a particular grant or contract that has ended, this time period may be extended up to ninety days. At the Commission's June 30 fiscal year end, this time frame is extended for sixty days to appropriately record all the Commission's expenditures and accounts payable liabilities.

## Completed Purchase Orders

Payments for merchandise or services can be processed without a check request if the invoice does not exceed the purchase order by submitting the following documents and Fiscal Supervisor approved the purchase requisition initially:

1. Vendor invoice copy, signed and dated with the expenditure account number and description, if needed. Also include the purchase order number is not on the invoice copy.

2. Packing slip (where appropriate), signed, and dated
3. Receiving report (or other indication of receipt of merchandise and authorization of acceptance)
4. Any other supporting documentation deemed appropriate

### **Occupancy Cost Procedures**

Ongoing month-to-month services for occupancy costs such as rent, utilities, phone service, garbage disposal, alarm service, etc. will be reviewed by the Fiscal Supervisor.

Rent will be paid based on the current lease contract agreement. It is the responsibility of the Fiscal Supervisor or designee to maintain up-to-date agreements for all merchandise or services provided by contractual arrangements.

### **Processing of Accounts Payable**

The following procedures shall be applied by the Office Assistant or Administrative Analyst:

1. Check the mathematical accuracy of the vendor invoice.
2. Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, packing slip and receiving report.
3. Document the general ledger distribution, using the Commission's current chart of accounts.
4. Verify the proper accounting period, budget, allowability, allocability, and reasonableness.
5. Obtain the review and approval of the Fiscal Supervisor associated with the goods or services purchased.

### **Payment Discounts**

To the extent practical, the Commission takes advantage of all prompt payment discounts offered by vendors. When such discounts are available, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

### **Late Payment Fees, Penalties and Fines**

In the unlikely event that the Commission is assessed any late payment fees, penalties, or fines, those are unallowable costs under 2 CFR Part 200 except when incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency. The Fiscal Supervisor should first request that the vendor or imposing agency waive the fees, penalties or fines. If not waived, those costs should be charged to the unallowable cost fund and not any grant funds.

### **Employee Expense Reports**

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form (see further policies under "Travel and Business Entertainment"). All required receipts must be attached, and a brief description of the business purpose of trip or meeting must be noted on the form. Expense reports will be processed for payment in the next vendor payment cycle. The Executive Director's expense reports must be approved by the Fiscal Supervisor.

### **Reconciliation of A/P Subsidiary Ledger to General Ledger**

Periodically, the total amount due to vendors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general ledger account (control account). All differences are investigated and adjustments are made as necessary. The reconciliation and the results of the investigation of differences are reviewed and approved by the Fiscal Supervisor.

On a monthly basis, the Office Assistant or Administrative Analyst shall perform the following procedures:

1. Check all statements received for unprocessed invoices.
2. Check the purchase order file for open purchase orders more than 60 days old and follow up.

#### **Management of Accounts Payable Vendor Master File**

Upon the receipt of an invoice from a new vendor that is not already in the Commission's Accounts Payable Vendor Master File, the Office Assistant or Administrative Analyst shall mail (or email) a Form W-9 and a request for completion of the Form W-9, including the vendor's full address and Federal employer identification number.

For vendors that will be paid a total of \$500 or less during the Commission's fiscal year, the vendor file data may be limited to the vendor name and address. However, for all vendors to be paid more than \$600 during a fiscal year, the file should include all of the following data:

1. Vendor's legal name and any DBA name(s)
2. Street address (payments may be mailed to a P.O. Box, but a street address should be in the file)
3. Federal employer identification number
4. Telephone number

## **TRAVEL AND BUSINESS ENTERTAINMENT**

### **Travel Authorization**

Travel for Commission staff and board members must be authorized. All ordinary travel by Commission staff, as authorized by the MCTC Policy Board's approval of the Overall Work Program, is considered to be preauthorized upon assignment of related work tasks. (Ordinary travel is defined as all travel to locations that are routine or frequently visited in carrying out one's assigned work tasks, typically day travel.) Overnight travel is not considered ordinary travel and requires written approval of the Executive Director.

Travelers should verify that planned travel is eligible for reimbursement before making travel arrangements and submit a meeting or travel authorization for prepaid expenses. A copy of any authorization, if applicable, or the registration form or circular should be attached to the travel request.

A traveler may not approve his/her own travel and/or reimbursement. Authorizing signatures include the Executive Director, or designee in his/her absence.

Travel authorization and/or reimbursement for the Executive Director must be approved by the Fiscal Supervisor.

All requests for reimbursement must be reviewed for reasonableness. Authorizations should not be approved on any request if there is reason to believe that the expenditures are inappropriate or extravagant.

### **Personal Funds**

Travelers should review guidelines in the Commission's Financial Procedures Manual before spending personal funds for business travel to determine if such expenses are reimbursable. The Commission reserves the right to deny reimbursement of travel related expenses for failure to comply with Commission policies and procedures.

Commission employees are strongly encouraged not to use personal funds to pay any travel expenses on behalf of prospective staff or board members. Travelers who use personal funds to facilitate travel arrangements will not be reimbursed until after the trip occurs and review of the expenditures has been completed by the Fiscal Supervisor or his/her designee.

### **Travel Incentives**

Commission travelers may accrue frequent flyer/rider miles for Commission related travel. In accordance with this policy, any accrued miles must be used for Commission related business travel. Frequent flyer/rider miles cannot be used to upgrade tickets to first-class. Accrual of hotel points, rental car company enticements, and other inducements in connection with Commission related travel are prohibited.

## **Special Travel Circumstances**

***Sponsored Projects and Grant Travel*** - Travel funded through sponsored projects or grants is subject to federal/state regulations and/or the terms and conditions of the contract agreement. All such travel arrangements must be coordinated through the Office Assistant and approved by the Executive Director.

***Personal Travel*** – Travelers may combine personal travel with Commission travel as long as the official trip serves a valid and authorized Commission purpose. The basic rule is that the traveler pays any and all additional costs of the personal portions. The traveler also has full responsibility and liability for any events that occur during personal portions of the trip. If personal travel occurs during normal work hours/schedule, the traveler must identify such time as vacation, administrative leave time, or time off without pay on his/her payroll timesheet. In addition, if the traveler changes his/her original travel itinerary, the Executive Director must be notified and the traveler must receive authorization.

***Board Member Travel*** – Board members traveling on behalf of the Commission and incurring reimbursable expenses shall adhere to these policies.

***Consultants*** – Consultants are responsible for their own travel itinerary. Travel cost associated with consultant's service must be defined in the consultant's contract language prior to releasing funds.

## **Travel Advances**

For expenditures other than those associated with air travel, funds will be advanced for upcoming travel only upon receipt of a completed and properly approved meeting or travel authorization and request for travel advance and for a minimum amount of \$50. Otherwise travel will be reimbursed after travel is completed. Travel advances are to be used only for the purpose intended. Travel expenses are to be made in accordance with the Commission's travel policies as explained later in this section.

Employees receiving travel advances are required to sign for the advance signifying their acknowledgement of, and agreement to, these policies. Employees receiving travel advances must submit an expense report within seven (7) days of returning from travel. Any outstanding advances may be deducted from an employee's next paycheck.

## **Commercial Air Travel**

Commercial air travel expense is ~~on the basis of~~based on the actual cost incurred by the traveler using normally traveled routes. All business travel will be at the most economical class of service. Prior to booking travel, the traveler should conduct an on-line search to ensure the Commission receives the most cost-effective fares.

Air carrier selection cannot be biased by any traveler's frequent flyer affiliation. The lowest cost air travel will take precedence over frequent flyer programs. Frequent flyer bonuses will be retained by the Commission.

Often a significant savings on air fare will result from booking a flight with a Saturday stay-over. Many conferences and meetings commence on Sunday or Monday to take advantage of this factor. It is the Commission's policy to authorize Saturday stay-over to the extent that resulting savings in airfare are greater than the additional costs incurred for hotel, car rental, etc.

The Commission will issue payment for commercial air travel. Any personal travel causing an increase in the airfare will be reimbursed to the Commission by the traveler at the time the reservation is made.

### **Vehicle Usage**

When an employee is required to travel to attend a conference, training, or meeting for Commission purposes, and the form of transportation is an automobile, the employee may be required to use a rental car, at Commission expense, instead of his/her personal vehicle.

**Car Rental** – Travelers may rent vehicles when other transportation is not available or when such use will result in saving of cost and time. Travelers are encouraged to choose compact or mid-sized cars whenever possible. However, promotional rates may offer greater savings. Travelers should seek the best rental rate available at the time of booking. Employees required to rent without prior reservations should always request the best currently available rate.

**Personal Vehicle** – Travel by personal vehicle may be desirable to save time, to transport equipment or to reduce costs when a number of persons are traveling to the same destination together. The current mileage reimbursement rate, commensurate with the IRS mileage rate, is issued annually by the Commission’s Fiscal Supervisor. This rate is intended to cover all transportation and operating costs including auto insurance. Personal vehicles may not be used for Commission business unless verification of insurance is on file and supports adequate coverage. Employees’ insurance coverage must meet the State of California’s minimum liability coverage.

Employees requesting reimbursement should use a travel form and should include the following:

- Name and position
- Date
- Purpose of trip
- Starting point
- Destination
- Number of Miles
- Calculation of the reimbursable amount

The Commission reimburses from the point of business activity (home, work, sub office) to the location of business of the Commission. Mileage must be reasonable to the distance noted or standard mileage chart. Any significant differences should be supported with an explanation. Mileage is paid either from the employee’s residence or normal work site, whichever is the shortest.

**Local Transportation** – Cost of public transportation, airport buses/shuttles and limousines including taxis are acceptable for services to and from airports and railroad stations, between appointments, and between hotels and meeting locations. Advancement of funds will be made, if possible, with documentation of estimated costs. However receipts are required and must be submitted within seven days upon completion of travel. If receipts are not turned in, the advanced funds must be returned to the Commission.

## Lodging

Short-term Travel – Employees who incur overnight lodging expenses at a commercial lodging establishment catering to short-term travelers, such as a hotel, motel, bed and breakfast, public campground, etc. must provide a receipt to claim reimbursement. No reimbursement will be paid without a receipt. The rate of reimbursement is as follows:

All California counties not listed below	Actual expense up to \$90 per night, plus tax
Napa, Riverside, and Sacramento counties	Actual expense up to \$95 per night, plus tax
Marin County	Actual expense up to \$110 per night, plus tax
Los Angeles, Orange, and Ventura counties, excluding the city of Santa Monica	Actual expense up to \$120 per night, plus tax
Monterey and San Diego counties	Actual expense up to \$125 per night, plus tax
Alameda, San Mateo, and Santa Clara counties	Actual expense up to \$140 per night, plus tax
City of Santa Monica	Actual expense up to \$150 per night, plus tax
San Francisco County	Actual expense up to \$250 per night, plus tax

The Commission will pay by credit card for lodging cost. When a reservation is booked for an employee who is not a Commission credit card holder and the Commission credit card will be used, a credit card authorization form must be requested from the hotel, completed and faxed to the hotel prior to the arrival date. Reimbursement will not be made for employees staying with friends or relatives.

If an employee wishes to incur lodging costs greater than the above listed reimbursement rates, prior approval must be obtained from the Executive Director, and the Fiscal Supervisor must be notified to ensure that all costs above the listed reimbursement rates will be charged to local funds.

## Meals

Travelers will be reimbursed for meal expenses while traveling on Commission business. All reimbursements will be made using local funds.

\*Reimbursement for meals related to same day travel are included as wages and will be subject to federal and state income tax. IRC 162 (a) (2)

The Commission has adopted the following meal per diem rates:

	<u>Low Cost</u>	<u>High Cost</u>
Breakfast	<del>\$13</del> 14.00	<del>\$17</del> 18.00
Lunch	<del>16</del> .00	<del>18</del> 20.00
Dinner	<del>27</del> 29.00	<del>36</del> .00
Total	<del>\$55</del> 59.00	<del>\$71</del> 74.00

The following counties are considered to be High Cost: [Alameda](#), [Contra Costa](#), [Los Angeles](#), [Humboldt](#), Marin, Mariposa, Mendocino, Mono, Monterey, [Napa](#), Nevada, San Diego, San Francisco, Santa Barbara, San Luis Obispo, [San Mateo](#), City of Santa Monica, Sonoma, ~~Yolo~~. All other counties not listed will be considered as Low Cost.

For out of state meal reimbursement rates, please consult with the Fiscal Supervisor whether it will be considered a low or high cost rate.

Meal per diem shall apply as follows:

1. Travel commencing before 7:00 a.m. shall receive breakfast per diem.
2. Travel commencing prior to noon shall receive lunch per diem.
3. Travel extending beyond 6:00 p.m. shall receive dinner per diem.
4. If a meal is provided by the conference, per diem will not be made.
5. Continental breakfast is not considered a meal.
6. A travel expense/reimbursement claim form must be submitted for meal per diem if an advance was not requested.
7. Personal entertainment and alcohol are not reimbursable and should not be on receipts submitted for reimbursement.

### **Expenses on Behalf of Others**

Ordinary and necessary business expenses directly related to Commission business incurred on behalf of others, including but not limited to food, beverages, and refreshments will be reimbursed. Expenses for personal entertainment are not reimbursable. Original receipts must be provided which document the date, location, event, cost, general business purpose, and names and affiliations of person in attendance.

### **Miscellaneous Expenses**

An employee will be reimbursed for miscellaneous expenses associated with business travel not specifically addressed in the above categories. Examples include parking and tolls. Receipts are required for expenses. The Commission is not responsible for any parking tickets and/or towing expenses incurred by the employee during travel on commission business, unless towing expenses are due to mechanical failure of a Commission vehicle or commission-provided rental vehicle. No personal entertainment (i.e. in-room hotel movies, room service, etc.) will be reimbursed.

### **Travel Time Compensated**

Travel reimbursement begins at the time an employee leaves his/her residence or job site. Federal and state law counts time spent attending lectures, meetings and training programs as hours worked unless all of the following apply:

1. Attendance is outside the employee's regular working hours
2. Attendance is voluntary

3. The program attended is not directly related to the employee's job. A program is deemed directly related if it is designed to make him/her hand his/her job more effectively as distinguished from training the employee for another job or a new or additional skill
4. The employee does not perform any productive work.

Generally, travel time to and from lectures and meetings will count as work time if it occurs because of the attendance at a meeting and lecture for which the employee will be compensated. However, the Commission reserves the right to establish a different pay for travel time, provided that the rate is not less than the minimum wage. Employees will be clearly informed of the different rate before travel occurs.

### **Overnight Travel Out of Town**

If an employee's duties require the employee to travel out of town overnight, travel time during the employee's normal working hours (on both normal working days and days that are normally his/her days off) is counted as hours worked. However, the employee's lunch and dinner periods will not be considered hours worked. If a non-exempt employee performs required work while traveling during the time period other than normal working hours, the time involved will be counted as hours worked.

### **Employee and Board Member Business Travel**

At the conclusion of a Commission business trip, an employee or member of the Board of Directors that has incurred business-related expenses should complete a travel expense claim in accordance with the following policies:

1. Identify each separately incurred business expense (i.e., do not group all expenses associated with one trip together).
2. ~~With the exception of~~ Except for tips, tolls, and reimbursed mileage all business expenses must be supported with invoices/receipts.
3. Vendor receipts/invoices must be submitted for all lodging and any expenditure other than meals. Credit card charge slips do not represent adequate supporting documentation – a hotel receipt must be obtained to substantiate all lodging expenditures.
4. For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes).
5. Mileage may be reimbursed at the standard Federal rates currently in effect, as published each year by the IRS.
6. The business purpose of each trip must be adequately explained on each report.
7. General ledger account coding must be identified for all expenditures.
8. For all meals and other business expenditures, the following must be clearly identified:
  - a. Names, titles, agencies, and business relationships of all persons entertained
  - b. The business purpose of the meal or other business event (topics discussed, etc.)
9. All expense reports must be signed and dated by the employee.
10. All expense reports must be approved by the Executive Director.
11. Only one expense report form should be prepared for each trip.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the expense report results in a balance due to the Commission (as a result of receiving a travel advance greater than actual

business expenditures), the employee must attach a check or sign a statement indicating authorization to settle the balance due through a payroll deduction.

### **Lost Travel Documents**

Employees authorized to travel should be responsible to handle Commission funds in a professional manner. If documents are lost, then it will be the obligation of the traveler to obtain duplicate copies.

### **Non-Reimbursable Expenses**

The Commission does not reimburse any employee or board member for separate travel costs (air fare, etc.) associated with his/her spouse or partner. The cost of a shared hotel room need not be allocated between employee/director and spouse/partner for purposes of this policy if the cost of the room is the same for single or double occupancy.

An employee is personally responsible for payment of the following travel expenses:

- First class travel, or other seating above the coach level
- Purchase of flight insurance
- Personal entertainment
- Personal purchases of goods and services
- Airline clubs
- Rental of luxury or sport car models
- Haircuts
- Baby-sitting
- Traffic fines
- Hotel laundry service (for stays less than 5 days)
- Hotel valet service
- Personal phone calls
- Hotel amenities (in-room movies, exercise facilities)
- Cost incurred by failure to cancel reservations (hotel or transportation)

## CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

### Check Preparation

The Commission prints vendor checks and expense reimbursement checks on a bi-monthly basis, or more often if needed. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

All vendor and expense reimbursement checks shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with purchasing, accounts payable, and travel and business entertainment policies described in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
3. Generally, all vendors should be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services.
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks.
5. All supporting documentation is attached to the corresponding check. If documentation is not attached to the check copy, i.e. lease payments, then the check copy will clearly reference where the documentation can be located.
6. Checks shall be utilized in numerical order and unused checks are stored in a locked file cabinet.
7. Checks shall never be made payable to "bearer" or "cash."
8. Checks are signed and pre-numbered electronically while being printed, providing an original and a duplicate copy.
9. After the preparation of a check, the Office Assistant or Administrative Analyst will mark the invoices paid and matches the duplicate copy of the check with vendor invoices and other supporting documentation.
10. All paid invoices are filed alphabetically by vendor. The accounts payable detail register is filed for future reference.

### Check Signing

All checks of the Commission require two signatures. No check shall be signed prior to the check being completed in its entirety (no signing of blank checks).

The Commission Board of Directors has designated the Executive Director, ~~the Senior~~ Principal Regional Planner, and ~~two~~ all the Board Commissioners with check signing authority. All authorized signers need to have their information and signature on file with the appropriate bank before any checks are signed by a respective individual.

All original supporting documentation should be reviewed and initialed prior to the printing and signing of the checks by the Office Assistant or Administrative Analyst. On occasion, it may be necessary for the vendor to provide a copy of facsimile invoice which has been lost or misplaced. The Office Assistant or Administrative Analyst will exercise care to avoid duplicate payment or overpayment in these situations. The Fiscal Supervisor verifies that the expenditures have been paid in the proper amounts and time periods, charged to the appropriate general ledger codes, and also reviews for allowability, allocability, and reasonableness of the expenses. Checks should not be authorized or signed if supporting documentation appears to be missing or there are any questions about a disbursement.

### **Voided Checks and Stop Payments**

Checks may be voided due to processing errors by defacing the check by clearly marking it as “VOID” and the signature portion of the original check, if available, will be perforated or cut out. All voided checks shall be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction and written authorization to the bank by the Fiscal Supervisor or his/her designee. When the check is voided in the accounting software by the Fiscal Supervisor or his/her designee, the software generates the journal entry to record the stop payment. Any related bank fees are recorded when the bank account is reconciled.

### **Recordkeeping Associated with Independent Contractors**

The Commission shall obtain a completed Form W-9 or equivalent substitute documentation from all vendors to whom payments are made (see “Accounts Payable Management” policies). A record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year end. Payments to such vendors shall be accumulated over the course of a calendar year.

## **CREDIT CARDS**

The following policies and procedures will govern the use of purchasing or credit cards:

1. Upon approval of the vendor or credit card company, a card may be issued bearing the names of the individual, both the individual and MCTC, or MCTC.
2. Purchasing/credit cards will not be transferable between individuals without prior approval of the Executive Director.
3. The Executive Director may delegate transaction authority to the cardholder.
4. The individual will be responsible to ensure credit card charges are accurate on the monthly statements.
5. All cardholders are required to sign a purchasing/credit cardholder agreement.

### **Cardholder Responsibilities**

The cardholder must only use the purchasing/credit card for legitimate business purposes. The purchasing/credit card should not be used for travel, registration fees, purchasing program supplies, food, and other items for which vendors are able to accept a Commission purchase order without express approval of the Executive Director. The cardholder is to be aware that many credit cards look alike and care should be taken to avoid confusing Commission and personal credit cards. Cardholders must notify the Executive Director of any inadvertent personal charges and must reimburse the Commission immediately for such personal charges. Misuse of the card will subject the cardholder to disciplinary action in accordance with Commission policies and procedures relating to progressive discipline, up to and including voluntary termination. The cardholder must:

1. Ensure the purchasing/credit card is only used for legitimate business purposes
2. Ensure that expenditures are budgeted, allowable for grant purposes, necessary for the program, and that funds are available for the expenditure
3. Maintain the purchasing/credit card in a secure location at all times
4. Not allow other individuals to use the purchasing/credit card, unless authorized
5. Adhere to the purchase limits and restrictions of the purchasing/credit card
6. In some situations, the issuer (i.e., Office Depot) still requires a purchase order for authorization purposes. The cardholder is responsible for securing a purchase order, as applicable.
7. Obtain all sales slips, register receipts, and/or purchasing/credit card slips and provide same to the Office Assistant for reconciliation, approval, and allocation of transactions
8. Attempt to resolve disputes or billing errors directly with the vendor and notify the Fiscal Supervisor if the dispute or billing error is not satisfactorily resolved
9. Ensure that an appropriate credit for the reported disputed item(s) or billing error appears on a subsequent cardholder statement
10. Not accept cash in lieu of a credit to the purchasing/credit card account
11. Immediately report a lost or stolen card to the credit card issuer (24 hours a day, 365 days a year) and to the Fiscal Supervisor during normal working hours
12. Return the purchasing/credit card to the Office Assistant upon terminating employment with the Commission.

### **Cardholder Eligibility**

The criteria to receive a Commission purchasing/credit card is as follows:

- Applicants must be an employee of the Commission
- Applicant's request for a purchasing/credit card must be approved by the Executive Director
- Employee must attend a training session before he/she may be issued a purchasing/credit card
- Each individual cardholder must sign a cardholder agreement

### **Cardholder Liability**

The purchasing/credit card is a corporate charge card which will not affect the cardholder's personal credit; however, it is the cardholder's responsibility to ensure that the card is used within stated guidelines of the purchasing/credit card policies as well as Commission policies and procedures relating to expenditures of Commission funds. Failure to comply with program guidelines may result in permanent revocation of the card, notification of the situation to management, and further disciplinary measures that may include involuntary termination.

### **Lost, Misplaced, or Stolen Purchasing/Credit Cards**

Cardholders are required to immediately report any lost or stolen purchasing/credit cards to the Fiscal Supervisor. The Fiscal Supervisor or designee is responsible for immediately reporting the lost/stolen card to the issuer. In the event the discovery of the lost/stolen card is made outside of normal Commission business hours, the cardholder is responsible for notifying the issuer directly.

### **Erroneous Declines**

Should the purchasing/credit card be erroneously declined by a vendor, the cardholder should immediately contact the Office Assistant for assistance. If the purchase is being made outside of the normal Commission business hours, the employee must find an alternate payment method or terminate the purchase and contact the Office Assistant during normal business hours.

### **Credits**

Vendors will issue all credits to the individual purchasing/credit card account for any item they have agreed to accept for return. This credit will appear on a subsequent statement. Under no circumstances should a cardholder accept cash in lieu of a credit to the purchasing/credit account.

### **Unresolved Disputes and Billing Errors**

The cardholder is responsible for contacting the vendor to resolve any disputed charges or billing errors. If the matter is not resolved with the vendor, the Fiscal Supervisor should be contacted for assistance.

### **Security and Storage**

Cardholders should always treat the Commission purchasing/credit card with at least the same level of care as one does their own personal credit cards. The cards should be maintained in a secure location and the card account number should be carefully guarded.

### **Documentation**

Every month, each cardholder will be provided with a statement detailing the expenditures that were charged to his/her corporate credit card. The cardholder will review this statement for its accuracy and any unauthorized purchases. The individual assigned to each purchasing/credit card will maintain the cardholder's vendor receipts/packing slips/charge slips until such time as they are forwarded to the Office Assistant for payment. Each cardholder shall authorize the approved charges. The statement shall then be forwarded to the Fiscal Supervisor, accompanied by original supporting documentation for all charges. Documentation of meals, travel and valid business entertainment expenditures shall include ~~all of~~ the same elements as described in the earlier policy on "Employee and Director Business Travel" (i.e., names of people involved, business purpose, etc.).

All other documentation concerning the purchasing/credit card program will be maintained by the Office Assistant. This documentation includes, but it not limited to, applications, cardholder agreements, Commission billing statements, reconciliation of accounting statements, and copies of transmittals, and correspondence with issuing companies.

### **Employee Credit Cards**

Employees and officers incurring legitimate Commission business expenses may utilize their personal credit cards for such expenditures. The Commission shall reimburse employees and officers for properly supported and documented business expenditures charged to personal credit cards within the next vendor processing cycle upon the proper completion of an expense report. (See the earlier policy on Travel and Business Entertainment for expense report preparation procedures.) Travel advances may be requested in special circumstances (e.g. situations in which legitimate business expenses are expected to exceed an employee's credit card limit or other special cases).

## **PAYROLL AND RELATED POLICIES**

### **Classification of Workers as Independent Contractors or Employees**

The Commission considers all relevant facts and circumstances regarding the relationship between the Commission and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between the Commission and the individual. Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral control
2. Financial control
3. The type of relationship of the parties

Facts associated with each of these categories that will be considered in making employee/contractor determinations shall include:

1. Behavioral control:
  - a. Instructions given by the Commission to the worker that indicate control over the worker (suggesting an employee relationship), such as:
    - (1) When and where to work
    - (2) What tools or equipment to use
    - (3) What workers to hire or to assist with the work
    - (4) Where to purchase supplies and services
    - (5) What work must be performed by a specified individual
    - (6) What order or sequence to follow
  - b. Training provided by the Commission to the worker (i.e., employees typically are trained by their employer, whereas contractors typically provide their own training).
2. Financial control:
  - a. The extent to which the worker has unreimbursed business expenses (i.e., employees are more likely to be fully reimbursed for their expenses than is a contractor).
  - b. The extent of the worker's investment in the facilities/assets used in performing services for the Commission (greater investment associated with contractors).
  - c. The extent to which the worker makes services available to the relevant market.
  - d. How the Commission pays the worker (i.e., guaranteed regular wage for employees vs. flat fee paid to some contractors).
  - e. The extent to which the worker can realize a profit or loss.
3. Type of relationship between worker and Commission:
  - a. Written contracts describing the relationship that the Commission and the individual intend to create.
  - b. Whether the Commission provides the worker with employee-type benefits, such as insurance, paid leave, etc.
  - c. The permanency of the relationship.
  - d. The extent to which services performed by the worker are a key aspect of the regular business of the Commission.

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is \$600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from “compensation” are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

If an individual qualifies as an employee, a personnel file will be created for that individual and all documentation required by the Commission personnel policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

### **General**

The Board of Directors hires or terminates the Executive Director. The Executive Director approves the hiring/termination of all other employees.

### **Wages and Compensation**

The Commission’s Board of Directors has authorized delegation of the human resources and the classification procedures to the Executive Director. The Executive Director is responsible for the overall coordination, review, and control of the Commission’s compensation classification plan. The Commission will comply with all state and federal laws, Commission policies and procedures, as well as the standards, guidelines, practices, and requirements that are specified by its grantors. The Commission may perform wage comparability studies every three years to ensure the salary and wage structure is similar to other agencies of like size and employee base in our area.

### **Payroll Administration**

The Commission operates on a bi-weekly payroll. A personnel file is established and maintained for all employees with current documentation, as described throughout this section. The Office Assistant or Administrative Analyst is responsible for ensuring that all employees complete the appropriate paperwork applicable to payroll and the personnel files.

### **Changes in Payroll Data**

All of the following changes in payroll data are to be authorized in writing:

1. New hires
2. Terminations
3. Changes in salaries and pay rates
4. Voluntary payroll deductions
5. Changes in income tax withholding status
6. Court-ordered payroll deductions

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the Executive Director.

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee. An employee may request in writing to have his/her paycheck electronically deposited to an account in a financial institution of the employee's choice.

Documentation of all changes in payroll data shall be maintained in each employee's personnel or payroll file.

### **Payroll Taxes**

The Office Assistant or Administrative Analyst is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Office Assistant or Administrative Analyst processes the payroll in-house payroll system.

The Office Assistant or Administrative Analyst will prepare and process the appropriate payroll tax deposits and related payroll deductions based on the payroll register. The Fiscal Supervisor will approve the check requests and payroll tax amounts.

The Executive Director or his/her designee will review and approve the payroll tax reports and will sign the reports.

Withholding of Federal income taxes shall be based on the most current Form W-4 prepared by each employee. The current Form W-4 will be utilized for state income tax withholding unless the employee has completed the appropriate California state withholding documentation.

### **Personnel Activity Reports**

The Commission follows the guidelines in 2 CFR Part 200, Subpart E, 200.430, *Compensation – Personal Services*, as well as requirements in specific grants. Therefore, salaries and wages charged to grants will be supported as follows:

1. Charges will be based on documented payrolls approved by responsible officials of the Commission.
2. Every staff member whose compensation is charged, in whole or in part, directly or indirectly to grant awards or contracts, will complete activity reports (timesheets) that account for the total activity for which the employee is compensated.
3. The reports will reflect an after-the-fact determination of the actual activity of each employee. Budget estimates will not be used as support for charges to awards.
4. The reports must be signed by the individual employee or by a responsible supervisor who has first-hand knowledge of the activities performed by the employee.
5. The reports will be prepared on a bi-weekly basis, the same as the pay periods.

6. Charges for non-exempt employees will also be supported by records required by the Fair Labor Standards Act.

### **Preparation of Timesheets**

The Fiscal Supervisor will prepare a payroll calendar at the beginning of each calendar year noting the pay periods and pay dates. Each Commission employee must submit to the Office Assistant or Administrative Analyst a signed and approved timesheet no later than 5:00 p.m. at the close of each pay period. The deadline may be adjusted as necessary for holiday schedules. Timesheets shall be prepared in accordance with the following guidelines:

1. Each timesheet shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties), whether compensated or not.
2. Timesheets shall be prepared in ink (or electronically).
3. Errors shall be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initials next to the change.
4. Employees shall identify and record hours worked based on the nature of the work performed;
5. Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such;
6. Timesheets shall be signed by the employee prior to submission to his/her supervisor.

After preparation, the corresponding supervisor shall approve timesheets prior to submission to the Office Assistant. The Fiscal Supervisor shall approve the timesheet of the Executive Director. Corrections identified by an employee's supervisor shall be authorized by the employee or at a minimum, the Executive Director or their designee are required to contact the employee by telephone, email, or other communication method to notify the employee of the change.

A Commission employee who is on leave, traveling, or is ill on the day that timesheets are due may telephone or email timesheet information (actual time worked and the appropriate classifications) to his or her supervisor (or designated alternate). Timesheets submitted in this manner shall bear an appropriate notation. The timesheet shall be signed by the supervisor or the designated alternate.

### **Processing of Timesheets**

The Office Assistant or Administrative Analyst will process the timesheets by checking them for mathematical accuracy, then entering all timesheets into the in-house payroll system. Incomplete time sheets signed by the employee and approved by the supervisor will be returned to the employee.

The Office Assistant or Administrative Analyst should not change or correct timesheets. However, the Office Assistant or Administrative Analyst is not permitted to pay out more vacation, sick leave, or administrative leave than the employee has accrued. Additionally, the amount of holiday pay shown on the timesheet may not reflect the amount to which the employee is entitled based upon the payroll records. The employee should be notified of these errors.

## **POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS**

### **CASH AND CASH MANAGEMENT**

#### **Cash Accounts**

##### ***General Expense Account:***

This account provides for the operational expenses of the Commission. On a monthly basis, staff will request a transfer from the Commission Fund in the County of Madera investment pool in an amount sufficient to cover expenses for the period and deposit this amount into the general expense account.

##### ***Payroll Account:***

The payroll account is a separate account. The payroll account is a minimum-balance account. As such, only the amount needed to cover each payroll is transferred into this account from the general expense account, based on the amount calculated. Transfers from the general account into the payroll account are initiated by the Fiscal Supervisor or his/her designee.

##### ***Commission Fund (County Pool):***

All cash and check deposits are made to this account. This is an interest-bearing account that is included in the County of Madera investment pool.

All advances of Federal funds, if any, shall be deposited in this interest-bearing account. Interest earned on such funds will be allocated to Federal and non-Federal awards, as applicable, based on the funds received and disbursed during the grant year for each award.

#### **Insurance and Collateralization**

Grant and contract funds will be deposited in an interest-bearing federally insured account. Where deposits exceed the insured amounts, adequate collateralization in excess of the insured amount is necessary.

#### **Authorized Signers**

The following Commission personnel are authorized to sign checks drawn on any of the Commission's accounts:

- Executive Director
- Principal Regional Planner
- ~~Two Designated~~All Board Commissioners

The Fiscal Supervisor is responsible for notifying the Commission's financial institutions of changes in authorized signatures upon the departure of any authorized signer.

#### **Bank Reconciliations**

Bank account statements are received each month and forwarded to the Fiscal Supervisor. The Fiscal Supervisor shall review the statement for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. This review must be performed in a timely manner so that reconciliation of the bank account is not delayed. Unusual or unexplained items shall be reported immediately to the Executive Director.

After this review is complete, a reconciliation between the bank balance and general ledger balance is prepared by the Fiscal Supervisor. The bank reconciliation process will be completed as soon as possible after the receipt of each bank statement.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are done by the Fiscal Supervisor on a monthly basis. The Fiscal Supervisor should be notified of all outstanding checks over 60 days, and should take appropriate action on these checks. Bank reconciliations, cancelled checks, and copies of resulting journal entries are filed in the current year's fiscal files.

### **Cash Flow Management**

The Fiscal Supervisor monitors cash flow needs on a monthly basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on a monthly basis.

### **Stop Payments**

**General Expense** – Stop payments will be issued by the Fiscal Supervisor or his/her designee 10 working days after the check date to allow time for mail processing and delays. Depending on other circumstances, this timeframe may be shortened. Once the stop payment has been issued, the replacement check will be released.

**Payroll** – Stop payments will be issued by the Fiscal Supervisor or his/her designee 5 working days after the check date to allow for mail processing and delays. Depending on other circumstances such as a lost payroll check, this timeframe may be shortened.

### **Stale and Old Outstanding Checks**

Outstanding accounts payable checks over three months and outstanding payroll checks over two months are considered old. After the bank reconciliation process determines that there are outstanding checks which meet this criteria, the following steps will be taken to clarify their status.

**General Expense** – The Fiscal Supervisor completing the bank reconciliation will follow-up with the recipient to see where the check is in their system. If the check is in their possession, they will be asked to cash it as soon as possible. If the payee did not receive it or lost it, the old check will be voided and a new check issued. A stop payment on the old check will be made if the dollar amount of the replacement check exceeds \$20. The Fiscal Supervisor will be required to void the check in the accounting software and determine the void date.

**Payroll** - The Fiscal Supervisor completing the bank reconciliation will determine the best way to contact the employee to determine the status of the check. Usually it is better to go through the administrative section of the program involved. If the check is in the employee's possession, they will be asked to cash it as soon as

possible. If the employee did not receive it or lost it, the old check will be voided and a new check issued. A stop payment on the old check will be made before the re-issuance. The Fiscal Supervisor will be required to void the check in the accounting software and determine the void date.

If the status of either the accounts payable or payroll checks cannot be determined, the Commission will write off checks that are more than 6 months old that have not cleared the Commission's bank.

All stale checks that are written off within the same fiscal year as they were written shall be credited to the same expense or asset account that was debited when the check was written, or the expenditure incurred. For stale checks written off in fiscal years subsequent to the year in which the check was written, the credit shall be to miscellaneous income.

### **Petty Cash and Change Fund**

The Commission will provide funds for valid, minor office expenditures, and to periodically replenish these funds up to its authorized balance. The petty cash custodian is responsible for ensuring that the petty cash fund is locked at all times.

Disbursement of \$50 or less may be made from the petty cash fund for program incurred expenses. All disbursements or requests for advances from the petty cash fund must be accompanied by a completed and approved petty cash voucher. Receipts must be furnished for all disbursements and advances from petty cash.

The Fiscal Supervisor will determine if advance authorization is required for petty cash disbursements. The purchaser shall present the petty cash voucher approved by the Executive Director, to the petty cash custodian for payment. A receipt for all purchases must be furnished to the petty cash custodian that will be attached to the petty cash slip. The petty cash custodian shall ensure that the petty cash voucher is properly completed, approved, and that a proper receipt is attached. At all times, the petty cash fund will contain receipts and cash totaling the amount of the fund.

The petty cash custodian shall prepare a reconciliation of the petty cash account on a periodic basis when funds are low or at the program's or Commission's fiscal year end. The petty cash custodian will total the disbursement by program and account classification and submit the recap and all receipts to the Fiscal Supervisor for review.

Petty cash reconciliations are subject to review by the Fiscal Supervisor, who may also perform periodic surprise cash counts and reconciliations. Any irregularities in the petty cash fund will be immediately reported in writing to the Executive Director. Loans or check cashing will not be made from petty cash funds.

### **Wire Transfers**

In the event that a future wire transfer is initiated, the Executive Director shall be the only Commission employee authorized to transact wire transfers from Commission bank accounts. To prevent anyone other than the Fiscal Supervisor from transacting wire transfers, a system shall be employed that requires the use of pass codes. Pass codes issued only to the Executive Director, are assigned by the bank and are changed periodically. Confirmations of all wire transfers are delivered to the Executive Director.

## **PREPAID EXPENSES**

### **Accounting Treatment**

The Commission treats payments of expenses that have a time-sensitive future benefit as prepaid expenses and will amortize these items over the corresponding time period. For purposes of this policy, payments of less than \$100 shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit unless it would be considered an “out of period” expense and prohibited by the funding source.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date shall be classified as non-current assets.

### **Procedures**

As part of the account coding process performed during the processing of accounts payable, all incoming vendor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account code.

The Fiscal Supervisor shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule shall be reconciled to the general ledger balance as part of the closeout process.

## INVESTMENT POLICIES

### Introduction

All assets of the Commission, including those funds that are legally unrestricted, will be treated as though they are held in a fiduciary capacity for the purpose of accomplishing the Commission’s purpose. As such, the policies described in this section are to be interpreted in light of that overall sense of stewardship, and the investment standards shall be those of a prudent investor.

Funds to be invested do not include those from Federal awards. Such funds will be spent on program requirements as budgeted or returned to the awarding agency. Any advances of Federal funds will be maintained in an interest-bearing account. Interest earned on such funds will be allocated to federal grants based on a percentage of funds received and disbursed during the grant year.

### Delegation of Authority

The Board of Directors of the Commission has delegated supervisory authority over its investing activities to the Executive Director through its long-range financial planning responsibility.

### Investment Objectives

The Commission’s investment objectives are the preservation and protection of the Commission’s assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments.

The table below identifies the investment types that are authorized for the Commission. The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 Years	None	None
US Treasury Obligations	5 Years	None	None
US Agency Securities	5 Years	None	None
Banker’s Acceptances	180 Days	40%	None
Commercial Paper	270 Days	None	None
Negotiable Certificates of Deposit	5 Years	None	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	None	None
Medium-Term Notes	5 Years	None	None
Mutual Funds	n/a	None	None
Money Market Mutual Funds	n/a	None	None
Mortgage Pass-Through Securities	5 Years	None	None
County Pooled Investment Funds	n/a	100%	None
Local Agency Investment Fund (LAIF)	n/a	None	None

### **Accounting Treatment**

All purchased investments shall initially be recorded at cost.

Subsequent to acquisition, the Commission carries all equity securities with readily determinable fair market values and all debt securities at their market values. Adjustments to market value shall be made in the accounting records and financial statements of the Commission on a quarterly basis.

Adjustments to market value result in unrealized gains and losses on investments. Such gains and losses resulting from contributed investments (or from investments purchased with contributed funds) shall be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of explicit restrictions on such appreciation and depreciation from the donor, as defined earlier. Such unrealized gains and losses from investments purchased with unrestricted funds shall be classified as unrestricted.

### **Procedures and Reporting**

In conjunction with the Executive Director and approval from the Board of Directors, procedures and reporting requirements will be developed, as necessary, to ensure that investments are properly managed and that the investment policies are consistent with the mission of the Commission and accurately reflect the current financial condition of the Commission.

## **PROPERTY AND EQUIPMENT**

### **Capitalization Policy**

Physical assets such as real property and non-expendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more are capitalized as property and equipment on the Commission's financial statements. Items with unit costs below this threshold shall be expensed in the year purchased. All items of property and equipment should follow the procurement policies outlined in the Procurement Policies and Procedures Manual.

If an awarding agency requires a lower amount for equipment, the Commission will adhere to that dollar amount only for that program or contract.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives, as described later.

Capitalized assets will be reported as expensed for grants if they were so budgeted in the grant application. However, for the Commission's financial statements, these assets will be capitalized and depreciated according to these policies.

The Fiscal Supervisor or his/her designee within the Commission will be assigned the responsibility for recording and maintaining the information on the property records and for monitoring the locations and use of all property held by the Commission.

### **Equipment and Furniture Purchased With Federal Funds**

MCTC may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a Federal agency. Equipment and furniture charged to Federal awards will be subject to certain additional policies as described below.

For purposes of Federal award accounting and administration, "equipment" shall include all assets with a unit cost equal to the lesser of \$5,000 or the capitalization threshold utilized by the Commission.

All purchases of "equipment" with Federal funds shall be approved, in advance and in writing, by the Federal awarding agency. Prior approval is required only when the value of the equipment to be purchased exceeds \$25,000. In addition, the following policies shall apply regarding equipment purchased and charged to Federal awards:

1. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.
2. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of \$5,000 or less at the conclusion of the award, the Commission shall retain the equipment without any requirement for notifying the Federal agency.

3. If the remaining per unit fair market value is \$5,000 or more, the Commission shall gain a written understanding with the Federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the Federal agency, keeping the equipment and compensating the Federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the Federal agency.
4. The Fiscal Supervisor along with the Executive Director shall determine whether a specific award with a Federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with Federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of the Commission.

### **Establishment and Maintenance of a Fixed Asset Listing**

Capitalized property and equipment will be managed until transfer, replacement, or disposition takes place by maintaining a perpetual inventory of all equipment. All capitalized property and equipment shall be recorded in an inventory form. This form shall include the following information with respect to each asset:

1. Date of acquisition
2. Cost
3. Description (including manufacturer's model, serial number or other identification number)
4. Commission assigned asset number
5. Source of the equipment, including the Federal award number, if applicable
6. Whether the title vests in the Commission or the Federal Government
7. Information to calculate the Federal share of the cost of the equipment, if applicable
8. Location, use, and condition of asset
9. Depreciation method
10. Estimated useful life
11. All pertinent information on the ultimate transfer, replacement, or disposition of the asset.

A physical inventory of all assets capitalized under the preceding policies will be taken on a bi-annual basis by the Commission. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Fiscal Supervisor.

### **Receipt of Newly-Purchased Equipment and Furniture**

At the time of arrival, all newly-purchased equipment and furniture shall be examined for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the vendor immediately.

In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the vendor immediately.

### **Depreciation and Useful Lives**

All capitalized assets are maintained in the special property and equipment account group and are not included as an operating expense. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15<sup>th</sup> day of the fifth month shall have eight full months of depreciation (eight-twelfths of one year) recorded for that year.)

Estimated useful lives of capitalized assets shall be determined by the Fiscal Supervisor. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	7 years
General office equipment	5 years
Computer hardware and peripherals	3-5 years
Vehicles	5 years
Buildings	39 years
Leased assets	life of lease
Leasehold Improvements	remaining lease term

For accounting and financial reporting purposes, depreciation expense will be recorded on an annual basis.

### **Changes in Estimated Useful Lives**

If it becomes apparent that the useful life of a particular capitalized asset will be less than the life originally established, an adjustment to the estimated useful life shall be made. All such changes in estimated useful lives of capitalized assets must be approved by the Fiscal Supervisor.

When a change in estimated useful life is made, the new life is used for purposes of calculating annual depreciation expense. In the year in which the change in estimate is made, the cumulative effect of the change shall be reflected as depreciation expense in the Commission's statement of activities.

For example, if in the fourth year of an asset's life, it is determined that the asset will last five years instead of the original estimate of seven years, depreciation expense for that year shall be equal to the difference between  $\frac{4}{5}$  of the asset's basis (accumulated depreciation at the end of year four) and  $\frac{3}{7}$  of the asset's basis (accumulated depreciation at the beginning of the year).

### **Repairs of Property and Equipment**

Physical assets will be properly maintained and serviced periodically in order to keep the asset in good working order condition. Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property. Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

### **Loss, Damage, or Theft**

Physical assets will be maintained in secured areas in order to safeguard the assets and prevent loss, damage or theft. Any such event will be investigated, fully documented and reported to the Fiscal Supervisor and will make a report to the Executive Director of all cases of loss, damage, or destruction of physical assets.

### **Dispositions of Property and Equipment**

For dispositions of property and equipment purchased with Federal dollars, the procedures outlined previously under the section entitled Equipment and Furniture Purchased with Federal Funds should be followed. When the Commission disposes of or sells equipment it no longer needs, specific information regarding the sale or disposal should be documented on the inventory form. For some programs/contracts, approval must be granted from the funding agency to dispose of equipment or property. The Fiscal Supervisor will review the funding terms and conditions to determine the appropriate action to be taken.

If equipment is sold, scrapped, donated, or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain (if the money received is more than the book value).

### **Write-Offs of Property and Equipment**

The Fiscal Supervisor approves the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Fiscal Supervisor. If not located, this property will be written off the books with the proper notation specifying the reason.

## **LEASES**

### **General**

The decision to lease or purchase should be based on the lowest cost of acquiring the property and equipment, the history, and the life expectancy of the equipment. However, factors other than cost could be more significant in reaching the final decision to lease or purchase.

It may be more practical to purchase assets other than space for federally funded programs rather than leasing. However, an analysis is necessary for purchases of \$5,000 or more, for emergencies, or for other situations where it is apparent that non-cost factors outweigh cost factors in reaching a final decision.

Cost factors that should be considered include the equipment cost, insurance, repair and maintenance cost, down payment or deposit, salvage value, metering, and tie-in sales (usage of specialized brand name supplies). Factors other than cost that need to be considered before reaching a final decision include the length of the program, length or amount of use, technical obsolescence, responsibility for asset disposal, restrictive subleasing provisions, cancellation provisions, purchase option, or lease renewal options.

All leases will be approved by the Executive Director or his/her designee. Leases will correspond to grant or funding terms whenever possible. Copies of lease agreements will be immediately forwarded to the Fiscal Supervisor.

### **Classification of Leases**

The Commission classifies all leases in which the Commission is a lessee as either capital or operating leases. The Commission shall utilize the criteria described in Statement of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to the Commission at the end of the lease term;
2. The lease contains a bargain purchase option;
3. The lease term is equal to 75% or more of the estimated economic life of the leased property; or
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of the Commission's incremental borrowing rate or, if known, the lessor's implicit rate).

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

### **Reasonableness of Leases**

The Commission assesses the value of leases according to the requirements of 2 CFR Part 200 as follows:

- The rate is reasonable when compared to similar property in the same area,
- The rate of any alternatives, and
- The type, life expectancy, condition and value of the property leased.

Rental arrangements will be reviewed every 5 years to determine if circumstances have changed and other options are available.

### **Accounting for Leases**

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the lease payment is due. For leases with firm commitments for lease payments that vary over the term of the lease (i.e., a lease with fixed annual increases that are determinable upon signing the lease), the amount that the Commission shall recognize as monthly lease expense shall equal the average monthly lease payment over the entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability.

All leases that are classified as capital leases shall be treated as fixed asset additions. As such, upon the inception of a capital lease, the Commission shall record a capitalized asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The capitalized asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.

The Commission shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms, including a schedule of future annual lease payments obligations.

### **Scheduled Increases in Rent Payments**

Leases with fixed (determinable amounts stated in the lease) increases in monthly rental payments shall be accounted for in a manner that results in an equal monthly rent expense being reported in each month over the entire initial lease term. Accordingly, monthly rent expense in the first year of such leases shall be greater than the monthly cash payment, with the difference being recorded as a liability. This liability will be reduced in the later years of the lease when the monthly cash rent payment is less than the monthly rent expense. To the extent future rent increases are not determinable at the beginning of the lease (because they are based on inflation or other factors), the preceding policy shall not apply and monthly rent expense shall be equal to the monthly cash payment, except as noted below.

### **Rent Abatements and Lease Incentives**

Abatements of monthly rent payments, cash incentives, and other lease incentives shall be accounted for in a manner that results in an equal amount of monthly rent expense over the term of the lease agreement (before considering the effects of inflation-based rent increases, which will increase rent expense over the term of a lease). As a result, incentives received up front or over the early months of a lease, shall be established as a

liability in the Commission's accounting records (as deferred lease incentives or some similar name). This liability shall be amortized as an offset (credit) to rent expense over the term of the lease agreement.

### **Changes in Lease Terms**

As described in earlier policies, leasehold improvements and deferred rent incentives are amortized over the initial lease term. If such lease term is changed prior to the expiration of the initial lease term, the Commission will revise amortization to reflect the remaining lease term as of the effective date of the lease modification.

## **SOFTWARE ACQUISITION AND DEVELOPMENT COSTS**

### **Costs to be Capitalized**

Certain costs incurred in connection with the acquisition or development of internal-use software shall be capitalized and reported as an asset of the Commission. Those costs that shall be capitalized are those that are in excess of the Commission's capitalization threshold (explained earlier) and that meet any one of the following criteria:

1. External direct costs (i.e., amounts paid to vendors) of materials and services for developing or obtaining internal-use software ("developing" to include design, coding, installation and testing);
2. Internal payroll and related costs (employee benefit costs) for employees who are directly associated with, and who devote time to, an internal-use software project (i.e., the same types of software development costs described above);
3. Interest costs incurred in developing software; and
4. Costs associated with upgrades and enhancements when it is probable that these expenditures will result in additional functionality.

Costs that are capitalized in connection with the preceding policy shall be included as assets on the Commission's property and equipment listing, and shall be amortized over an estimated useful life in accordance with the previously stated policies on depreciation and amortization.

### **Costs to be Expensed as Incurred**

Many costs associated with acquiring or developing internal-use software are to be expensed as incurred, rather than capitalized, including:

1. External and internal costs incurred in the preliminary project phases, such as costs associated with making decisions to allocate resources to the project, determining performance requirements and specifications, and reviewing and selecting vendors and consultants;
2. Research and development costs;
3. General and administrative costs;
4. Data conversion;
5. Training costs; and
6. Internal maintenance costs.

## **POLICIES PERTAINING TO LIABILITY ACCOUNTS**

### **ACCRUED LIABILITIES**

#### **Identification of Liabilities**

The Fiscal Supervisor shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by the Commission at the end of an accounting fiscal or program year are:

- Salaries and wages
- Payroll taxes
- Vacation and sick pay (see policy below)
- Rent

In addition, the Commission shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual. Adjustments to deferred revenue accounts shall be made quarterly, as applicable.

#### **Accrued Leave**

Personnel policies permit employees to accumulate of unused vacation leave. Such unused leave is payable to an employee upon termination of employment. Accordingly, the Commission records a liability for accrued leave to which employees are entitled. The total liability at the end of an accounting period shall equal the total earned but unused hours of leave, up to a maximum of 240 hours, multiplied by each employee's current hourly pay rate.

Years of Service	Pay Period Accrual	Monthly Accrual	Annual Accrual	Maximum Accrual
0 – 4 years	3.69 hrs	8.00 hrs	96 hours	240 hours
5 – 9 years	4.62 hrs	10.00 hrs	120 hours	240 hours
10 – 14 years	5.54 hrs	12.00 hrs	144 hours	280 hours
15 – 19 years	6.46 hrs	14.00 hrs	168 hours	320 hours
20+ years	7.38 hrs	16.00 hrs	192 hours	360 hours

Personnel policies provide upon termination, not layoff, of an eligible employee, unused sick leave will be compensated according to the following schedule:

Years of Service	Percentage of Accrued Time
0 – 5 years	0%
5 – 10 years	10%
10 – 15 years	25%
15 – 20 years	30%
20+ years	50%

Years of service equal 12 calendar months from date of hire at regular status. The total liability at the end of an accounting period shall equal the total earned but unused hours of sick leave multiplied by each employee's current hourly pay rate. There is no cap on the accrual of sick leave.

Leave that does not "vest" with employees (i.e., leave that is not paid to employees if unused at the time of termination of employment), such as administrative leave or sick leave for ineligible employees, shall not be accrued as a liability.

## **LOANS AND NOTES PAYABLE**

### **General Policy**

The Commission requires that all loans from outside sources (notes payable) be approved by the Board of Directors and the Executive Director. A promissory note or other loan documents will be prepared and signed by the Executive Director or his/her designee. The Commission shall maintain adequate records for all notes payable, mortgage obligations, lines of credit, and other financing arrangements. There are no interagency loans (between programs), except from unrestricted funds and other unrestricted resources. Loans or advances to employees will not be approved or authorized.

### **Accounting and Classification**

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position.

Demand notes and any other notes without established repayment dates shall always be classified as current liabilities.

Unpaid interest expense shall be accrued as a liability at the end of each accounting period.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

### **Non-Interest-Bearing Notes Payable**

The Commission may, from time-to-time, receive notes payable that do not require the payment of interest, or that require the payment of a below-market rate of interest for the type of obligation involved. In such cases, the Commission will record contribution income for any unpaid interest.

For demand loans, recording of interest expense and contribution income shall be performed at the end of each accounting period, based on the outstanding principal balance of the loan during that period, multiplied by the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid.

For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate the difference between a normal interest rate for that type of loan and the rate, if any, required to be paid. The difference between the cash proceeds of the note and the present value shall be recorded as contribution income in the period the loan is made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amount(s) that shall be repaid.

## **POLICIES ASSOCIATED WITH FINANCIAL REPORTING**

### **FINANCIAL STATEMENTS**

#### **Standard Financial Statements of the Commission**

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the Commission. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

The basic financial statements that are maintained on a Commission-wide basis shall include:

**Statement of Net Assets** – reflects assets, liabilities, and net assets of the Commission and classifies assets and liabilities as current or non-current/long-term.

**Statement of Activities** - presents support, revenues, expenses, and other changes in net assets of the Commission, by category of net asset including reclassifications between categories of net assets.

#### **Frequency of Preparation**

The objective of the Fiscal Supervisor is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

A standard set of financial statements described in the preceding section shall be produced on an annual basis. On a quarterly basis, the following schedules will be provided:

1. Individual statements of activities by a work element basis
2. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts

The supplemental schedules shall be prepared on the accrual method of accounting, including all revenues and expenditures received by the first Friday of the month following the month end.

#### **Review and Distribution**

All financial statements and supporting schedules shall be reviewed and approved by the Executive Director, or designee, prior to being issued.

After approval by the Fiscal Supervisor, a set of the supplemental schedules described above, shall be distributed to the following individuals:

- Board of Directors
- Executive Director

The purpose of this schedule is to provide known explanations for material budget variances in accordance with the Commission’s budget monitoring policies described later in this manual (under the “Financial Management Policies” section).

### **Monthly Distribution**

On a monthly basis, the Board of Directors will be provided with a monthly summary financial report and/or selected budget analysis grant information.

### **Annual Financial Statements**

A formal presentation of the Commission’s annual financial statements may be provided by the Independent Auditor to the Board of Directors. This presentation will be concluded with a vote by the Board of Directors to accept or reject the annual financial statements. See separate policies regarding the annual audit under “Financial Management Policies.”

### **Reports to Funding Sources**

The Fiscal Supervisor will prepare monthly, quarterly, and other reports to funding sources as required in the funding terms and conditions. The Executive Director or his/her designee will review and approve all reports to the funders.

It is the responsibility of the Fiscal Supervisor to ensure that all fiscal reports are submitted on a timely basis while it is the responsibility of the Project Manager to ensure that all activity/progress reports are submitted as required.

## GOVERNMENT RETURNS

### Overview

To legitimately conduct business, the Commission must be aware of its information return filing obligations and comply with all such requirements of Federal, state, and local jurisdictions. Filing requirements of the Commission include, but are not limited to, annual report to the California State Controller's Office, audit reports, and payroll tax withholding tax returns.

### Filing of Returns

The Fiscal Supervisor shall be responsible for identifying all filing requirements and assuring that the Commission is in compliance with all such requirements. The Commission will file complete and accurate reports with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns. The Executive Director or his/her designee will prepare or cause to be prepared, review, approve, and sign the Commission's reports.

Filings made by the Commission include, but are not limited to, the following reports:

1. **State Controller Reports** – Provides financial data about the Commission to the California State Legislature and other interested parties
2. **Audit Reports** – Provides financial and compliance information of the Commission to stakeholders
3. **W-2s and 1099s** - Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to Federal Government by February 28, or March 31 if filing electronically.
4. **Form 941 and DE 6** - Quarterly payroll tax return filed with IRS and State of California to report wages paid to employees and Federal and state payroll taxes. Form 941 and DE 6 are due by the end of the month following the end of each quarter.

The Commission's fiscal year-end is June 30. All annual tax and information returns of the Commission are filed on the accrual basis of reporting.

Federal and all applicable state payroll tax returns are prepared by the Office Assistant.

The Commission complies with all state payroll tax requirements by withholding and remitting payroll taxes to the State of California of each Commission employee.

## **FINANCIAL MANAGEMENT POLICIES**

### **BUDGETING**

#### **Overview**

Budgeting is an integral part of managing any organization in that it is concerned with the translation of organizational goals and objectives into financial and human resource terms. A budget should be designed and prepared to direct the most efficient and prudent use of the agency's financial and human resources. It provides a tool to monitor program progress and expenditures. A budget is a management commitment of a plan for present and future Commission activities that will ensure survival. It provides an opportunity to examine the composition and viability of the Commission's programs and activities simultaneously in light of the available resources.

Budgets are prepared for funding sources. Awarding agencies may or may not require approval for changes in line items. The Commission will document and follow all such requirements.

#### **Overall Work Program**

The Overall Work Program (OWP) is the controlling document for Commission work activities. It documents past accomplishments, identifies all scheduled work for the coming program year, and establishes a detailed budget required to deliver the annual program. The OWP is organized to provide a broad discussion of the Commission, its organization and significant transportation issues. This is followed by the detailed work elements which identify broad projects, specific tasks and products related to each project, and a specific budget for each project. Staffing levels, consultant services, and capital acquisitions are explicitly identified in each work element.

The OWP is a primary means of communication between staff, the Commission Board, and state and federal funding agencies. Through the OWP, the Commission is aware of all staff activities, major projects, and significant milestones. The OWP also serves as a grant application to state and federal agencies for state planning and research funds, and various federal transit planning programs.

#### **Budget Analysis**

The Fiscal Supervisor is responsible for completing a budget analysis on all Commission funds. Budget analysis must include budget allocation, current period expenditures, year-to-date expenditures, year-to-date budget, and the percentage of funds expended, encumbrances, and budget balance. Other reports may be prepared, as requested, by the Board of Directors. Also, analysis should include revenue received/revenue outstanding.

Budget analysis should be completed on a regular basis and provided to the Executive Director. The budget analysis may be submitted to the Board of Directors on a monthly basis for review and comment.

#### **Monitoring Performance**

The Commission is responsible for managing the day-to-day operation of its organization, including monitoring the grant activities to ensure compliance with the applicable requirements. From the Commission's perspective, it requires that there is a financial management system with adequate internal policies, financial systems, and written procedures. The fiscal policies are designed to reduce risk, safeguard assets, and provide reasonable assurance.

On an ongoing basis, the Commission monitors its financial transactions by a review and approval process. Accounts payable and payroll transactions are reviewed by the Fiscal Supervisor to provide assurance that the expenditures are approved, accurate, allowable, and properly allocated.

On a quarterly basis, the Commission monitors its financial performance by comparing and analyzing actual results with budgeted results. Financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the Fiscal Supervisor and distributed to the Executive Director and governing bodies.

The Commission is subject to an agency-wide single audit requirement which requires that an external auditor issue a report on the Commission's financial statements. The auditor must also report on the Commission's compliance with internal control procedures and the applicable compliance requirements of its grant awards.

## **ANNUAL AUDIT**

### **Role of the Independent Auditor**

The Commission will arrange for an annual audit of the Commission's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the Board of Directors will be required to communicate directly with the Board upon the completion of their audit.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors at a Board of Director's meeting.

### **How Often to Review the Selection of the Auditor**

The Commission shall review the selection of its independent auditor in the following circumstances:

1. Anytime there is dissatisfaction with the service of the current firm
2. When a fresh perspective and new ideas are desired
3. At a minimum every 3 years, but no more than 5 years, to ensure competitive pricing and a high quality of service

### **Selecting an Auditor**

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors shall be considered by the Commission in selecting an accounting firm:

1. The firm's reputation in the local government community
2. The depth of the firm's understanding of and experience with local governments, Federal reporting requirements under 2 CFR Part 200 Subpart F and other relevant funding source requirements
3. The firm's demonstrated ability to provide the services requested in a timely manner
4. The ability of firm personnel to communicate with Commission personnel in a professional and congenial manner

If the Commission decides to prepare and issue a written Request for Proposal (RFP) to be sent to prospective audit firms, the following information should be included:

1. Period of services required
2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, State Controller's Report, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. Chart of account information
6. Financial information about the Commission
7. Copy of prior year reports (financial statements, management letters, etc.)
8. Identification of need to perform audit in accordance with 2 CFR Part 200
9. Other information considered appropriate

10. Description of proposal and format requirements
11. Due date of proposals
12. Overview of selection process (i.e., whether finalists will be interviewed, when a decision shall be made, etc.)
13. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms should include:

1. Firm background
2. Biographical information (resumes) of key firm member who will serve the Commission
3. Client references
4. Information about the firm's capabilities
5. Firm's approach to performing an audit
6. Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings
7. Other resources available with the firm
8. Expected timing and completion of the audit
9. Expected delivery of reports
10. Cost estimate including estimated number of hours per staff member
11. Rate per hour for each auditor
12. Other information as appropriate

Copies of all proposals shall be forwarded to the Fiscal Supervisor who reviews and makes the final recommendation to the Board of Directors for approval.

### **Preparation for the Annual Audit**

The Commission shall be actively involved in planning for and assisting with the Commission's independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the Fiscal Supervisor shall provide assistance to the independent auditors in the following areas:

**Planning** - The Fiscal Supervisor is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. Assignments shall be based on the list of requested schedules and information provided by the independent accounting firm.

**Involvement** - Commission staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

**Interim Procedures** - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Commission's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Commission staff will provide requested schedules and documents to assist the auditors during any interim audit fieldwork.

Throughout the audit process, the Commission will make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

### **Concluding the Audit**

Upon receipt of a draft of the audited financial statements of the Commission from its independent auditor, the Fiscal Supervisor shall perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical errors
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of the Commission
3. Review each footnote for accuracy and completeness

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Fiscal Supervisor.

It shall also be the responsibility of the Fiscal Supervisor to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor.

In addition, the Single Audit Clearinghouse form shall be completed and filed as required.

# INSURANCE

## Overview

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of the Commission.

The Commission maintains adequate insurance against general liability, as well as coverage for buildings, contents, computers, fine arts, equipment, machinery and other items of value.

## Coverage Guidelines

As a guideline, the Commission will arrange for the following types and levels of insurance as a minimum:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Comprehensive Liability	\$1,000,000 / \$2,000,000 Aggregate
Employee Dishonesty	\$25,000 for each occurrence
Fire and Water Damage	Coverage for all buildings and personal property as determined
Property	Coverage for all buildings and personal property as determined
Workers' Compensation	To the extent required by law

## Insurance Definitions

### ***Workers' Compensation and Employer's Liability***

Employers and contractors are required to comply with applicable Federal and state workers' compensation and occupational disease statutes. If occupation diseases are not compensated under those statutes, they shall be covered under the employer's liability insurance policy, except when contract operations are so commingled that it would not be practical to require this coverage.

### ***Comprehensive Liability***

This type of coverage may include commissioners, officers and employee general liability insurance, buildings, contents, computers, fine arts, boilers and machinery.

## RECORDS ACCESS AND RETENTION

### Policy

The Board of Directors has adopted a policy on Public Inspection and Access to Records and the Public Access to Information Returns described earlier in the Section on Government Returns. The Commission is subject to the California Public Records Act. All requests must be submitted in writing to the Executive Director. Records related to pending litigation and personnel, medical, or similar files which would constitute an invasion of personal privacy are examples of records that are exempted from disclosure.

The Commission will maintain the original financial records, supporting documents, statistical records, and other documents according to the contract and grant conditions. The Commission retains records as required by law and destroys them when appropriate. The destruction of financial records must be approved by the Fiscal Supervisor.

As a general guideline, all financial records will be retained for five years. In the event of litigation or a dispute, this period will be extended.

Payroll timesheets will be retained for seven years, along with payroll records such as W-2s, 941s and EDD reports. However, personnel files need to be held for three years after termination.

Real property and equipment acquired with Federal grant funds must be retained for three years beyond the date of disposition.

The formal records retention policy of the Commission is as follows:

Audit reports	Permanently
Bank reconciliations	5 Years
Bank Statements	5 Years
Cancelled Checks	5 Years
Contracts, mortgages, notes and leases:	
Expired	5 Years
Still in effect	Permanently
Correspondence:	
General	2 Years
Legal and important matters only	Permanently
Routine with customers and/or vendors	2 Years
Deeds, mortgages, and bills of sales	Permanently
Duplicate deposit slips	5 Years
Employment applications	3 Years
Financial statements:	
Year end	Permanently
Other	Optional
Garnishments	7 Years
General ledgers/year end trial balance and subsidiary ledgers	5 Years
Insurance policies (expired)	3 Years
Current Insurance records (policies, claims, etc.)	Permanently

Internal reports	3 Years
Inventories of products, materials and supplies	5 Years
Invoices (to customers, from vendors)	5 Years
Journals	5 Years
Minute books of directors, bylaws, and charters	Permanently
Payroll records and summaries	7 Years
Personnel records (terminated)	3 Years
Petty cash vouchers	5 Years
Property records (incl. depreciation schedules)	3 Years Beyond Date of Disposition
Purchase orders	5 Years
Retirement and pension records	7 Years
Sales records	7 Years
Time sheets/cards	7 Years
Withholding tax statements	7 Years

The Commission will maintain the appropriate software applications to access computerized accounting and financial records for the same time periods, if the information is not available in print.

Authorized representatives of awarding agencies have the right to access books, documents, papers, other Commission records, and personnel for interviews that are pertinent to the grant or contract award.

## **POLICIES ASSOCIATED WITH TRUST FUNDS**

### **ACCOUNTING RESPONSIBILITY**

The Fiscal Supervisor is responsible to maintain all accounting records for all Trust Funds that the Commission oversees and administers. The accounting records will be maintained in a similar manner as the Commission records.

### **TRANSPORTATION DEVELOPMENT ACT**

The Transportation Development Act (TDA) provides two major sources of funding for public transportation: the Local Transportation Fund (LTF) and the State Transit Assistance fund (STA). These funds are for the development and support of public transportation needs that exist in California and are allocated to areas of each county based on population, taxable sales, and transit performance. Some counties have the option of using LTF for local streets and roads projects if they can show there are no unmet transit needs.

For specific policies and procedures regarding TDA, please refer to the stand-alone Commission TDA Guidebook.

### **RSTP EXCHANGE**

#### Introduction

Senate Bill (SB) 1435 (Chapter 1177 of the 1992 Statutes), effective September 29, 1992, amended section 182.6 of the Streets and Highways Code (S&HC) to redefine the Optional Federal Exchange program under the Intermodal Surface Transportation Efficiency Act (ISTEA).

Section 182.6(g) of the S&HC permits a Regional Transportation Planning Agency (RTPA) not designated as, nor represented by, a Metropolitan Planning Organization (MPO) with an urbanized area of greater than 200,000 population, to exchange its annual apportionment of Regional Surface Transportation Program (RSTP) funds for non-Federal funds (State cash). If an eligible RTPA elects not to exchange, Section 182.6(h)(1) permits an eligible county represented by that RTPA to exchange its entire annual sub-apportionment, pursuant to Section 182.6(d)(2) (110 percent 1990/91 Federal-aid Secondary minimum), for State cash.

Optional Federal Exchange dollars available are paid as a lump sum cash amount following the annual apportionment of RSTP funds.

RSTP exchange funds must be used for projects as defined in Sections 133(b) and 133(c) of Title 23 of the United States Code (USC)--Highways, and not otherwise excluded by Article XIX--Motor Vehicle Revenues of the State Constitution. Only direct project related costs are eligible. Local agency overhead and other non-direct charges are ineligible.

#### Application

Upon notice of available RSTP Exchange funds, Commission staff will process the required agreement with the State and then submit an invoice for the funds. Upon receipt of the funds, Commission staff will notify the local agencies and request a RSTP Application be completed and submitted to the Fiscal Supervisor for processing of their share of the Exchange funds. The Application highlights how the funds will be used. Upon acceptance of an

application, a written agreement will then be drafted and executed with the local agency that will certify that the local agency will comply with all of the applicable rules and regulations of the RSTP Exchange program.

After execution of the agreement and after costs have been incurred, the local agency may submit to the Commission a reimbursement claim for the RSTP Exchange funds. Once the claim is approved, the Fiscal Supervisor will submit a claim to the Madera County Auditor-Controller for payment to the local agency.

At any time if it is determined that any expenditures are deemed ineligible by the Commission or the State, the local agency may be required to return funds to the Commission or State.

## **Other**

From time to time the Commission will receive funds for programs/projects that are implemented by other agencies. Commission staff will administer and maintain the accounting records of these funds in a similar manner as the other trust funds.