Thomas Jefferson Planning District Commission
Financial Management

I. **PURPOSE**: The purpose of this section on Financial Management is to establish the process of using funds effectively, efficiently, and transparently and for appropriate purposes only. This process is a combination of procedures, methods, rules of conduct, and standards.

II. **GOVERNING STANDARDS:**

a. Generally Accepted Accounting Principles (GAAP): TJPDC applies this common set of accounting principles, standards and procedures to compile the agency's financial statements.

b. Federal Uniform Requirements: TJPDC applies cost principles in a manner consistent with the Federal government's Office of Management and Budget (OMB) Uniform Guidance: Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards, 2 CFR Chapter I, Chapter II, Part 200, et al (commonly referred to as the Omni Circular).

c. Government Auditing Standards: An independent firm conducts an annual audit, to express opinions on the TJPDC financial statements and to consider TJPDC's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

III. **COST PRINCIPLES**

a. Cost Allowability: TJPDC will limit costs applied to projects to those that are necessary and reasonable to carry out the work under the award or contact. These costs are authorized, or not prohibited, under state or local laws and rules, and conform to the Federal Uniform Guidelines. Costs are treated consistently, in accordance with GAAP and federal, state, and local regulations. Costs for federally funded activities will not be used to meet the cost sharing or matching requirements of any other Federal Award, unless specifically allowed by the grantor.

b. Cost Reasonableness: Costs incurred will be of types generally recognized as ordinary and necessary for agency operations. TJPDC will follow sound business practices, and comply with applicable laws and regulations. The TJPDC employee handbook defines standards of conduct for employees and TJPDC's Conflict of Interest policy.

c. Cost Allocability: TJPDC will limit costs applied to projects to those goods and services that are incurred specifically for the project, benefit the project, and are necessary and assignable to the project. Costs may be allocated as direct or indirect costs, based on timesheets and the chart of accounts.

   i. Direct costs include:

   - Staff costs, including salaries and fringe benefits, are allocated to projects per the hours shown on timesheets. The hourly rate used to allocate staff costs is based on work hours per year. Total salary and fringe benefits are divided by the expected work hours for the year, taking out annual leave, holiday, and a portion of sick leave.
   - Travel includes the use of the agency vehicle, or personal vehicle, and costs for commercial travel. A contemporary log is maintained on a clipboard in the agency vehicle, to track date, driver, destination, and program for each trip. Staff using their personal vehicle for travel report destination, mileage, and program on expense reports, on a form created for that purpose. Other out-of-pocket expenses such as parking, registration fees, and incidental expenses, are also reported on an expense form, backed up by receipt, and tracked by program.
   - Supplies in support of an identified program, as indicated by the program manager on the receipt.

- Copies are tracked by auditron on the copy machine, with codes assigned to active programs. The rates charged to programs for black and white and color copies are reviewed periodically and established through an analysis of actual costs including equipment maintenance.
- Consultant services: Some projects include work provided through contractual service contracts. These costs will be assigned to programs, if allowed by the funder and included in the project budget. Payment will be made to the consultant based on a submitted invoice, itemizing the cost components and accompanied by a progress report.
- Advertising: Public notices for meetings, comment periods, or related to procurement for a specific project may be charged directly to a program or project, if allowed by the funder and included in the project budget.
- Professional Development and Conferences. Staff may attend training or conferences related to a specific project, if allowed by the funder and included in the program/project budget. Costs may include travel by airplane, train, or other available means, hotel stays, conference registration, and incidental costs backed up by receipt and tracked by to the program or project.
- Equipment and data use may be charged to a specific program for office equipment less than $5,000, software, web hosting, and domain costs, if these are specifically dedicated to the project or program, allowed by the funder, included in the project budget, and backed up by receipt.

ii. Indirect Costs: TJPDC's indirect cost rate is based on the agency's annual audit, and is calculated on an annual basis, using the actual indirect rate for the most recently audited year. The indirect cost rate is determined by a relation of total administrative costs to program salary costs, and is applied to direct staff costs charged to individual programs based on salaries and fringe benefits. The Virginia Department of Transportation (VDOT) serves as the cognizant agency for the TJPDC and approves the indirect cost rate on an annual basis. VDOT acts as the agent on behalf of the Federal Highways Administration (FHWA). Indirect costs include:

- Administrative staff time: financial management and overall management of the agency, charged to administration on timesheets. This includes all of the Finance Director's time, most of the Administrative Assistant's time, about one-third of the Executive Director and Senior Program Manager's time, and incidental time by other staff members.
- Staff time for general activities: This includes staff meetings and retreats, research, and other activities not directly supporting specific projects.
- Staff time for network management: Time spent on Informational Technology issues, including equipment procurement, routine operations, and working with the IT support provider.
- Supplies are generally included as part of indirect costs, except for items purchased for a particular event or purpose in support of an identified program. TJPDC uses a rubber stamp on invoices and receipts to track costs. The invoice is stamped with a line to indicate the program and code from the chart of accounts, and a line for the program manager's initial, and the Executive Director's initial.
- Copies are tracked by auditron on the copy machine, with a code assigned to administration. Total costs for operation of the copier are charged to administration, offset by the cost of copies recovered through programs.

- Equipment and data use includes office equipment less than $5,000 (computers, printers), software, web hosting and domain costs, and costs related to the server and plotter.
- Contractual costs consist of IT and financial support services, including the payroll service charges.
- Occupancy expenses including rent, utilities, and janitorial services.
- Other costs include the audit, legal costs, advertising, insurance, bank charges, dues, and expenses for Commission and staff meetings and retreats.

iii. Other Costs: TJPDC incurs some costs that are not included in either direct or indirect costs allocated to projects. These include:

- Capital expenses are reflected on the balance sheet, but are not reflected in direct or indirect costs on profit and loss statements. Capital expenses are not included in the indirect cost pool.
- Staff time related to preparing proposals is tracked through a project number for that purpose. These costs are not charged to any program, and are not included in the indirect cost pool. Local funds are used for this purpose.

IV. BUDGET

a. Agency Budget: The following procedures are used by the Commission to establish the agency budget:

i. Prior to the December 31, the Executive Director submits a proposed budget for the upcoming fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. This budget proposes the member allocations, to be used in budget submissions to the member localities, on the basis of an equal per-capita rate as established by the Commission and population figures adjusted each year as defined in Section 15.1-1402(f) of the 1950 Code of Virginia as amended. Each member governmental subdivision shall be represented by at least one Commission member at any meeting at which action is taken requesting per-capita donations from the participating governing bodies, and such actions shall be approved by the affirmative vote of at least two-thirds of the members present. The Executive Director, or designated staff, submits budget requests to the local governing bodies.

ii. The budget amounts depend on staff securing grants and contracts throughout the year. Appropriate budget revisions are proposed and approved by the Commission during the year. The Commission adopts a working budget for the fiscal year beginning July 1 at their May meeting, per the Bylaws. The Commission adopts the final budget for use in financial reporting at the November meeting.

iii. The approved budget is utilized as a management control device.

iv. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

b. Project Budget: TJPDC typically prepares the project or program budget as part of the application process for funding. TJPDC reflects all anticipated project revenues and expenses in the project budget. Revenues include the requested funding and any state, local, or private funds applied as match. Expenses include personnel costs, contracts, materials and supplies, travel, indirect costs, and other costs authorized by the regulations governing the particular award. After award, there may be a process of budget adjustment undertaken between TJPDC and the funder.

V. INTERNAL CONTROLS: TJPDC has instituted internal controls to protect its financial assets, to ensure that resources are used for authorized purposes, and are protected against waste, mismanagement, and loss. TJPDC's financial policies, procedures and practices also provide mechanisms to record information on the source, amount, and use of funds in a reliable and timely fashion, readily available through reports and records.

a. Segregation of Duties: TJPDC has developed an agency organizational structure that provides an effective work environment and provides the framework for planning, directing and controlling operations to achieve its objectives. TJPDC delegates authority and responsibility throughout the organization. The following groups and individuals have specific duties for internal controls related to financial management:

   i. TJPD Commission as a body
      - Will review and accept all financial reports
      - Will review and approve the annual budget, including revisions or amendments during the fiscal year

   ii. TJPDC Chair
      - Will be a signatory on all TJPDC accounts, and sign expenditure checks in the Treasurer's absence
      - Will review all vouchers and invoices for those checks which require his or her signature
      - Will appoint members of the Executive Committee and Finance Committee

   iii. TJPDC Finance Committee
      - Will review financial materials prior to presentation to the Commission
      - Will assist TJPDC staff by offering recommendations for accounting, financial and budget preparation and reporting
      - Will identify issues that require Commission deliberation and decision
      - Will periodically review financial goals and targets
      - Will recommend actions to the Commission
      - Will participate in the annual budget process in partnership with the TJPDC Executive Committee and Executive Director
      - Will recommend budgetary actions to the Commission
      - Members of the Finance Committee will also serve as members of the Audit Committee, with one or more additional Commissioners as appointed by the Commission Chair

   iv. TJPDC Treasurer
      - Will be a signatory on all TJPDC accounts, and sign expenditure checks
      - Will review all vouchers and invoices for those checks which require his or her signature
      - Will serve as a member of the Executive Committee, Finance Committee and Audit Committee

   v. TJPDC Executive Director
      - Will be a signatory on all TJPDC accounts, and sign expenditure checks
      - Will review approval of invoices by project/program managers, or approve vouchers and invoices for those checks which require his or her signature
      - Will draft the annual budget for review by the Executive and Finance Committees, and present to the Commission for adoption
      - Will acknowledge independent bank reconciliation by Senior Program Manager or designated staff

- Will review financial reports prepared by the Finance Director or other staff prior to presentation to the Finance Committee

vi. TJPDC Finance Director

- Will process checks based on invoices received and reviewed by the program/project manager, or on contracts in place
- Will reconcile monthly bank statements using QuickBooks software
- Will prepare financial reports

vii. TJPDC Senior Program Manager or other designated staff

- Will conduct an independent manual reconciliation of monthly bank statements
- Will be a signatory on all TJPDC accounts, and sign expenditure checks in the absence of the Executive Director, or for checks payable to the Executive Director
- Will review all vouchers and invoices for those checks which require his or her signature

viii. TJPDC Administrative Assistant

- Will receive and open all incoming mail, including the bank statements
- Will make copies of all checks and deposit slips, document all checks received, and make bank deposits
- Will prepare signed checks for mailing, with a copy of the invoice as appropriate, retain check stubs and invoices for TJPDC records, and provide all materials to the Finance Director for a final check prior to mailing and for filing

b. <u>Financial and Organizational Reports</u>

i. Each month the TJPDC Finance Director and assigned staff shall prepare:

- A balance sheet showing cash accounts, accounts receivable, accounts payable, pre-paid expenses, deferred revenue and the cost and depreciation of any owned property, equipment and fixtures, and equity accounts
- A consolidated income statement showing income received, expenses incurred and the balance for the month and year to date, with a comparison to the budget
- A chart showing accrued revenues by program
- A financial dashboard report, displaying key indicators in a visual way to convey the financial condition of the TJPDC

ii. Financial Reports to the Commission: Financial reports will be provided at each meeting of the Commission for review and acceptance

iii. The Executive Director will provide a report to the Commission at each meeting, highlighting and analyzing TJPDC's activities

c. <u>Controls for Incoming Funds</u>

i. Checks Received: The majority of the money received by the TJPDC is in the form of electronic deposits or checks received through the mail. The following procedures will be used for checks received:

- The Administrative Assistant receives and opens the mail.
- All checks are stamped "For deposit only," and recorded on a deposit slip, with a separate deposit slip for each check. Copies of the deposit slip and check are made before the deposit is taken to the bank.
- All documentation received with the check is kept with a copy of the check and deposit slip, and the original deposit receipt from the bank. The Administrative Assistant passes all of this information to the TJPDC Finance Director.

- The Administrative Assistant records all deposits on an Excel spreadsheet, indicating date received, date deposited, check number, payer name, and amount of deposit.
- Funds in a single institution should not contain more than $250,000, the current FDIC limit. All cash accounts owned by the TJPDC will be held in financial institutions which are federally insured and have received a favorable CRA (Community Reinvestment Act) rating.

ii. Electronic Deposits: Payments for grant-funded programs may be made in the form of electronic deposits directly into TJPDC's primary Money Market account. The following procedures will be used for electronic deposits:

- Electronic notification by the funder will be sent to both the Finance Director and the Senior Program Manager or designee
- The Finance Director will create a table showing deposits received and programs credited, and create journal entries to clear the related account receivable
- The Finance Director will provide the table of deposits received with bank statement reconciliation materials

iii. Cash Received: TJPDC receives some incidental payments by cash. The following procedures will be used for cash:

- The Administrative Assistance receives all cash payments and provides a hand-written receipt slip to the payee, retaining the carbon copy.
- The Administrative Assistance deposits cash payments over $10 into the bank, making a copy of the cash and deposit slip, and attaching the bank deposit receipt to the copy after making the deposit.
- The Administrative Assistant records all cash bank deposits on an Excel spreadsheet, indicating date received, date deposited, "CASH" written in the check number column, payer name, and amount of deposit.
- For cash payments under $10, the cash may be added to petty cash, accompanied by a receipt to be used in the reconciliation.

d. Controls for Payments

i. The Administrative Assistant will open incoming invoices received by mail and forward these to the Program/Project Manager or the Executive Director or for review and processing. Invoices for recurring expenses, such as phone bills and newspaper subscriptions, and credit card statements will be forwarded directly to the Finance Director.

ii. Each employee has a dedicated credit card with a $2,500 limit kept in a locked cabinet in the Finance Director's office. Staff may use their credit card for purchases as needed. Employees can access account information on-line. Staff can add comments to their transactions on-line to note the appropriate account, or print out the statement and provide the original invoice at the point of sale with account coding noted. Each staff member with credit card charges for the month provides materials on credit card activity to the Finance Director by the 5th of the month. TJPDC makes one payment for the agency monthly, drawn directly from the Money Market account by the bank.

iii. The Finance Director will review invoices received, approved by the Program/Project Manager or Executive Director, and prepare checks for payment, using QuickBooks software. The Finance Director will arrange for signatures by the Executive Director and Treasurer, or other signatories as appropriate

iv. The check signers review the checks and associated invoices. Any questions are directed to the Finance Director. After any issues are resolved, the signatory signs the checks and returns these to the Finance Director.
v. The Finance Director provides all signed checks and back-up materials to the Administrative Assistant
vi. The Administrative Assistant prepares checks and appropriate paperwork for mailing and filing.
vii. The Finance Director reviews materials prior to mailing, and retains the check stub and copies of the invoice and other back-up materials for TJPDC files.
viii. The Finance Director will maintain supporting documentation in appropriate vendor files. These files will be utilized to respond to any discrepancies which arise with vendors or other payees.

e. Petty Cash:

i. The Administrative Assistant maintains cash on hand for use in incidental purchases. The following procedures will be used for petty cash:
- The Administrative Assistant keeps petty cash in a locked bank bag, stored in a locked cabinet. The maximum amount of petty cash maintained is $200.
- Staff may use petty cash for incidental purchases as needed. Receipts for purchases, with appropriate account codes noted, are retained in the locked back until petty cash in reconciled.
- Any cash received under $10 is noted with a hand-written receipt identifying the source of the funds, and kept in the locked bag until petty cash is reconciled.
- No less than quarterly, the Administrative Assistant reconciles petty cash based on the receipts and remaining cash, and provides the reconciliation to the Finance Director.
- The Finance Director prepares a check payable to TJPDC for an amount to bring the petty cash balance up to $200.
- The Senior Program Manager or designee cashes the check at the bank and provides the cash and check stub to the Administrative Assistant. Funds are added to petty cash.

f. Bank Reconciliations:

i. The TJPDC Finance Director will reconcile the monthly bank statements within 10 days of receipt using the accounting software. Bank statements for accounts without checks drawn are not mailed; the Finance Director will access these bank statements on-line. The TJPDC Finance Director shall provide the bank statement(s), check registers, general ledger, payroll records and any voided checks (clearly marked as voided to avoid re-use of the check) to the Senior Program Manager or designee to do an independent reconciliation of the bank statement.
ii. The Senior Program Manager or designee will review the materials provided by the TJPDC Finance Director.
- Reviewer will verify that all checks are consecutive. Any missing check numbers will be reported to the Treasurer for explanation. The Reviewer will forward any information on missing checks or questionable payees to the TJPDC Executive Director.

- The reviewer will examine cleared checks for authorized signatures. Any checks that are outstanding for more than three months will be reported to the TJPDC Finance Director for investigation and explanation.
- Reviewer will examine "other debits" on each back statement. Any amounts will be included in the written report.
- Reviewer will create a brief narrative report documenting the review of all items noted above, including any questions or pertinent information, and Excel tables showing the statement balance, outstanding checks, reconciled balance, and compare the balance to the General Ledger. The Reviewer will sign off on the narrative and on the first page of each bank statement and forward the package to the Executive Director for a brief review and sign-off.
- The reconciliation review should be completed by the 25th of the month following the end of the bank statement.

iii. The TJPDC Executive Director will acknowledge the independent bank reconciliation by initialing the report and bank statements and returning these to the Senior Program Manager or designee.

iv. The Senior Program Manager or designee will return the bank statements, narrative report, Excel table of outstanding checks, any voided checks, and software-generated reconciliation materials to the TJPDC Finance Director. The Senior Program Manager will retain the general ledgers, payroll printouts, and any other documents needed for use in the subsequent month's reconciliation. All retained materials will be kept in a binder for review during the audit process.

VI. ACCOUNTING SYSTEM:

a. Software: TJPDC utilizes QuickBooks to track revenue and expenditures on an accrual basis and to produce monthly financial reports.

b. Fund Accounting: TJPDC uses a chart of accounts to classify transactions to clearly identify fund sources and uses. Governmental financial statements are produced at the end of the fiscal year.

c. Fiscal Year: TJPDC's fiscal year runs from July 1 to June 30.

VII. OTHER CONTROLS:

a. Controlled Access to Records: Financial records are kept in a locked cabinet in the Finance Director's office. A separate drive on the server is dedicated to financial files, with access limited to the Finance Director, Executive Director and Senior Program Manager.

b. Control of Physical Assets: Physical assets include furniture, equipment, and a vehicle. The following controls are in place:

i. The Finance Director, with assistance from staff, maintains a spreadsheet of all equipment, with serial number, date purchased, and assigned user.

ii. All physical assets are covered by an appropriate insurance policy.

iii. Keys to the office are provided to staff members, lessees, and the janitorial staff. Keys are returned to the TJPDC upon termination of employment, lease or contract.

iv. TJPDC's Employee Handbook includes appropriate use and maintenance of TJPDC-owned property among Standards of Conduct for staff. Inappropriate use of equipment constitutes unsatisfactory work performance. Per the handbook, the following kinds of disciplinary action may be taken, depending upon the circumstances: oral admonishment, written reprimand, suspension, demotion or dismissal.