TRI-COUNTY REGIONAL PLANNING COMMISSION

Planning for People in the Greater Lansing Region Since 1956

TCRPC
FINANCIAL PROCEDURES AND POLICIES

REVISED at 3-11-15 workgroup meeting

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TRI-COUNTY REGIONAL PLANNING COMMISSION
FINANCIAL PROCEDURES AND POLICIES

The Financial Procedures and Policies of the Tri-County Regional Planning Commission (TCRPC) is a collection of the operational and accounting guidelines used for the fiscal performance for our organization. The Financial Practices portion of this guide covers our practices and procedures regarding operating budget, revenues and expenditures, reserves, investments, debt, capital improvements, as well as accounting, auditing, and financial reporting. The Procedures portion of the guide details the Commission's accounting procedures. The Policies section includes our organization's policy statements regarding financial management of our organization. It covers the areas of financial policies, banking and investments, Finance Director's cash receipting, accounting receivables, cash disbursement, payroll and related liabilities, general ledger/journal entries, capital assets, internal controls, internal accounting reporting, and external (audit) financial reporting responsibilities.

The practices and procedures outlined in this document reflect the TCRPC's past and current practices. They are now compiled and summarized here in a complete and written document. This document will be reviewed and considered for adoption by the Commissioners of the TCRPC in public and, once adopted, will be made available to the public and any members, partners, and participants of the TCRPC. The financial procedures and policies, including the accounting procedures, will be reviewed regularly and modified as needed by the TCRPC.

With this written procedures and policy document, the Tri-County Regional Planning Commission (the Commission) reaffirms its intent to manage its financial resources well and appropriately. The Commission affirms that it will continue to use revenues from membership dues, grants, work agreements, and other resources to achieve the TCRPC's fiscal objectives both in the short term and in the future.

Financial Management Practices

I. BUDGET

The development of the budget, and the guidelines outlined below, are intended to ensure the financial stability of the TCRPC.

A. The Executive Director will provide the Commission an annual balanced budget for the next fiscal year for their approval and adoption in accordance with the State of Michigan's General Appropriations Act. In order to present a balanced budget the Executive Director, with advice and information from the Finance Director and the Commission's Finance Committee, may suggest implementing any of the following:

- Increase to membership fees
- Use of the fund balance
- Expenditure reductions
- Reduction of work hours and reduction in pay
- Eliminations, layoffs or transfers of certain positions

B. Current budget expenditures will not exceed current budgeted revenues throughout the fiscal year. If there is an operating deficit, the Executive Director may, with the approval of the Commission, implement the following to present a balanced budget:

- Use of fund balance
- Expenditure reductions
- Reduction of work hours and reduction in pay
- Eliminations, layoffs or transfers of certain positions

C. In addition to Commission membership dues, the TCRPC also has outside revenue sources, including federal, state, and local grants and agreements for services.

D. The proposed budget shall be developed according to the following schedule:

- March – the next fiscal year Preliminary Budget with the membership dues set for the fiscal year starting October 1.
- June – The Transportation Unified Work Program (UWP) and Regional Transportation Planning Program are drafted.
- July – Staff provides the Final UWP and Regional Transportation Planning Programs to the Commission for approval. Then, staff submits the approved Programs to Michigan Department of Transportation (MDOT), the Federal Highway Administration (FHWA) and the Federal Transit Authority (FTA).
- July- Staff submits a Request for Compensation to the Executive Director. If the Executive Director supports the request for an increase to base salary or

benefits, it is forwarded to the Executive Committee to approve the change beginning with the new fiscal year starting October 1st.

- August- The Executive Committee completes an annual performance review of the Executive Director and may recommend continuing the contract and any change to compensation for consideration by the full Commission beginning with the new fiscal year starting October 1st.
- September – the TCRPC considers the proposed budget in their public meeting and adopts it for the coming fiscal year.

II. REVENUES

The TCRPC's revenues come from a variety of sources including membership dues, grants, and work or service agreements. The Commission membership dues revenue is designated for two uses. These 'Commission Funds' are used as match for federal, state and local projects. Commission Funds are also used to cover the operating cost of the Commission and its policy board. Another large source of revenue is federal, state, and local grants. Federal grants are typically received through the Michigan Department of Transportation (MDOT) from the Federal Highway Administration (FHWA) and Federal Transit Authority (FTA), the Office of Highway Safety Planning (pass through funds), and the Economic Development Administration (EDA) for the Comprehensive Economic Development Strategy (CEDS). Grants from or through the State of Michigan may also include grants from the MDOT Regional Transportation and Asset Management Funds, from the Michigan Department of Natural Resources, the Michigan Department of Environmental Quality, or others. The Commission may accept other revenues through specific contracts and agreements. Examples include management of grant funded projects for member municipalities or partnering with area agencies to manage or complete projects in keeping with TCRPC's regional goals.

Expected revenue (accounts receivables) is determined to be uncollectible when continued efforts to collect have exceeded a year. When the accounts receivable is written off, there will be an adjusting journal entry at year end. The write off does not release the debtor from the debt owed to the Commission.

III. EXPENDITURES

To meet the ongoing obligations of the Commission, the expenditure controls in place are as follows:

A. The budget appropriation does not commit the Commission to any purchases. All purchases require that sufficient funds are available at the time of purchase, and the purchase requires the Executive Director's approval. Authorization is required from the Executive Director prior to the obligation of Commission funds for expenditures related to:

- Seminars and Conferences
- Memberships
- Out of State Travel

- Professional Services

B. Requests for payments to vendors must have an accompanying receipt or invoice prior to the issuance of payment. Original invoices shall be used to process the payments. Statements or copies of invoices may result in the duplication of payments.

C. The Executive Director approves all payables for accuracy of payments. All checks issued by the Commission shall have one authorized signer recorded on its front surface to be valid. All on-line purchases using the Commission's credit card require approval by the Finance Director or the Executive Director.

D. The Finance Director prepares payroll and travel expenses which must then be approved by the Executive Director. The Finance Director will make any necessary corrections before submitting payroll to the financial institution for processing.

IV. RESERVES

The fund balance is the net worth of a fund, measured by the total assets minus total liabilities. Generally, the recommendation is to retain a 15% to 25% fund balance set aside for future expenditures in accord with the Governmental Accounting Standards Board (GASB), *Statement Number 54 – Fund Balance Reporting and Governmental Type Definitions*. The Commission retains two fund balance categories: unrestricted fund balance and reserved fund balance.

A. Unrestricted Fund Balance – The unrestricted fund balance can be used for any purpose. At this time, the Commission does not have designations in place for the unrestricted balance.

B. Restricted Fund Balance – Fund balance will be reported as restricted when constraints placed on the use of resources are either:

1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments; or

2) Imposed by law through constitutional provisions or enabling legislation.

V. INVESTMENTS

The Commission's Executive Director is authorized to invest surplus funds in Michigan banks, savings and loan associations, and credit unions that belong to the Federal Deposit Insurance Corporation (FDIC), or which are insured by the National Credit Union Administration (NCUA).

A. The Commission's Executive Director is authorized to invest in the following instruments:

- Savings Accounts-a deposit evidenced by a monthly statement. Entries are made for each deposit and withdrawal and interest is paid in accordance with the policy of the financial institution. It is often used to accumulate small amounts of funds until a larger, higher yielding investment can be made.

- Certificate of Deposit (CD) is a receipt of funds deposited in a financial institution for a specified period at a specified rate of interest. A negotiable receipt may be in bearer or registered form and can be traded in the secondary market. A non-negotiable receipt is always registered and has no secondary market. Denominations can be any agreed amount, and interest is normally calculated using actual number of days on a 360 day year. However, each financial institution's calculations vary.

B) Notice of Investment Policy - The senior management of any firm, dealer, broker, or financial institution shall be given a copy of the Commission’s Investment Policy prior to the Commission investing or depositing any Commission funds in such institution.

C) Financial Performance Reports - The monthly Treasurer’s Report provides information about investments related to the Commission. The Executive Director shall invest in instruments which protect the safety of the capital, are liquid and maintain the public trust.

See the Commission’s Investment Policy in the last section of this document.

VI. DEBT

The Commission strives to maintain its current credit rating to minimize any borrowing costs incurred. Debt financing will be used to purchase capital assets in which the fund balance is not used. At this time, the Commission has no debt. If, in the future, purchases made including land, buildings, or vehicles, a debt repayment schedule will be implemented. Financing must not exceed the useful life of the asset. The Commission will not use long- term debt to finance current operations.

VII. CAPITAL ASSETS

The Commission may use current revenues, a portion of the fund balance, or issue debt to purchase or lease capital assets. The capital asset must be over $5,000.00 and have a useful life of one year or more to be depreciated. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset. *See TCRPC’s Capital Assets Policy.*

VIII. GRANTS

The Commission revenues include substantial federal, state, and local grants. When applying for a grant, the following will be considered: a) if the grant meets the Commission's objectives for its members; and b) the expenditures involved if the grant requires a cash match. If, for any reason, the grant funding is reduced, or the cash match cannot be met, the Commission has the option of using a portion of the fund balance to meet the obligations of the grant as outlined by the grantor agency. If the grant funding is eliminated, the Commission may terminate work or employee positions associated with the grant.

IX. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

The TCRPC's accounting, auditing, and financial reporting is based on governmental standards.

A. The Commission is responsible for following the Generally Accepted Accounting Principles (GAAP) as set forth by the Governmental Finance Accounting Standards Board (GASB). The Commission has the option to apply Financial Accounting Standards Board (FASB) unless those pronouncements are in conflict with or contradict GASB pronouncements. The Commission has elected not to apply FASB pronouncements.

B. Interim financial reports will be produced monthly by the Finance Director to share with the Executive Director and the Finance Committee. Per the recommendation of the Finance committee, the reports are received and placed on file by the Commission during their monthly public meetings.

C. The financial accounting system shall be maintained to accurately record revenues, expenditures, and general ledger journal entries. Adjusting year end journal entries which consist of pre-paid expenses, payroll, accounts payables and accruals will be recorded as of September 30^{th}.

D. An annual audit will be performed by an outside Certified Public Accountant (CPA) licensed to practice in the State of Michigan. Any audit recommendations must be resolved in a timely manner by the Executive Director with the assistance of the Finance Director.

Financial Management Procedures

The State of Michigan Department of Treasury created an Accounting Procedures Manual for local units of government under the authority of Michigan Public Act 2 of 1968, as amended; and Public Act 71 of 1919, as amended. That Accounting Procedures Manual is used throughout this section.

X. FINANCIAL POLICIES

The Commission has adopted two policies as required by the State of Michigan. The Commission adopted an investment policy required by Public Act 20 of 1943, as amended. The investment policy relates to scope, prudence, objectives, delegation, and ethics. The instrument and credit risks are included in the annual audit under Notes to the Financial Statements.

Public Act 266 of 1995 and Public Act 280 of 1995 require that the Commission approve a credit card policy and name an officer or employee who is responsible. The credit card may be used only for the purchase of goods or services for official business of the TCRPC. Documentation, protection and custody of the credit card, termination, internal controls, approval of credit card use, the balance to be paid within 21 days, disciplinary measure for unlawful use, and any other matters that the Commission considers advisable.`

Please refer to the individual Financial Policies that the Commission adopted. They are provided at the end of this document.

XI. BANK AND INVESTMENT ACCOUNTS

Bank and investment accounts are reconciled at the close of each month to verify accuracy in reporting.

A. Bank Reconciliations

The bank and investment balances of the fund ledger shall be reconciled to the monthly bank statement in a timely manner. Reconciliations are completed on a monthly basis to check for problems in the cash account. The cash balance for the bank account should be the result of the cash receipts and disbursement activities and shall be derived from the same accounting records used in preparing the financial reports. The bank reconciliations shall be prepared by the Executive Assistant in written form and signed. The bank reconciliations and all related documentation are forwarded to the Finance Director for review and signing. The Executive Director shall randomly review the reconciliations at least twice a year.

B. Journal Entries

The Finance Director is responsible for month end journal entries relating to bank accounts and investments.

XII. CASH RECEIPTS

Cash Receipts shall be balanced and deposited twice a month. Any cash or checks that are not deposited shall be placed in the safe. Petty cash is also placed in the safe. A log is kept on a spread sheet for the cash receipts received for the time frame involved.

A. Authorization to Receive Cash
All payments made in the office will be receipted in by a person who is authorized to receive cash. The following staff positions are authorized to receive cash: Finance Director, Administrative Assistant, and other properly trained office personnel as may be designated by the Executive Director.

B. Deposits
Total cash collected will be reconciled to the receipts when a deposit is made into the Commission's bank account(s). The Finance Director and the Administrative Assistant are authorized to make deposits. They will make deposits twice a month or when the total collected exceeds $25,000. The Executive Director shall review the deposit log at least monthly.

C. Journal entries relating to electronic fund transfers (EFTs) shall be made in conjunction with the month end journal entries.

D. All receipts shall be posted to the receipts journal and general ledger at month's end. They shall be recorded in the proper fund, project, and revenue account. All receipts, journals, and related documentation with the appropriate signatures shall be retained in the Finance Director's office.

XIII. ACCOUNT RECEIVABLES

An invoice is issued when project expenditures exceed project revenues. The balance sheet is used in the determination of account receivables.

A. Invoice Preparation
The Finance Director shall be responsible for preparing invoices for revenues that are due to the Commission. All invoices shall be numbered sequentially. Any other services rendered for which there is a charge shall be submitted to the Finance Director for invoice processing.

B. Reconciliation of Account Receivable
All account receivable balances are reconciled once each month to check for any discrepancies. This will provide for more accurate interim statements and will be a review process that ensures the transactions are being properly recorded. The account receivable balances are reconciled by the Finance Director.

C. Uncollected Receivable
If expected revenue (account receivable) is determined to be uncollectible when continued efforts to collect them has exceeded a year. The amount written off shall be an adjusting journal entry at year end. The write off does not release the debtor from the debt owed to the Commission.

XIV. CASH DISBURSEMENTS

The section related to Expenditure Control is contained in Section III of the Financial Management Policy. The section may also be applicable for this area of Best Practices.

A. Authorization

All requests for payments, i.e. invoices or expense vouchers, shall be processed, and be approved by the Finance Director and posted to the proper account. All approved bills must be submitted to the Finance Director at least fourteen days prior to their due date.

B. Account Payable Checks Issued

The Finance Director shall prepare an Accounts Payable listing report to the Executive Director showing the vendor name, nature of the expense, invoice number, and check number if the unsigned check represents the invoice. The Executive Director shall sign the vouchers for all claims approved. The voucher listing and check register shall be filed with the account payable claims in the Finance Director's office.

C. Verification of Accounts Payable

All Accounts Payable will be verified by the Finance Director and Executive Director. Invoices are checked for correct vendor name, amount owed, date, the general ledger numbers and any applicable discounts. Once the checks are processed, the Finance Director reviews the documentation, and submits it to the Executive Director. The original invoice needs to be attached to the check for proper verification. Statements or copies of the invoice may result in a duplicate payment.

D. Checks

A blank check may not be signed, nor a check signed before the invoice is processed. All checks are numerically controlled. Any unused checks shall be kept in the safe. The check stub is filed with the invoice for record retention.

E. Account Payable Voucher and Check Disbursement Register

All account payable voucher and check disbursements register will be posted and processed in a timely manner. The bank reconciliation will be completed and checked for accuracy. Any unclaimed checks must be investigated and remitted to the State of Michigan Treasurer if the check is not claimed within one year. The State will then begin the escheat process.

F. Petty Cash

The Finance Director shall maintain the petty cash account for small purchases, reimbursement to employees, or to pay for services where payment is required prior to delivery. Petty cash will not be used for purchases which exceed $35.00. A copy of the receipt shall accompany all disbursements. The amount of petty cash retained for general office purposes is $150.00. The funds are replenished through a check authorization with the Finance Director and Executive Director approval.

Petty cash is reconciled once a month by the Finance Director and reviewed by the Executive Director.

XV. PAYROLL AND RELATED LIABILITIES

The payroll and related liability section includes personnel, time sheets, payroll duties, and travel related expenses. The TCRPC does not believe it is necessary to have a separate travel reimbursement policy since travel expenses are reimbursed at the end of the semi-monthly payroll period with the payroll processing.

A) Personnel Information

The following personnel information is kept in each employee's folder in a secure (locked) area in the TCRPC Offices:

- Employment application
- Resume
- Date of hire
- Pay rate and any changes in pay rate
- Authorization for payroll deductions
- W-4 Forms (Federal, State and City withholding certificates)
- INS Form I-9 (authorization to work in the United States)
- Reviews, evaluations, and employment actions
- Termination date and related documentation

Employees are permitted to review their folder on request but reviews must be done in the TCRPC office and in the presence of the Executive Director or the Finance and Personnel Coordinator.

B) Payroll Schedule and Time Sheets

Payroll is on a semi-monthly schedule. Employees complete Time sheets and submit them to their immediate supervisor and then to the Executive Director for review and signatures. Time sheets are due by noon on the 15th day and the last day of each month or on the last working day before those due days. The immediate supervisor and the Executive Director review and sign all Time Sheets. Any corrections to element numbers or hours shall be made at this at this time.

C) Deductions and Withholdings

All voluntary deductions shall be authorized in writing by the employee. Employees must notify the Finance Director of any changes in voluntary deductions or withholding allowances at least five days prior to the end of the pay period they want the changes to occur.

D) Pay Advances and Pay Options

Pay advances shall not be authorized under any circumstance. As allowed by Michigan Law 408.476, the Commission offers Direct Deposit of employee pay to the employee's financial institution(s). Per an employee's request, a payroll debit card or paycheck may be issued. Employees will be provided a pay stub with a statement of their pay and the current and year to date information about tax withholdings and deductions.

E) Payroll Problems

Employees must notify the Finance Director immediately of any problems or errors on their paychecks. The Finance Director shall create a written account of the problem and its resolution. Clerical errors discovered in a payroll at a later date will be corrected in a timely manner through a payroll adjustment.

F) Payroll Verification

Once the Finance Director completes the payroll, the Executive Director will verify the accuracy of hours and expenses being paid. All related payroll records are retained in the Finance Director's office in a secure (locked) area.

G) Travel Expense Form

The Commission shall reimburse officers and staff for necessary expenses incurred in performing their duties with all appropriate or required pre-approvals. All requests for expense reimbursements must be made on the applicable expense report form(s). Forms are available from the electronic Box file storage system. Expenses shall be documented on an expense voucher prepared by the staff person who incurred the expense and seeks reimbursement. The expenses report shall include the following:

- Employee's full name
- Purpose and Location of travel
- Mileage with current mileage rate, any parking or other transportation fees, and meals expenses (receipts for parking fees and meals required)
- Date(s) of travel

Employees will be reimbursed for the travel expenses incurred during the payroll period with the scheduled payroll (up to two times per month).

H) Reimbursement Rates

Employees using their personal vehicle, while conducting official business on behalf of the Commission, will be reimbursed for mileage at the current IRS standard mileage rate. The Commission will reimburse employees for parking and meal expenses incurred not to exceed the IRS per diem allowance. Receipts must be provided for reimbursement. Commissioners and Committee members do not receive mileage reimbursement from the Commission to attend regular meetings.

l) Meetings and Conference Requirements

Meeting costs, conference registrations, and other related costs that result from Commission and/or staff assignments may be reimbursed to the Commissioners and/or Commission employees. Reimbursements for meeting and conference attendance may be issued under the following conditions:

- Employees/staff shall attend meetings called by regional units of government or their boards and commissions when requested to be present or when the program is necessary to the Commission and its work.
- Employees/staff shall attend Meetings called by the Commission's program or grant project teams, or by the administrative agencies overseeing Commission related projects and programs, particularly when invited.
- All travel requiring lodging outside the Region requires approval by the Executive Director.
- The conference or seminar must apply directly to the ongoing work of the staff member(s) wishing to attend. The staff members handling a specific project addressed by the conference or seminar will be offered first opportunity to attend.
- Funds must be available in the project budget.
- Travel by the most economic method is encouraged. A reimbursement for car mileage shall not exceed the cost of economy class airfare. Extended trips by automobile are discouraged.
- Staff may be reimbursed for airfare and travel expenses including taxis, bus service, and parking for authorized travel outside the Region.
- Registration fees for seminars and conferences will be allowed for approved travel on the basis of actual cost. The Commission's credit card may be used for registration following the procedures in the credit card use policy and procedures.
- Beyond the employee or Commissioner's costs, the accommodations, expenses, meals, etcetera for anyone who may travel with them to conferences, events, or meetings is the full responsibility of the employee or their travel companions and will not be reimbursed by the Commission.

XVI. GENERAL LEDGER/JOURNAL ENTRIES

The State of Michigan Uniform Chart of Accounts was used as a guide to create the Commission's general ledger. The Uniform Chart of Accounts for Counties and Local Units of Government in Michigan was developed under the authority of Act 2, Public Acts of 1968, as amended, (MCL 141.421) and Act 71, Public Acts of 1919, as amended, (MCL 21.41). It contains a full Chart of Accounts. The Commission uses the appropriate parts of the Chart. The general ledger is used to maintain all cash receipts, all cash disbursements, journal entries, and other transactions as defined by the Government

Accounting Standards Board (GASB). The journal entries posted must include supporting documentation and reasoning for the adjustment. All journal entries are numbered in sequential order.

The general ledger is the record keeping system of the accounting transactions of the Commission. All computerized or manual entries are posted in the general ledger for financial reporting purposes. Cash receipts, cash disbursements, and general journal entries have detailed summaries. The detailed summaries are retained and support the activity posted to the general ledger. The Commission's Finance Director processes month-end reports with a detailed history for each individual general ledger account. The history includes the date of the transaction, explanation, posting reference (cash receipts, Accounts Payable, or general journal entry), and whether the transaction was a debit or credit. The end result of the monthly transactions should equal the net ending balance.

The balance sheet is the total sum of all transactions. It is the result of all transactions during the month and at fiscal year-end. The beginning balance and the sum of total debits and credits equal the ending balance at the close of each month and at the fiscal year end. The total debits should equal the total credits and balance to zero.

As noted, in addition to cash receipts and cash disbursements, it is necessary to make adjustments using general journal entries. The general journal entries are used to record electronic fund transfers (EFTs), ACH payments, error corrections, prepaids, payroll, and the Accounts Payable accruals. The general journal entries also are used to record cost allocation of the Finance Director's closure for the fiscal year end. Other journal entries are posted as needed.

Each journal entry prepared by the Finance Director must include detailed supporting documentation. The journal entries are then reviewed, and approved by the Executive Director. The journal entries are prepared on a spread sheet and posted in the general ledger. All general journal entries are kept in a secured (locked) area in the Finance Director's office and are available for fiscal year end auditor review. Since the general ledger balances are rolled forward with the exception of the closure of the project accounting, supporting documentation is not required for the new fiscal year's opening balances. The new fiscal year's balances should equal the prior fiscal year's ending balances.

XVII. CAPITAL ASSETS

The Commission will regard fixed assets as capitalized when assets purchased, built, or leased have useful lives of one year or more, and the original cost of a single item exceeds $5,000.00. If the cost of repairing or renovating an asset exceeds $5,000.00 and prolongs the life of the asset, the fixed asset is capitalized. The asset will be recorded on the general ledger. Depreciation is calculated using the straight line method over the useful life of the asset.

The capital assets and depreciation are reported on the balance sheet and supported by a subsidiary schedule by the Finance Director. The financial statement will disclose any activity (bought, sold, or disposed of) during the course of the fiscal year.

The subsidiary ledger should include classification of the fixed asset, check number and related account payable documentation, the payee, date of acquisition and cost of acquisition, estimated life, and depreciation method. If the capitalized asset is sold, the information should include the sale date, how the asset was acquired (purchase or lease/purchase). The subsidiary ledger may also include the method and date of disposal.

The Finance Director shall be notified of any equipment that is appropriate for disposal. The Finance Director shall prepare a list of all such equipment and shall submit the list of recommended fixed assets to be disposed to the Executive Director. The Executive Director will determine the disposal method, which may include sealed bids, auction, negotiated sale, gift, or disposal. A corresponding journal entry will be posted when the transaction is completed.

Please refer to the last section of this document for Tri-County Regional Planning Commission's Capital Asset Policy.

XVIII. INTERNAL CONTROLS

The Commission understands the increased risk of financial internal controls that result from staffing limitations and the lack of segregation of duties. However, the costs incurred to maintain a strict separation of duties outweighs the benefits of the lower risk. The Commission continues to improve and revise internal controls, and to minimize any risk.

A. Internal Control Measures

The internal control measures by the Commission are:

- Controlling waste, misappropriation, and inefficiency
- Accuracy and timeliness of accounting/financial data
- Compliance of State and Federal laws
- Regular Performance Evaluations of staff

B. Significant Deficiencies

An external auditor will perform an evaluation of internal controls.
Any significant deficiencies are required to be reported to the Commission, and will be addressed by the Commission by either correcting the deficiency (ies) or documenting any disagreements with the finding(s).

C. Purpose

The Accounting System the TCRPC uses is expected to assemble, analyze, classify, record, and report financial data. The system also maintains information about the Commission's assets. The reliability of the financial system data input is an important key to the accuracy of the financial reports produced.

D. Five Keys to Accurate Financial Reporting

- Control environment – The environment (or tone) of the Commission influences staff during their assigned daily tasks. Factors involved are: the integrity, ethics, and competency of appointed officials and staff; the leadership and operating style of the Executive Director and Finance Director; the Executive Director's assignment(s) of authority and responsibility, and the development and organization of staff.
- Risk assessment – The risk assessment process is ongoing, and is affected by economic factors, budgets, and changes in technology.
- Management directives – The Executive Director mandates approvals, authorizations, verifications, reconciliations, assets, and duties.
- Communication – All financial information should be communicated in an accurate manner and in a way that supports and assists staff to perform their assigned duties and tasks.
- Monitoring –Monitoring the financial system assesses the performance over all of the agency and over time. The internal control system and procedures may need to be reviewed and updated occasionally because of changes in staff, training, technology, and budgetary considerations.

E. Checks and Balances

A system of checks and balances is important to ensure the accuracy of the accounting data and to reduce the risk of errors. Checks and balances include some or all of the following:

- Segregation of duties
- Authorized or approved transactions
- Competent, ethical, and trusted staff
- Training, resources, guidance, and supervision
- Effective policies and operating procedures
- Inventory of assets
- Accounting records that are reviewed and signed by a responsible person other than the Finance Director
- Providing the Executive Director accurate and timely financial reports to use and to share with the Commission in order to make decisions regarding the operation of the Commission
- Properly followed record retention requirements

XIX. INTERNAL FINANCE DIRECTION AND REPORTING

The Commission currently uses the Grants Management System (GMS) software program to allocate the indirect costs incurred by active projects. The GMS system is accessible to the Finance Director, accounting personnel, and other designated staff. The GMS software system files are currently backed up to the cloud to allow for recovery in case of loss due to fire, theft, floods, or misplacement.

A) Projects and Indirect Cost

The Finance Director shall review the financial reports monthly. Since the Commission has assigned projects, no project should go over its individual budget. The provisional indirect cost rate for the entire agency is set through the Unified Work Program, an agreement for use of U.S. Federal Highway Administration (FHWA) and U.S. Federal Transit Authority (FTA) funds. The indirect cost rate and a summary record of spending and costs by program area is reviewed by the Finance Director on a monthly basis and shared with staff planners monthly.

B) Balance Sheet Accounts

The Finance Director reconciles all balance sheet accounts and individual project accounts on a monthly basis.

XX. EXTERNAL CONTROLS

The Commission is required by state statute to file a fiscal year annual audit report. If there is a budget deficit, there should be a deficit reduction plan filed with the state for the fund. The Commission is not required to file form F-65, which is the Annual Local Unit Fiscal Report. Since the Commission does not have the authority to issue municipal securities (bonds), a Municipal Qualifying Statement is not required to be filed with the State.

A) Annual Audit

The Commission will use a public process to identify and engage a Certified Public Accountants (CPA) to conduct annual audits of the Commission’s financial systems and records. A Request for Proposals to conduct the annual audits will include at a minimum the following:

- Proposal due date
- Date contract will be awarded
- Date contract begins
- Audit period(s) covered
- Earliest date that audit work may begin
- Due date of the audit report
- Funds to be audited
- Number of copies of the Audit Report that will be provided

A certified firm may be contracted for a period of up to three years per agreement. An audit shall be performed in accordance with the Generally Accepted Auditing Standards set forth by the Governmental Accounting Standards Board (GASB).

Proposals to conduct an audit of the TCRPC which are provided in response to a Commission's Request for Proposals (RFP) shall include the following:

- Auditor's qualifications
- References for firm and individuals performing the audit
- Length of audit contract
- Financial statements and other information to be provided by the Commission
- Any other services to be performed by the auditor
- Estimated hours required, rates, and total anticipated cost of the annual audit and other services amount

The Finance Committee of the Commission will consider proposals to conduct an audit and will make a recommendation to the full Commission to select and contract with an Auditor. The TCRPC staff, particularly the Finance Director and Administrative Assistant, will work closely with the Auditor to provide them with any information, materials, or explanation as may be needed for them to complete the audit of TCRPC each year.

The Audit shall be reviewed with the Commission at a meeting of the Finance Committee and, if requested, for the entire Commission during regularly scheduled meeting(s). Following presentation to and approval by the Commission, the contracted auditing firm will electronically file the annual fiscal year audit with the State of Michigan Department of Treasury. If an extension is required for the audit, a written request must be submitted prior to the due date six months (March 30) after the close of the fiscal year (September 30). The letter must contain the extenuating circumstances for the delay of the audit and be submitted to the State Treasurer. As of this date, the Commission has not required an extension for annual fiscal year audits.

B) Fund Deficit

If the fund balance at the beginning of the fiscal year is negative, and revenues are added, and expenditures are subtracted, and the result is a loss of unrestricted net assets at the end of the fiscal year, the Commission is required to file a financial deficit elimination plan with the Michigan Department of Treasury within 90 days (January 1) after the beginning of the fiscal year (October 1). The plan must include an increase in revenue and/or a decrease in expenditures so the fiscal end year result of the unrestricted net assets is a positive balance. The Commission has retained a healthy fund balance in prior fiscal years, and a deficit situation is not forecasted in the future.

The Financial Policy and Procedures as outlined above is a guide in the daily operations and the Commission's decision making process by the Commission's Executive Director, its Finance Director, and staff. With the realization that no policy is perfect and all-comprehensive, this document should be reviewed and updated at least every two years.

The document as a whole establishes precedent over all other financial administrative policies and procedures (as stated) in the Tri-County Regional Planning Commission's Employment Manual.

Financial Management Policies

XXI. INVESTMENT POLICY

GOVERNING AUTHORITY - Public Act 20 of 1943 as amended

PURPOSE - It is the policy of the Tri-County Regional Planning Commission (TCRPC) to invest its funds in a manner which will provide the highest investment return with the maximum security, while meeting the daily cash flow needs of the organization and comply with all state statutes governing the investment of public funds.

SCOPE - This investment policy applies to all financial assets of the TCRPC. These assets are accounted for in the various funds of the TCRPC and include in the general fund.

GENERAL OBJECTIVES - The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

A) Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

1. Credit Risk

The TCRPC will minimize credit risk, (which is the risk of loss due to the failure of the security issuer or backer), by:

- Limiting investments to the types of Savings Accounts and Certificates of Deposit as described later in this policy (J).
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the TCRPC will do business,
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

2. Interest Rate Risk

The TCRPC will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

B) Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

C). Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

STANDARDS OF CARE

D.) Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The Executive Director acting in accordance with written procedures and this investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy

E). Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the TCRPC.F. Delegation of Authority

Authority to manage the investment program is derived from the following: by Public Act 20 of 1943, as amended. Procedures should include references to: safekeeping, delivery vs payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Executive Director. The Executive Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

SAFEKEEPING AND CUSTODY

G. Delivery vs. Payment

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the TCRPC's safekeeping institution prior to the release of funds.

H. Safekeeping

Securities will be held by a centralized independent third-party custodian selected by the entity as evidenced by safekeeping receipts in the TCRPC's name.

I. Internal Controls

The Executive Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the TCRPC are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

SUITABLE AND AUTHORIZED INVESTMENTS

J. Investment Types

Investments will be permitted by this policy and are those defined by state and local law.

The Executive Director is limited to investments authorized by Public Act 20 of 1943, as amended, and may invest in the following:

1. <u>Savings Account</u> - a deposit evidenced by a monthly statement. Entries are made for each deposit, withdrawal and interest that is paid in accordance with the policy of the financial institution. A savings account is often used to accumulate small amounts of funds until a larger, higher yielding investment can be made.

2. Certificate of Deposit (CD) is a receipt of funds deposited in a financial institution for a specified period at a specified rate of interest. A negotiable receipt may be in bearer or registered form and can be traded in the secondary market. A non-negotiable receipt is always registered and has no secondary market. Denominations can be any agreed amount, and interest is normally calculated using actual number of days on a 360 day year. However, each financial institution's calculations vary, and the investor should ask to avoid misunderstanding.

K. Maximum Maturities

To the extent possible, the TCRPC shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the TCRPC will not directly invest in securities maturing more than one (1) year from the date of purchase. The TCRPC shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as money market funds, or to ensure that appropriate liquidity is maintained to meet ongoing obligations.

REPORTING

A. Methods

The Finance Director shall prepare a balance sheet report at least quarterly (or monthly), that shows current value of all investments held as well as detailing out the up-coming maturity dates and types of investments. This balance sheet will be prepared in a manner which will allow the TCRPC to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the entity's legislative body, the report will include the following:

• Listing of investment by maturity date, type, and institution

B. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken and the benchmarks shall have a similar weighted average maturity as the portfolio.

POLICY CONSIDERATIONS

A. Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

B. Amendments

Any changes must be approved by the governing body and any other appropriate authority.

APPROVAL OF INVESTMENT POLICY

The investment policy shall be approved and adopted by the governing body of the Tri-County Regional Planning Commission and reviewed bi-annually.

ACKNOWLEDGEMENT OF RECEIPT OF INVESTMENT POLICY

AND AGREEMENT TO COMPLY

I have read and fully understand Act 20 of 1943 as amended in 1997. I have also read and understand the Tri-County Regional Planning Commission's Investment. Policy dated March 25, 2015.

Any investment advice, recommendation or investments for the Tri-County Regional Planning Commission must comply with the requirements of Act 20 of 1943 as amended in 1997 and the TCRPC's Investment Policy dated March 25, 2015. Any existing investment not conforming to the statute or the policy will be disclosed promptly to the TCRPC's Executive Director

____

Print Name

____

Print Organization

Signature: _____________________

Title: _________________________

Date: _________________________

XXII. CAPITAL ASSET POLICY

PURPOSE

The purpose of this policy is: (1) to describe the policies and procedures utilized in the Tri-County Regional Planning Commission's capital asset management system; and (2) to put in place guidelines to account for and depreciate the Tri-County Regional Planning Commission's capital assets.

The primary goals of this policy are:

- To ensure that the TCRPC's capital assets are accounted for in conformance with generally accepted accounting principles; and
- To establish a consistent and cost–effective method for accounting of the TCRPC's capital assets.

This capital asset policy is in accordance with generally accepted accounting principles.

- Capital assets will only be capitalized if they cost more than $5,000 and have an estimated useful life of one year following the date of acquisition
- Capitalization thresholds will be applied to individual assets rather than to groups of similar items (e.g., desks, tables). (For assets that qualify for capitalization and depreciation under the "group method" however, see third paragraph under the heading "THRESHOLD" for discussion of the appropriate threshold application).
- TCRPC will exercise control over their non-capitalized capital assets by establishing and maintaining adequate internal control procedures.

AUTHORITY - The Tri-County Regional Planning Commission APPLICATION - This policy applies to all Tri-County Regional Planning Commission staff.

RESPONSIBILITY - The Tri-County Regional Planning Commission's Finance Director shall be responsible for implementation of this policy.

DEFINITIONS - See attachment entitled "Glossary of Terms".

POLICY

A. Threshold

Effective March 25, 2015 the Tri-County Regional Planning Commission will capitalize individual assets other than Buildings, Building Improvements and Land Improvements, and Infrastructure that cost $5,000 or more and have an estimated useful life of at one year . The capitalization threshold for Buildings and Building Improvements shall be $50,000 and for Land Improvements the capitalization threshold shall be $25,000. However, assets acquired with debt proceeds may be capitalized regardless of cost. In addition, assets acquired prior to March 25, 2015 and capitalized at a lower threshold, may continue to be depreciated on the basis of past practice. Effective March 25, 2015, infrastructure projects and improvements shall be capitalized so as to substantially account for the TCRPC's investment in infrastructure and consider related debt. Individual assets that cost less than $5,000, but that operates as part of a network system may be capitalized in the aggregate, using the group method, if the estimated average useful life of the individual asset is at least three years. A network is determined to be where individual components may be below $5,000 but are interdependent and the overriding value to the TCRPC is on the entire network and not the individual assets (e.g. computer systems and telephone systems).

B. Valuation

In accordance with generally accepted accounting principles, the TCRPC will value its capital assets at historical cost. Historical cost includes the cost or estimated cost at the time of acquisition, freight charges, installation and site preparation charges, and the cost of any subsequent additions or improvements, excluding repairs. If a capital asset is donated to the TCRPC the asset will be valued based on the fair market value at the time the asset is donated.

C. Capital Assets Inventory Report

As part of the financial audit, the Finance Director shall submit a capital asset report to TCRPC's external auditor on an annual basis. This report will include the following information:

- Type of asset (i.e. land, building, infrastructure)
- Date of acquisition
- Acquisition cost
- Estimated useful life
- Annual depreciation
- Accumulated depreciation

D. Depreciation

The TCRPC will use the Straight-Line Method as its "basic approach" (standard approach) to depreciate capital assets.

The Modified Approach, which does not require depreciation, may be used on infrastructure assets whenever applicable.

E. Estimated Useful Lives

The following ranges are guidelines in setting estimated useful lives for depreciating assets.

- Building and Structures 20-50 Years

- Vehicles 04-15 Years

- Other Equipment 03-25 Years
- Infrastructure 20-100 Years

F. Capital vs. Repair and Maintenance Expense

The following criteria are the basis for distinguishing costs as either capital or repair and maintenance expense:

- With respect to improvements on non-infrastructure and infrastructure capital assets, under the Basic Approach, costs should be capitalized if the useful life of the asset is substantially extended, or the cost results in a substantial increase in the capacity or efficiency of the assets.
- Otherwise, the cost should be expensed as repair and maintenance.
- With respect to improvements on infrastructure capital assets under the Modified Approach, costs should be capitalized if expenditures substantially increase the capacity or efficiency of an infrastructure.
- Otherwise, costs, including those that preserve the useful life of an infrastructure asset, are expensed.

G. Inventory

For internal control purposes, the Tri-County Regional Planning Commission may maintain an inventory listing of certain assets (controlled equipment) that do not meet the above reference capitalization amounts. Controlled equipment includes items that should be specifically accounted for and inventoried periodically due to the high re-sale value of the equipment and potential risk of theft. Controlled equipment may include items such as computers, construction equipment, and other office equipment. Each Department Head is responsible for all controlled equipment within their areas of responsibility.

H. Disposal and Transfer of TCRPC’s Assets

Disposition of TCRPC’s assets will be performed in accordance with applicable TCRPC’s policies and procedures.

XXIII. CAPITAL ASSET POLICY GLOSSARY OF TERMS

1) **Capital Assets:** Capital assets include land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements, intangible assets (such as computer software), and works of art and historical treasures.

2) **Capitalization:** Capitalization of an asset occurs when the cost of the asset meets the "threshold" and the "estimated useful life" set in the organizational guidelines. Under capitalization, the cost of an item is initially recorded as an asset rather than an expense.

3) **Depreciation:** Depreciation is the process of allocating the cost of property over a period of time, rather than recognizing the cost as an expense in the year of acquisition. Generally, at the end of an asset's life, the sum of the amounts charged for depreciation in each accounting period (accumulated depreciation) will equal the original cost less salvage value.

4) **Donated Capital Asset:** Donated assets are those assets contributed to TCRPC. The donated assets are treated like a capital asset (using the fair market value).

5) **Estimated Useful Life:** Estimated useful life means the estimated number of months or years that an asset will able to be used for the purpose for which it was purchased. In determining useful life, consideration is given to the asset's present condition, use of the asset, construction type, maintenance policy, and how long it is expected to meet service demands.

6) **Fair Market Value:** The amount that would be paid if the item were sold currently in a transaction between a willing buyer and a willing seller.

7) **Historical Cost:** The historical cost of a capital asset includes the cost or estimated cost at the time of acquisition, freight charges, installation and site preparation charges, and the cost of any subsequent additions or improvements, excluding repairs.

8) **Infrastructure Assets:** Infrastructure assets are long-lived capital assets that normally can be preserved for a significant greater number of years than most capital assets (non-infrastructure assets). Infrastructure assets are normally stationary in nature and are of value only to the government entity.

9) **Modified Approach:** The Modified Approach is the election *not* to depreciate infrastructure assets that are part of a network. The government entity manages the eligible infrastructure assets using an asset management system that has certain specified characteristics. To meet this requirement, the asset management system should have an up-to-date inventory of eligible infrastructure assets within the network for which the modified approach is adopted. To perform or obtain condition assessments (physical assessment) on infrastructure assets and summarize the results using a measurement scale. The condition assessment must be performed at least once every three years. The condition assessments must be replicable (conducted using methods that would allow different measurers to reach substantially similar results). Each year, the government entity must estimate the amount needed to maintain and preserve infrastructure assets at a condition level established and disclosed by the government entity. The government entity documents that the eligible infrastructure assets are being

preserved approximately at or above a condition level established and disclosed by that government entity. If any of the above conditions are not met, reporting must revert back to the depreciation method.

10) **Salvage Value:** The salvage value of an asset is the value it is expected to have when it is no longer useful for its intended purpose. In other words, the salvage value is the estimated amount for which the asset could be sold at the end of its useful life.

11) **Straight-Line Method:** The straight-line method is the simplest and most commonly used method for calculating depreciation. It can be used for any depreciable property. Under the straight-line method, the basis of the asset is written off evenly over the useful life of that asset. The same amount of depreciation is taken each year. In general, the amount of annual depreciation is determined by dividing an asset's depreciable cost by its estimated life.

12) **Threshold:** The threshold is the dollar amount that an asset must equal or exceed if that asset is to be capitalized. Otherwise, the item would be considered as an expense at the time of acquisition.

XXIV. FRAUD RISK MANAGEMENT POLICY

This policy is implemented to observe and inform actions to address the risk of fraud. The management policy serves to advise employees about activities which may be fraudulent, illegal or otherwise unethical and to implement appropriate responses to minimize risk. The Tri-County Regional Planning Commission (TCRPC) will not tolerate fraudulent activities and disciplinary measures will be implemented.

Scope

This policy applies to any fraud, or suspected fraud, involving employees, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, or any other parties that have a business relationship with the TRCPC.

Policy

Fraud and fraudulent activity is strictly prohibited.

Each employee or agent of the TCRPC shall be responsible for immediately reporting any observed or suspected fraud or fraudulent activity to the Executive Director, the Finance Director, or the TCRPC Chairperson.

All staff shall be vigilant in observing and reporting any conduct that may appear to constitute fraud.

The Executive Director, Finance Director, or TCRPC chairperson, in consultation with the Executive committee, will decide on the type and course of an investigation into suspected fraud or fraudulent activity. If criminal activity is suspected, the matter will be referred to the police. The TCRPC will prosecute, and/or carry out disciplinary action up to and including termination of employment, of contracts or agreements, or of any relationships between the TCRPC, its programs and projects, and the fraud or fraudulent activity.

Fraud Definitions

Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another part with something of value or to surrender a legal right. Fraud and Fraudulent Activity are recognized as acts of deceit or trickery or misrepresenting a circumstance.

The following are examples of prohibited Fraud or Fraudulent acts:

A. Falsification of any TCRPC record, particularly financial records, with the intent to conceal information to the detriment of TCRPC, its programs, or partners and/or to the individual's advantage.
B. Forgery of a check, bank draft, ACH or electronic transfer or any other TCRPC financial document
C. Unauthorized alteration of any TCRPC financial document or account
D. Misappropriation of funds, supplies or any other assets of the TCRPC

E. Impropriety in the handling of or reporting of money or financial transactions
F. Disclosing confidential and proprietary information to outside parties for personal gain whether directly or indirectly.
G. Asking for or accepting anything of material value from contractors, vendors, or persons providing services or materials to the TCRPC, except as provided in the TCRPC's policies
H. Unauthorized destruction, removal, or use of records, furniture, fixtures and/or equipment for personal gain either directly or indirectly
I. Misuse of State, Federal, or other grant or agreement funds for other than their designated purposes

This list illustrates general types of prohibited activities. . It is not comprehensive and other similar misconduct is prohibited.

TCRPC will provide training for employees and Commissioners who are involved in and/or manage internal control systems, particularly all financial procedures. And, their responsibilities will be reviewed and reinforced regularly.

TCRPC labels and maintains product information about its equipment and materials. TCRPC will maintain and regularly update an inventory of its assets including, but not limited to computers and computer equipment, clerical and general office supplies, display and presentation equipment, furniture and office equipment, and other items owned by the TCRPC.

XXV. ACH AND ELECTRONIC TRANSACTIONS POLICY

The following policy shall govern the use of electronic transactions and Automated Clearing House (ACH) arrangements for the Tri-County Regional Planning Commission.

Authority to Enter into ACH Agreements and Electronic Transfer of Public Funds
The Executive Director may enter into an ACH agreement as provided by Public Act 738 of 2002, as amended. The Tri-County Regional Planning Commission authorizes ACH and electronic transactions with this policy and will make the policy available to all Commissioners, funders, vendors, and others. Applicable definitions in the act shall apply. An ACH arrangement under PA 738 of 2002 is not subject to the Revised Municipal Finance Act, 2001 PA 34, MCL 141.2101 to 141.2821.

Responsibility for ACH Agreements
The Executive Director, with support from the Finance Director, shall be responsible for all ACH agreements, including payment approval, accounting, reporting, and overseeing compliance with the ACH policy. The Finance Director shall submit to the Executive Director documentation detailing the goods or services purchased, the cost of goods or services, the date of the payment, and the program or project serviced by the payment. The documentation or report can be maintained in the electronic general ledger software system and/or provided in a separate report to the governing body.

Internal Accounting Controls to Monitor Use of ACH Transactions
1) The Executive Director, with the support of the Finance Director, shall be responsible for the establishment of ACH agreements. The Finance Director shall notify the Executive Director of those accounts to be paid by ACH or electronic transfers.

2) Upon receipt of an invoice for payment for accounts paid by ACH, the Finance Director shall notify the Executive Director of the date of debit to TCRPC's accounts and approve payment. These payments shall be included in the report of payments. All other invoices approved by the Director and payable by ACH may be paid in that matter if deemed in the best interest of the TCRPC, e.g. to simplify the payment process or avoid a late fee.

3) For payment of State and Federal payroll taxes, the Finance Director shall make payment to the proper authority using the established EFTPS, State of Michigan and City of Lansing programs.

4) For deposits from state, county, and/or federal authorities, and from third-party payment processors, such as Banks, vendors, the Finance Director shall obtain and record the amount of the deposit appropriately.

5) All invoices shall be held and filed by the Finance Director along with copies of the payment issued..

XXVI. CREDIT CARD POLICY

Authority

The Executive Director and the Finance Director are responsible for the Tri-County Regional Planning Commission's credit cards and related, accounting and monitoring. They are responsible and for oversight of compliance with this Credit Card Use Policy.

Responsibility

The credit card must be used in accordance with the provisions of the Credit Card Policy and Procedures established by the TCRPC.

The Executive Director is authorized to sign the Credit Card User Agreements and may use the Commission's credit card only to purchase goods or services for the official business of the Tri-County Regional Planning Commission.

The Executive Director is the primary user of the Commission's credit cards and shall submit documentation detailing the goods or services purchased, the cost of the goods or services, the date of the purchase, and the official business for which it was purchased. The Finance Director may, with the approval of the Executive Director, prepare purchases by credit card and prepare payments for submission.

The Executive Director and the Finance Director are the only staff members permitted to use the credit cards or the credit account numbers for on-line transactions. A printed receipt for such purchases must be produced at the time of purchase and kept on file.

The Executive Director is responsible for the credit cards' protection and custody. They shall immediately notify the Finance Director and the Credit card issuer if the credit card is lost or stolen.

The Executive Director shall return all Commission credit cards immediately upon termination of their employment by the Tri-County Regional Planning Commission.

Internal Accounting Controls

A current list of all credit cards and credit limits shall be kept on file.

The Executive Director shall review and approve all invoices received for payment prior to the approval for payment. The balance may include interest due on an extension of credit, under the credit card arrangement. The regular practice shall be to make payment within twenty-one (21) days of the initial statement date to avoid or minimize interest charges.

The authorized credit limit of the credit card issued to the Tri-County Regional Planning Commission shall not exceed five thousand dollars ($5,000).

Any Tri-County Regional Planning Commission employee or other person who violates the provisions of this policy shall be subject to dismissal and criminal and/or civil action.

Requirement for Use of Credit Card
Legitimate Business – The credit cards shall only be used only to purchase goods or services for the legitimate or official business of the Tri-County Regional Planning Commission.

Violation of these requirements will result in disciplinary measures up to and including dismissal, appropriate criminal and/or civil action.

Effective Date: TCRPC's Credit Card Policy was adopted at a regular meeting of the Tri-County Regional Planning Commission on March 25, 2015.

APPENDIX

The Tri-County Regional Planning Commission's accounting records include all originating documents, all registers and journals, and the general ledger used to prepare the financial statements. All originating documentation is kept with the appropriate transaction and stored in a locked area.

The originating documents contain the details supporting the transaction. The source documents the Commission retains are: cash receipts, all banking deposit slips, any transmittal or deposit advice, purchase orders, vendor invoices and vouchers, and the check register.

The cash receipts journal is posted in the general ledger system. The cash receipts journal is a detailed summary of the cash transactions. The cash disbursement journal is also a detailed summary of the cash disbursement transactions.

For general journal entries, all originating documentation supports the journal entries posted. Once the journal entries are posted, they are retained for the fiscal year audit review. Adjusting journal entries necessary to post at year end are the pre-paid accounts, payroll, and account payable accruals, which include supporting documentation. Also, any year end auditor's adjusting journal entries are posted at this time. The final closing journal entries are the cost allocation journal entries required by the GMS system to close the fiscal year.

Once all journal entries, cash receipts, and accounts payable journals are posted for the month, the final month end reports are produced. The month end balance sheet accounts are reconciled, and tie into the monthly treasurer's report submitted to the Board of Commissioners. For year end, the final financial reports are used to generate the annual fiscal year financial statements and audit report.

REFERENCES

Financial Related State of Michigan Statutes

Public Act 2 of 1968 – Uniform Budget and Finance Accounting Act, as amended by Public Act 493 of 2000

Public Act 493 of 2000 – Uniform Budget and Finance Accounting Act, as amended by Public Act 2 of 1968

Public Act 140 of 1971 – State Revenue Sharing, Deficit Reduction Plan Filing Requirements

Public Act 20 of 1943 – Investment of Surplus Funds

Public Act 266 of 1995 – Credit Card Transactions

Public Act 34 of 2001 – Revised Municipal Finance Act

Public Act 99 of 1933 – Installment Purchase Contracts

Public Act 7 of 1967 – Urban Cooperation Act

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