

Accounting & Internal Control Policies and Procedures

Control Environment

The business of the Mount Ascutney Regional Commission (MARC) is overseen by the Board of Commissioners. Policy development and oversight is generally undertaken at the Committee level, with full Board approval when applicable. The MARC takes zero tolerance approach to fraud or any financial maleficence at any level of the organization. The MARC is committed to proactively training staff and Board members to prevent, disrupt, mitigate, and to recognize fraud, theft, and abuse. The MARC develops, implements, monitors, and enforces policies that prevent fraud and abuse and uphold the standards of the organization.

Internal Controls

Internal controls are interwoven into all financial operations of the MARC. Segregation of duties, multi-step approval processes, layers of oversight, and other proven controls are built into MARC daily operations.

Staff is responsible for undertaking and performing internal controls during daily operations, with direct oversight by the Executive Director. Policy and Director oversight is the responsibility of the Board. Annual audits by outside CPA firms serve as another layer of policy oversight and enforcement.

The full set of accounting and internal control procedures are appended to this part as Appendix D.

Risk Assessment

Risk assessment is the identification and analysis of relevant risks to the achievement of an organization's objectives, for the purpose of determining how those risks should be managed.

Risk assessment implies an initial determination of operating objectives, then a systematic identification of those things that could prevent each objective from being attained. In other words, it's an analysis of what could go wrong.

Not all risks are equal. Some are more likely than others to occur, and some will have a greater impact than others if they occur. So, once risks are identified, their probability and significance must be assessed.

The risk assessment process is an ongoing one. Internal and external threats constantly

develop, presenting new hazards to the organization. Change itself is a risk, and management must continually adapt its policies and procedures to manage its changing risks to a comfortable level.

Conducting and documenting a Fraud Risk Assessment is one way that the MARC assesses and mitigates risk. The Fraud Risk Assessment is conducted with staff and the Finance Committee and is conducted annually to adapt to organizational and external change.

Fraud Risk Assessment

A fraud risk assessment identifies vulnerabilities to fraudulent activities and whether those activities could result in material misstatement of financial statements, or worse. A good risk assessment would also identify controls, procedures, and policies that are either in place, or should be put in place, to mitigate fraud and the risk of fraud. The Fraud Risk Assessment is a process that is undertaken by the Finance Committee with staff. It is our intent to complete this assessment on an annual basis in April. The Finance Committee will report back to the full Board of Commissioners by the organizational meeting in June.

The MARC Fraud Risk Assessment process is conducted as follows:

1. Review the *Financial Management Questionnaire* (Appendix C) from the Vermont Auditors Office to establish what financial controls are already in place and where controls could be improved.
2. Using a list of the most common types of fraud that occur at different organizations, discuss the level of risk for each of these types at the MARC. For each type of fraud, the group will ask:
 - a) Is this likely to occur at the MARC?
 - b) If it did occur, what would be the impact on the organization?
 - c) What controls are in place to keep this from happening?
3. Brainstorm other types of fraud that could occur at the MARC.
4. Discuss future steps to continue to reduce risk of fraud at MARC
5. Staff documents the process and the results, with the assessment to be reviewed by the Finance Committee and approved by the Executive Committee.

Control Activities

The full set of accounting and internal control procedures are appended to this manual as Appendix D. Control activities related to staff conduct, performance, and daily operations are found in Personnel Policy.

Monitoring

Monitoring of MARC financial performance is regular and ongoing. The full Board is updated monthly with MARC financial information. The Executive Director reviews financial performance and policy at the staff level. An annual audit is conducted by an outside CPA firm, with results reported to the entire organization.

The Fraud Risk Assessment is conducted and documented annually, as discussed in the Risk Assessment section of this chapter. The Fraud Prevention policy is below.

Fraud Prevention Policy

Purpose

The purpose of this policy is to provide a mechanism for employees and board members to bring to the attention of the MARC auditors any complaints regarding the integrity of the MARC's internal financial controls or the accuracy or completeness of financial or other information used in or related to the MARC's financial statements and reports. MARC employees and officers shall not be discharged, demoted, suspended, threatened, harassed, or discriminated against in any manner for raising reasonable questions concerning the fair presentation of MARC financial statements in accordance with this policy.

Reports of Irregularity

Any employee who has a complaint regarding the integrity of the MARC's internal financial controls or the accuracy or completeness of financial or other information used in or related to the MARC's financial statements and reports, or who observes any questionable accounting practices, should report such complaint to the MARC Executive Committee and the auditors.

The report should include a description of the matter or irregularity, the period of time during which the employee observed the matter or irregularity, and any steps that the employee has taken to investigate the matter or irregularity, including reporting it to a supervisor and the supervisor's reaction. The report may include, at the employee's option, the employee's contact information if additional information is needed. However, a report shall not be deemed deficient because the employee did not include contact information.

Examples of reportable actions include any indication of fraud, misappropriation of MARC resources, substantial variation in the MARC's financial reporting methodology from prior practice or from generally accepted accounting principles, and the falsification, concealment, or inappropriate destruction of MARC financial records.

Investigation

Upon receiving such a report, the MARC auditors and MARC Board chair or vice chair shall investigate the issues identified in the report to determine whether or not it merits a full investigation. If a full investigation is warranted, the MARC auditors may consult with the Executive Committee, MARC executive director, treasurer, any other MARC employee, legal counsel and independent auditors as a part of their investigation. At the conclusion of the investigation, the MARC auditors shall prepare a written response to the report, which shall be a public document.

Disaster Recovery Plan

In order to assure continuity of operations during planning and unplanned business interruptions the Southern Windsor County Regional Planning Commission (MARC) has established the procedures as outlined below. This disaster recovery plan will be revisited annually or as updates are needed.

Data to be Stored Offsite

MARC performs complete back-ups of all relevant data files through the backup of the MARC shared server including all on-going and past projects that are included on the X or H drives. Files located on the C: drive of a staff member's computer are not backed up. Emails are archived.

Offsite Data Storage

MARC performs complete back-ups daily which are stored on a NAS system which is located in the server room. The designated staff member also runs a weekly back-up on an external hard drive which is then stored at the home of the designated staff member.

Access to Offsite Data Storage

The back-up held at designated staff member's house can only be accessed by that person.

Offsite Contact Information

The MARC Administrative Assistant maintains an up-to-date phone contact listing of home phone numbers that is distributed to each MARC staff member as updates occur.

Equipment Contingency Plan

In the event of a disaster, MARC would initially require all of its employees with home computers, to utilize them until new computers could be obtained. Required and immediately necessary MARC datafiles would be loaded onto employee computers on an as needed basis. Because of the unique back-up format, data and software, Personnel should be able to telecommute within 2-5 days. Due to the size of our organization, temporary or replacement computers may be purchased through computer stores. The IT technical consultant will assist with disaster recovery.

Personal Responsibilities During Emergency Offsite Operations

Only necessary Personnel would be activated for office operations during emergency situations. Due to the public nature of the organizations, there is the potential that MARC staff would be diverted to other public agencies to provide assistance. Should the emergency require staff mobilization, the Director, or in his/her absence the Program Managers, will provide guidance to staff regarding the plan of action for the event. For short term events, all efforts will be made to delay reactivation of full office operations until the emergency has passed. For longer term emergencies, staff shall re-establish limited office operations at an offsite location to enable critical functions to occur including inter-governmental communications, fiscal activities, and direct technical assistance. For long term offsite operations, the Director, in coordination with the Executive Committee of the Board of Directors, shall re-establish business operations at an offsite location.

Record Retention Policy

Permanent/ Archive

The following documents will be retained permanently. They will be archived upon reaching obsolescence, expiration, supersession, and completion/closure:

- Accountants' audit reports
- Audit Reports
- Bills of sale for important purchases
- Legal correspondence
- Deeds and mortgages (if applicable)
- Minutes, bylaws and VT statute of creation, IRS documentation: assignment of EIN number and tax-exempt status, policies
- Property records and appraisals (if applicable)
- Trademark registrations (if applicable)
- Materials of historic relevance after being reviewed by the Board of Commissioners

7 Year Retention

The following documents will be retained for 7 years following obsolescence, expiration, supersession, completion/closure. After which time they will be destroyed (general, unless noted as "Shred"), unless otherwise noted:

- Accident reports and claims (settled cases) - Shred
- Accounting Records: bank reconciliations, deposits, paid bills
- Contracts and leases (expired) - Shred
- Inventories (if products, materials, and supplies)
- Payroll records and personnel (past and present) related documents – Shred
- Project Documentation (white binder) after the maturity of the contract
- Fixed assets inventories

3 Year Retention

The following documents will be retained for 3 years following obsolescence, expiration, supersession, completion/closure. After which time they will be destroyed (general, unless noted as “Shred”), unless otherwise noted:

- Agreements (formal, interagency, memorandums of understanding) – then archived
- Correspondence (substantive administrative value, policy development related, memoranda of decisions) – then archived
- Plans (strategic) – then archived
- Policies – then archived
- Procedures – then archived
- Reports (annual or similar) – then archived
- Studies – then archived
- Authorizations – Shred
- Bids – Shred
- Contracts (including grant agreements) – then archived
- Decisions (contract selection) - Shred

1 Year Retention

The following documents will be retained for 1 year following obsolescence, expiration, supersession, completion/closure. After which time they will be destroyed (general, unless noted as “Shred”), unless otherwise noted:

- Employment applications - Shred
- Insurance policies (expired)
- Legal notices
- Agendas
- Calendars
- Press Releases

Limited Retention

Following obsolescence, expiration, supersession, completion/closure, the following documents will be destroyed (general, unless noted as “Shred”), unless otherwise noted:

- Correspondence (day to day office administration, general internal, interagency, routine public)
- Drafts
- Reference sources

Appendix C – Financial Management Questionnaire

Internal Financial Controls Checklist

Question 1: Do staff and treasurer with control over assets and accounts understand their various responsibilities for implementing and following an adequate system of internal controls?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 2: Has a system of internal financial controls been adopted and are those controls well-documented? Are the duties of employees who have access to assets and accounts clearly defined and in writing?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 3: Are financial policies retained, accessible, and adequately communicated to newly-appointed Commissioners and newly-hired staff?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 4: Has the board adopted a fraud prevention policy and has it been communicated to the employees during the last year?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 5: Does the Organization have an independent professional audit done on an annual basis?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 6: Does the board regularly receive and review financial reports from the treasurer regarding actual revenue and expenses as compared with budgeted revenue and expenses?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 7: Are commissioners bonded or covered by liability insurance?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 8: Are financial and accounting duties segregated so that no individual is able to perform all related elements of a financial transaction?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 9: Are all employees encouraged to take annual vacation?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 10: Are employees accounting functions performed by other employees when they are on vacation?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 11: Have the board and treasurer jointly adopted an accounting, auditing, and financial reporting policy?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 12: Does the treasurer have written documentation of the accounting procedures used by the treasurer and financial or accounting staff?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 13: Does the treasurer and Financial Administrator have a useful and descriptive chart of accounts?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>
Question 14: Does the office maintain its financial records using a computerized accounting system?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Unsure <input type="checkbox"/>

Payroll

- Employees are paid bi-weekly.
- For part-time employees: signed timesheets are submitted to the Administrative Assistant which are then entered into QuickBooks enhanced payroll time tracking. Salaried employees prepare monthly timesheets that are submitted to the Financial Administrator.
- Payroll is generated in QuickBooks and reports are printed. These reports are used as documentation for the generation of an ACH batch using the bank's on-line functions for direct deposit to the employees. IRS 941 payments are confirmed by the Administrative Assistant and submitted through QuickBooks. Retirement contributions are made online by the Administrative Assistant.
- All payroll summary reports and hourly employees time sheets are reviewed by two designated signatories.
- Paystubs are generated by the Administrative Assistant through QuickBooks and distributed to the employees.
- Quarterly and annual payroll returns are generated by the Financial Administrator.

Invoicing

- At the end of the month, each planner generates a time and expense sheet, which is submitted to the Financial Administrator. The hours recorded on their timesheet, as well as the expenditures recorded on the expense sheet, are allocated to the appropriate programs. The Financial Administrator uses this information to generate an invoice for each program on either a monthly or quarterly basis depending upon the program. Any progress reports that are required to be filed are submitted with the invoice at this time.
- Each program or grant is given a certain "class" on the accounting records. All revenues and expenses of the program are charged to the appropriate class. At any time, a profit and loss statement of the class can be generated. As part of the monthly or quarterly billing of these programs, a reconciliation is done between this class records and the reports and/or invoices submitted to the grantor or the entity with which the RPC is contracted.
- For each contract or grant the records include: a contract file and a sub-ledger.
- A project manager will keep digital administrative files on the server that consist of a copy of the application, budget, grant agreement and any subcontractor or sub grants associated with the grant along with any other pertinent information.
- The sub-ledger, kept by the Financial Administrator, will include a copy of the budget and grant agreement, all invoices or reports generated for the program and all documentation necessary to substantiate charges to the program.
- The contract file includes the signed contract, application and any amendments.

Bank Reconciliation

- The Financial Administrator reconciles all of the bank accounts and reviewed by executive director.

Financial Statements

- Each month the Financial Administrator prepares a Treasurer's Report which is reviewed by the Executive Director and submitted to the Commissioners for review and acceptance at the monthly meeting. A monthly general ledger is printed and provided to the executive director for review of all the transactions, including journal entries.

Travel Procedures

- Travel costs are the expenses for transportation, mileage, lodging, food and related items incurred by employees who are traveling on official business.
- All travel costs are pre-approved by the Executive Director, or his/her designee, and/or the granting entity before any reservations are made.
- Cost incurred for meals and incidental expenses shall be considered reasonable and allowable only to the extent that they do not exceed per diem rates as prescribed by the General Services Administration (GSA.gov) or as stipulated in the grant agreement.
- Travel expenses are either charged on the MARC's credit card and receipts verifying the expense submitted to the Financial Administrator or they are paid for personally by the employee and submitted for reimbursement on the employee's monthly expense sheet with receipts to verify the expenditure.
- Per Diem payments are allowed as long as the per diem rate meets the G.S.A. standards or those stipulated in the grant agreement. All travel costs must be substantiated by documentation, which shows the destination point and the dates of travel.
- Mileage is reimbursed via an expense sheet at the current approved G.S.A. rate.
- Any employee traveling to a destination that requires an overnight stay, reasonable hotel expenditures will be reimbursed and a per diem based on the most current GSA rates will cover costs for travel-related meals and incidentals. Alcoholic beverage charges are prohibited.
- Lodging and subsistence costs incurred by employees and Commissioners for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the RPC in its regular operations. as the result of the RPC's written travel policy.

Commercial Air Travel

- Airfare costs in excess of the customary standard commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare are unallowable except when such accommodations would require circuitous routing, require travel during unreasonable hours, excessively prolong travel, result in additional costs that would offset the transportation savings or offer accommodations not reasonably adequate for the traveler's medical needs. The RPC will document these conditions on a case-by-case basis in order for the use of classes costlier than economy to be allowable.