

# **GFDA Financial Management Policy and Procedures**

*Approved 6/4/20*

## **Great Falls Development Authority, Inc. (GFDA)**

### **Philosophy**

The purpose of financial management in the operation of all GFDA activities is to fulfill the organization's mission in the most effective and efficient manner and to remain accountable to stakeholders, including clients, partners, funders, employees, and the community. In order to accomplish this, GFDA commits to providing accurate and complete financial data and reporting for internal and external use by the President and the Board of Directors (Board).

### **Authority**

The Board of Directors is ultimately responsible for the financial management of all GFDA activities.

The President is responsible for the day-to-day financial management of the organization. The Board authorizes the President to hire and supervise staff and independent consultants, pay bills, receive funds, and maintain bank accounts.

The President is authorized to enter into contracts for activities that have been approved by the Board as a part of budgets or plans. The Board of Directors (or Executive Committee as authorized by GFDA Bylaws) must authorize any contracts outside of these parameters and all contract with a financial value greater than \$15,000.

### **Accounting Principles**

GFDA must operate in accordance with:

- generally accepted accounting principles (GAAP) as in effect from time to time in the United States; and
- the provisions outlined in Uniform Guidance, 2 CFR 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.

In accordance with GAAP and funding source requirements, GFDA must provide:

- Evidence of fidelity bond coverage, at all times, for persons authorized to handle funds in an amount sufficient to protect the interests of the funding sources and GFDA; and
- Certification that the accounting system is adequate to identify, safeguard and account for all funds and operations.

This document details the Internal Controls GFDA utilizes to protect its assets and comply with applicable accounting principles, government regulations and nonprofit best practices for an organization of its size.

### **Basis of Accounting**

GFDA uses the accrual basis of accounting. The accrual basis is the method of accounting whereby revenue and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred. This method of recording revenue and expenses is without regard to date of receipt or payment of cash.

### **Audit**

In order to ensure financial accountability, GFDA will have its financial statements audited by an independent auditing firm on an annual basis. The selection of the firm to conduct the audit will be approved by the Board. The auditor's report, management letter, and IRS Form 990 will be presented to the Board for approval. A copy of the audited statement will be distributed to the full Board and the President. The audited financial statements will also be made available to anyone else who requests them.

### **Operating Reserve**

The target minimum operating reserve is three (3) months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services.

### **Conflict of Interest**

All Directors and employees shall execute GFDA's Conflict of Interest Statement on an annual basis.

Directors shall serve without compensation. Direct and necessary expenses including travel for meetings and other activities related to carrying out responsibilities shall be reimbursed.

No loan may be made to any officer, director or employee of GFDA.

### **Asset Protection**

In order to ensure that the assets of GFDA are adequately protected and maintained, the President shall:

- Insure against theft and casualty losses to the organization and against liability losses to Board members, staff, or the organization itself to levels indicated in consultation with suitable professional resources and approval from the Executive Committee.
- Plan and carry out suitable protection and maintenance of property, building, and equipment.
- Avoid actions that would expose the organization, its Board, or its staff to claims of liability.
- Protect intellectual property, information, and files from unauthorized access, tampering, loss, or significant damage.
- Receive, process, and disburse funds under controls that are sufficient to maintain basic segregation of duties to protect bank accounts, income receipts, and payments.

### **Budget**

The Board shall approve an annual operating budget for each calendar/fiscal year that will project income and expenses and will provide for programs and support services as outlined in the work plan for the year. The Board will approve the annual budget for the following year prior to the end of the current fiscal/calendar year.

The Board authorizes the President to manage the organization in accordance with the approved annual operating budget. Programmatic or operational changes that may have a significant impact on the annual budget shall be reviewed by the Board between budget cycles and may lead to a budget revision.

Budgeting for any fiscal period shall not deviate materially from the mission, goals, and strategies; risk fiscal jeopardy; nor fail to show a generally acceptable level of foresight. Accordingly, the President shall develop a budget that

- contains enough detail to enable accurate projection of revenues and expenses, separation of capital and operational items, cash flow and subsequent audit trails, and disclosure of planning assumptions
- plans the expenditure in any fiscal year of no more funds than are available or conservatively projected to be received in that period
- maintains current assets (cash, accounts receivable, prepaid expenses, etc.) at any time to no less than 100 percent of current liabilities (accounts payable, debt due in 12 months, etc.)
- does not deviate materially from Board-stated priorities and Board-approved budgets (except for grant revenues received during a fiscal year and their related expenditures) without seeking board approval

### **Bank Accounts**

The Executive Committee shall authorize the opening and closing of bank accounts for GFDA.

The Board Officers and President/CEO are authorized to sign checks drawn on GFDA's bank accounts and to make electronic transfers drawn on these accounts. Checks or withdrawals in excess of \$5,000 shall require the authorization of any two (2) authorized signers.

No authorized signer shall sign a check drawn in his or her favor, or of his or her company's favor.

The Accountant (GFDA's accounting employee as designated by the President, hereinafter referred to as Accountant) may be authorized by the President to have viewing only access to bank accounts.

The President or their designee(s) shall open all bank statements and review the statements and contents for irregularities.

All bank accounts shall be reconciled by the Accountant on a monthly basis. The President, or their designee, shall periodically review all bank statement items and bank reconciliations.

All bank accounts shall be insured by the FDIC. Accounts that exceed FDIC insurance limits shall be collateralized by securities in accordance with an agreement acceptable to the Executive Committee.

The Accountant may maintain a petty cash fund in an amount not to exceed \$100.

### **Receivables**

The President or other designated individual(s) shall receive all mail and distribute it to the appropriate employees in a timely manner.

The President or other designated individual(s) shall record all checks received in a check log and shall record the date, payee, check number and amount of each check received.

The President or other designated individual(s) shall forward all incoming checks to the Accountant who shall record the receipt in the books of account, properly endorse the check, prepare a deposit slip and deposit the funds in the appropriate account. The Accountant shall make copies of all checks received and all deposit tickets. The Accountant shall give to the Investment Director a copy of each check received in full or partial payment of any pledge or contribution.

The Accountant shall make the deposit into the appropriate bank account and attach the bank receipt to the copy of the deposit slip, unless a bank night depository is used. Bank receipts and deposit slips shall be filed chronologically by bank account.

The President, or their designee, shall periodically review the check log and compare it with bank receipts to determine that all incoming checks were deposited in a timely manner.

The Accountant shall maintain a Loan Payment Receipt Register reflecting the dates of payment of each borrower indebted to GFDA. On the 20<sup>th</sup> day of each month the Accountant shall notify the lending staff of each borrower, if any, failing to make his or her loan payment to GFDA before the 15<sup>th</sup> day of the current month.

The Investment Director shall give copies of all written pledges to the Accountant who shall record the pledge or contribution in the books of account in accordance with the terms of the promise to give.

The Investment Director shall periodically, but not less than monthly, cause invoice-reminders to be printed and mailed for all pledges becoming due during the following thirty (30) day period. The Accountant and the Investment Director shall periodically, but not less than monthly, review the list of those investors who have failed to pay their pledge. The Investment Director shall use reasonable methods available to obtain payment of all pledges.

The Accountant shall periodically prepare and account for other invoices on an as-needed basis in the connection with grant management, project management, contract management and/or other operations.

The Accountant shall prepare accounts receivable and accounts payable aging reports every month for review by the President.

### **Accounts Payable**

All purchases in excess of \$500 shall be approved in advance by the President. The approval of purchases in excess of \$1,000 shall be in writing. All purchases in excess of \$5,000 shall be approved in advance by the Board or Executive Committee.

All out-of-state travel shall be approved in advance by the President.

No purchases shall be approved that are not included within the budget unless approval has been received in writing from the Executive Committee.

The advance approval requirements are mandatory for all purchases whether on open account or by credit card.

All purchases or procurements shall be made in accordance with the Procurement Policy adopted by the Board.

The Accountant or other designated individual shall distribute incoming invoices and/or vendor statements to the individual addressee. Incoming invoices and vendor statements addressed to GFDA shall be distributed to the Accountant.

The individual responsible for the purchase or acquisition shall acknowledge receipt of the items purchased and shall record his or her approval of the price, terms and amount on each applicable invoice and shall also record thereon the appropriate accounting class and account number. Invoices containing the appropriate information and the required approval(s) shall be forwarded to the Accountant.

The Accountant shall review each invoice to verify the mathematical accuracy and overall reasonableness thereof, to verify that the purchase was properly approved in advance and to confirm that the accounting class and account number are appropriate.

The Accountant shall enter each invoice in the books of account. The Accountant shall cause checks to be prepared such that vendors are paid in a timely manner. The Accountant shall attach the appropriate invoice(s) to each check and submit the check and invoice to an authorized officer for final approval of the invoice(s) and signature of the check. The signature of an authorized officer on the check constitutes approval of the disbursement. Checks in excess of \$5,000 shall require the signatures of two (2) authorized officers.

Signed checks and invoice copies shall be returned to the Accountant who shall cause checks to be mailed to vendors. The Accountant shall attach a copy of each check issued to the underlying invoice (and other documentation, if any) and shall cause the same to be filed alphabetically by vendor.

The Accountant shall reconcile all vendor statements with the books of account and investigate and resolve discrepancies in a timely manner.

### **Expense Reports**

All out-of-state travel shall be approved in advance by the President.

All reimbursable expense reports and credit card reports shall be submitted in accordance with the terms and conditions of the procedures pertaining to Travel Expenses, Expense Reimbursements and Credit Card Use, a copy of which is attached hereto as Exhibit A.

All employees shall submit reimbursable expense reports and credit card reports to the President for approval in a timely manner, at least on a monthly basis. The Accountant shall review all such reports, verify the mathematical accuracy thereof, determine that all applicable items are supported by an invoice or receipt, verify that purchases were properly approved in advance, if required, and confirm that the accounting class and account number are appropriate.

The President's reports shall require the approval of the Chair or Treasurer of the Board.

Approved reports shall be returned to the Accountant who shall enter such reports into the books of account and shall cause checks to be issued in payment in a timely manner. The Accountant shall attach the appropriate expense report to each check and submit the check and report to an authorized officer for final approval of the report and signature of the check. The signature of an authorized officer constitutes approval of the report. Checks drawn in favor of the President shall be signed by the Chair and/or Treasurer of the Board.

### **Compensation**

Initial compensation of the President shall not exceed fair market compensation determined by an independent assessment of similar positions prior to Board approval of the hiring of the President. Any increase in salary of the President above cost of living increases will be based on the Board's assessment

of fair market compensation for similar positions and a performance evaluation of the President. The President shall serve under an employment contract which has been approved by the Board.

Compensation of all other employees shall be determined by the President based on assessment of fair market value for similar positions and performance of the employee within the parameters of the annual Board-approved budget.

Employee benefits shall comply with the Employee Benefits approved by the Board.

### **Payroll**

Each employee shall submit a time sheet that may record the percentages of his or her time consumed by certain activities, programs and/or services.

All timesheets should be certified by employees, approved by the President or their designee and submitted within one working day of the end of each payroll period to the Accountant for processing.

The Accountant shall cause payroll to be processed and each employee to be paid on a semi-monthly basis. Employees shall be paid by direct deposit whenever possible.

The Accountant shall not change the amount of compensation paid to any employee (except the President) without written direction from the President. The Accountant shall change the amount of compensation paid to the President only upon written direction from the Chair of the Board. The President, or his designee, shall periodically review payroll records to determine that each employee has been paid in accordance with the terms of his or her employment.

Periodically, but not less than quarterly, the President and Accountant shall review the activities of employees and reasonably determine and allocate the percentage of time consumed by each performing their various duties and responsibilities. On a monthly basis the Accountant shall allocate actual payroll costs incurred, including payroll taxes and fringe benefits, to each program, activity, grant, project, class or other activity in accordance with such allocation and the time sheets of each employee.

### **Employee Relocation Expenses**

Reimbursement of relocation expenses for employees may be made provided that the move is for GFDA's benefit. The amount of the reimbursement shall be reasonable under the circumstances and shall not exceed the employee's actual (or reasonably estimated) expenses.

### **In Kind Contributions**

In kind contributions shall be recorded and valued in accordance with generally accepted accounting principles. Gifts in kind that cannot be used internally or sold have no value and shall not be recorded as assets or contributions. The basis for determining the valuation for personal service, materials, equipment and other assets shall be determined by the Investment Committee and documented by the Accountant and Investment Director. The fair value of goods and services benefiting and/or specifically identifiable to projects or programs shall be charged thereto. Volunteer services shall be documented and, to the extent possible, supported by time sheets or other documentation after review by the Investment Committee.

### **Administrative Expense Allocation**

Periodically, but not less than quarterly, the Accountant shall allocate on a basis of average full time equivalent employees all administrative expenses incurred during such period to each program, activity, project, class or other activity in accordance with the percentage of time consumed by all employees on

each such respective program, activity, project, class or other activity in relation to the amount of time consumed by all employees on all programs, activities, classes and other activities performed during such period. Administrative expenses allocated hereunder shall include all expenses not directly attributable to a particular program, activity, grant, project, class or other activity.

The allocation of administrative expenses may be made on a basis other than average full-time equivalent employees provided that the basis of allocation reasonably allocates expenses to the programs, activities, projects, classes and other activities benefiting thereby.

### **Fidelity Insurance Coverage**

As stated above, GFDA shall maintain an insurance policy(s) insuring for employee theft in an amount of coverage acceptable to the funding sources and the Executive Committee.

### **Financial Reports**

The Accountant shall prepare and present to the Executive Committee, a monthly financial report that may include unaudited financial statements including a balance sheet, statement of cash flows and a statement comparing the actual results of operations with the budget approved by the Executive Committee.

The Accountant shall prepare and present to the Executive Committee other financial reports or analyses as directed.

The Accountant shall prepare annual financial statements for audit by an independent public accounting firm retained by and for the Executive Committee. The Accountant shall cooperate with said independent public accounting firm and shall coordinate activities with respect to the audit as required or necessary.

### **Grants and Contracts**

The Project Manager for each grant or contract awarded to GFDA shall provide a copy of each grant and contract to the Accountant. The Project Manager shall advise the Accountant of required accounting, procurement and funding requirements and the Accountant shall establish accounting structure and procedures to reasonably assure accounting compliance with the terms of each such grant or contract.

The Program Director or Project Manager and the Accountant shall review all contract provisions pertaining to the draft of grant or contract funds. No funds shall ever be drawn or requested unless such draft or request is made in accordance with the terms and provisions of the applicable grant or contract. The time between the receipt of funds from the U. S. Treasury and the issuance of payment(s) for program purposes shall be minimized to the extent possible. In order to assure that such time is minimized, the Accountant shall obtain the President's approval prior to the draft of federal funds.

Prior to incurring costs under any federal grant or contract the Program Director or Project Manager shall at all times adhere to the Procurement Policy adopted by the Board unless adherence thereto would violate specific terms or provisions of any such grant or contract. The Project Manager shall, whenever required, necessary or appropriate publish Requests for Proposals within a geographic area or in such a manner that will be conducive to the competitive bidding process.

For each contract or procurement expected to cost:

- Less than or equal to \$5,000, the Project Manager shall confirm with the President the method of acquisition and/or the Request for Proposal prior to the issuance and publication thereof.

- More than \$5,000, the Project Manager or President or their designee shall confirm with the Executive Committee the method of acquisition and/or the Request for Proposal prior to the issuance and publication thereof.

Costs allocated to any federal grant must be:

- allowable;
- allocable to the award or grant;
- necessary and reasonable for proper and efficient performance and administration of the grant;
- treated consistently as a direct or indirect cost;
- determined in accordance with generally accepted accounting principles, except as otherwise stipulated;
- net of all applicable credits;
- not included as cost or used to meet the cost-sharing or matching requirements of another federal award, unless specifically permitted by federal law or regulation: adequately documented;
- authorized or not prohibited under state or local laws and regulations;
- in conformance with limits or exclusions on types or amounts of costs, as set forth in the applicable cost principles, federal laws, award terms and conditions, or other governing regulations; and,
- consistent with GFDA's policies and procedures that apply to both federal awards and GFDA's other activities.

The Accountant and Program Director or Project Manager, shall be responsible for the timely filing of reports required under each grant and contract. The Accountant shall prepare all accounting reports and forms with respect to each grant and contract upon request of the Director and/or Manager. The Project Manager will review and sign-off on the report before submission.

### **Subrecipient Monitoring**

The President will assure that any subrecipients of grant funds from GFDA have in place and follow policies and procedures sufficient to comply with contract requirements and all applicable regulations.

### **Other Applicable GFDA Governing Documents**

Refer to other current GFDA governance documents and policies, including, but not limited to:

Articles of Incorporation, as amended  
 Bylaws  
 Anti-Money Laundering Policy  
 Conflict of Interest Statement  
 Employee Benefits  
 EPA Brownfields Fund Grant Policy  
 Procurement Policy  
 Record Retention policy

### **Attachments**

The following attachments are an integral part of this policy:

Attachment A – Travel Expenses, Expense Reimbursements and Credit Card Use

Attachment B – Small Business Development Center (SBDC) Program Income



## **EXHIBIT A**

### **GREAT FALLS DEVELOPMENT AUTHORITY, INC.**

#### **TRAVEL EXPENSES, EXPENSE REIMBURSEMENTS AND CREDIT CARD USE**

##### **TRAVEL EXPENSES**

Great Falls Development Authority, Inc. (“GFDA”) intends to provide for the comfort and well-being of employees traveling on company business and to receive the best possible value for all business expenses. GFDA will pay reasonable business travel expenses. Employees are expected to incur expenses responsibly while traveling on GFDA business without experiencing any personal losses. Employees should incur business expenses with the same care and judgment they would use in incurring personal expenses.

All out-of-state travel must be approved in advance by the President.

All air travel should be by economy or coach class whenever possible. There must be compelling extenuating reasons for air travel other than by economy or coach class and such air travel must be approved in advance by the President.

Employees should choose the most reasonable ground transportation available, consistent with their travel schedule and business requirements.

Employees, except those employees who have a monthly auto allowance, may use his or her personal vehicle unless the use of a rental car would be more cost effective. If a personal vehicle is used the employee will be paid the Federal Standard Mileage Rate. A copy of insurance coverage for the personal vehicle shall be provided upon GFDA’s request.

Employees are encouraged to use hotel limousines and buses from airports to downtown areas if cab fare would be more expensive. Use of a cab or ride service is allowable only if necessitated by limitations of the business appointment, travel schedule or other reasonable causes.

Employees should avoid unnecessary or excessive use of rental cars. Employees should ensure that car rental is the most reasonable transportation available and that the style and size of the rental car are consistent with business requirements. As a general rule, economy cars should be utilized. Employees should always use a GFDA credit card for the payment of car rental charges. Employees should decline the car rental company’s collision damage waiver (CDW/LDW) option, or similar provision, if offered by the car rental company.

Employees should obtain itemized invoices/receipts for all hotel and motel charges. Charges in addition to the basic room charge must be justified and explained.

Reasonable valet and laundry expenses are permitted during extended travel periods (at least five days).

Employees should use discretion in incurring business expenses for meals. Detailed receipts are required for all meal charges.

Entertainment expenses should be incurred only in the normal course of GFDA's business. Entertainment expenses should be reasonable under the circumstances and should reflect good business practice and judgment. All entertainment expenses should be documented to include time, place, business purpose, names and business relationships of all individuals involved.

Alcohol use must be appropriate at all times. Driving while under the influence of alcohol is prohibited. With the exceptions of appropriate business entertainment and GFDA sponsored social events; employees may not consume or be under the influence of alcohol while at work or while representing GFDA.

If an employee is accompanied by a member of his or her family or an associate on a business trip GFDA will pay the full room charge provided there are no additional charges for the family member or associate. All meal, air fare and other expenses must be itemized to include only those expenses reasonably incurred by GFDA's employee.

Charges for amusement, recreation, toiletries, personal items, gifts and any and all expenses deemed to exceed reasonable amounts are not, and shall not be, reimbursable.

## **EXPENSE REIMBURSEMENTS**

Employees who have been issued a GFDA credit card should use said credit card for all business expenses incurred by him or her to the extent reasonably possible. Generally, employees who have been issued a GFDA credit card have been issued such card for their use while traveling on GFDA's business.

The purchase of all non-travel items such as office supplies, equipment, etc. should be coordinated through the Office Manager or other designated individual whenever possible.

Employees should not use GFDA's credit card for any personal expenses. In the event personal items are charged to the credit card, employees should prominently record the personal nature of the charge on the Credit Card Expense Sheet and remit the amount of the personal items along with the expense report. The failure to properly record the personal nature of charges made on GFDA's credit card is grounds for disciplinary action which may include termination of employment. Charging personal items to GFDA's credit card on more than one occasion is grounds for disciplinary action which may include termination of employment.

Each employee who has incurred out-of-pocket business expenses on behalf of GFDA shall prepare and submit a Reimbursable Expense Report on a monthly basis along with his or her time sheet. Employees who have been issued a GFDA credit card and who have incurred expenses during the period shall also prepare and submit a Credit Card Expense Sheet on a monthly basis along with his or her time sheet. Every reimbursable or credit card expense must have a detailed receipt, outlining the specifics of the charges, attached to the particular report.

Each Reimbursable Expense Report and Credit Card Expense Sheet (collectively referred to as "Expense Reports") shall contain itemized descriptions of all costs incurred on behalf of GFDA. Detailed receipts must be attached to each Expense Report for all expenditures, with the exception of mass transit systems where receipts are generally not made available.

Employees should record the accounting class and account number, if known, for each expense itemized on an Expense Report.

Employees shall sign each Expense Report to certify the accuracy and GFDA business nature of each such report. The President shall review and approve each Expense Report.

## **EXHIBIT B**

### **GREAT FALLS DEVELOPMENT AUTHORITY, INC.**

#### **Small Business Development Center (SBDC) Program Income**

Small Business Development Center (SBDC) Program Income, as defined by CFR Title 13: Business Credit and Assistance Part 130 – Small Business Development Centers, will be managed, accounted for and utilized in accordance with applicable federal and state regulations, specifically CFR 130.480 Program Income.

Program income shall be subject to OMB requirements (see OMB Circular 2 CFR 200). Program Income, including any interest earned on Program Income, must be used to expand the quantity or quality of services, resources or outreach provided by the SBDC network. It cannot be used to satisfy the requirements for Matching Funds. The SBDC Director and the President shall monitor the use of Program Income and authorize by signature all uses of Program Income funds. Any unused Program Income will be carried over to a subsequent budget period.

Program Income must be accounted for separately from the SBDC budget. Program Income pays for direct costs and not overhead or indirect costs that are allocated for facilities and administrative costs. The beginning or ending year balance for Program Income shall be noted in annual financial statements.

The SBDC Director will report in detail on standard SBA forms receipts and expenditures of Program Income, including any income received through cosponsored activities. A narrative description of how Program Income was used to accomplish program objectives shall be included. Monthly Program Income Reports will be filed with the SBDC Lead Center using SBDC Lead Center's Program Income Report form. All receipts for Program Income revenue and expenditures must be attached to the monthly report form.