

SOUTHWEST MICHIGAN PLANNING COMMISSION

Financial Management Policies and Procedures



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Where text is different from prior versions, the original is shown in a text box beside the proposed updated text.

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Introduction

The Southwest Michigan Planning Commission (SWMPC) Financial Management Policies and Procedures Manual has been developed to define financial policy for conduct of business and to provide general procedures for their implementation. The information in the manual is in accordance with SWMPC Bylaws, a policy framework established by the SWMPC Board of Commissioners. Through the Bylaws, the Board delegated authority and responsibility for the administration of financial policies to the Executive Director. The Executive Director has the authority to modify, amend, and/or establish new fiscal operational procedures without advance notice; however, changes in policy are subject to Board approval. In the absence of the Executive Director and with the approval of the SWMPC Executive Committee, the Deputy Director shall assume the Executive Director's responsibilities detailed within this document.

Board Members and staff are encouraged to consult the Executive Director for additional information regarding the financial policies and procedures described in this manual.

Part 1 – Financial Planning and Budgeting

Policy

With respect to fiscal planning and budgeting, the employees responsible for financial reporting shall not jeopardize the programmatic or fiscal integrity of the organization. Accordingly, she/he shall not cause or allow budgeting that:

- Deviates from board-stated ends, policies and priorities.
- Contains too little detail to enable a reasonably accurate projection of revenue and expenses.
- Fails to separate capital and operational items or disclose planning assumptions.
- Plans the expenditure of more funds in a fiscal year than conservatively projected to be received in that period.
- Reduces the current cash assets below a reserve amount representing a minimum three months expenses.

Procedures

Annual Budget and Work Plans

The Executive Director shall develop a preliminary budget and work plan annually.

A. Budget Development:

1. Project Authorization or Executed contract received from grantor, or project client.
2. Project Information Sheet prepared and passed to the Office Manager to create a Project file and assign a Program/Class Code.
3. Insert income details into the Projects and Funding Source Summary table.
4. Preliminary Project Budget prepared by Executive Director or Project Planner
 - May be developed from a prospectus, proposal, or grant proposal.
 - If the project is part of a continuing planning process (NATS, TCATS, etc) the accounting history from prior years are examined in order to derive the most accurate numbers possible for the Preliminary Project Budget.
 - Preliminary Project Budgets are submitted for input from project planners prior to final draft.
5. Preliminary Project Budget final draft provided to Office Manager.
6. Office Manager inserts Preliminary Project Budget into Master Accounting Budget.
7. Executive Director inserts Preliminary Project Budget into SWMPC budget document package (Draft Budget or next budget revision submitted to the Commission).

2. Project Information Sheet prepared and inserted into Programs and Projects three-ring binder (kept in Business Manager's office).
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B. The Executive Director presents the preliminary budget to the Executive Committee for review prior to the formal presentation to the Commission.

C. The Executive Director presents the preliminary budget with any suggested revisions to the Board for provisional approval at the last Commission meeting of the year.

- D. The Board reviews the proposed annual budget with the Executive Director during the last Commission meeting of the year. The Executive Director presents the fiscal year work plan to the Commission at the first meeting of the year.
- E. After the Commission approves the annual budget, the Executive Director then manages the annual budget effective January 1 of each fiscal year, requesting budget amendments at Commission meetings. The Office Manager prepares monthly reports that are presented to the Commission or Executive Committee.

Part 2 – Financial Condition

Policy

With the respect to the actual, ongoing condition of the organization's financial health, the Executive Director may not cause or allow the development of fiscal jeopardy or loss of allocation integrity. The SWMPC shall maintain a minimum three-month fund balance. If the fund balance should dip below the three-month level, the bi weekly financial management shall be reviewed by the Treasurer and Chair with the Executive Director and Office Manager until the three-month fund balance is restored.

Accordingly, the Executive Director may not:

- Allow actual allocations to deviate materially from board priorities and policies.
- Indebt the organization in an amount greater than can be repaid by unencumbered revenue within 90 days and, in no event, beyond the fiscal year.
- Funds shall not be intended for long-term investment although checking and contingent accounts may be interest bearing.
- SWMPC shall not expose the organization, its board or staff to claims of liability.
- SWMPC shall not receive, process, or disburse funds under controls insufficient to meet audit standards.

Procedures

Chart of Accounts and Other Financial Records

1. The Office Manager shall maintain the Chart of Accounts as new programs are added. Updates shall be distributed to the Executive Director and planners.

1.SWMPc maintains the Uniform Chart of Accounts (UCOA) that is prepared by the Business Manager as new programs are added. The Executive Director and planners receive the updates.

2. Utilizing QuickBooks, the Office Manager shall produce a Balance Sheet and Profit & Loss Statement for Bi-Monthly Commission meetings and any reports as requested by the Executive Director or Treasurer. These reports reflect actual income and expenses to the approved annual budget.

2. SWMPC also maintains a general ledger, accounts receivable and payable, cash receipt and disbursements, revenue and expense statements as directed by the Executive Director. These reports, which are prepared monthly by the Business Manager in accordance with the chart of accounts, reflect actual income and expenses to the approved annual budget.

Bank and other Financial Accounts

1. Authority to withdraw or transfer funds for organizational purposes always requires two signatures as designated by the Signatory Resolution.
 - The Executive Director and Office Manager have authority to deposit funds.
2. Execution of Contracts, Grants, etc., require the signature of the Executive Director, or in the event of a two-signature requirement, the Executive Director and one of either the Chair or Vice Chair.
3. Bank and other corporate financial information (e.g. rules, and regulations, account numbers) are retained, maintained, and updated by the Office Manager.

Petty Cash

1. The Office Manager maintains Petty Cash for the purposes of miscellaneous expenses. Petty Cash is kept by the Office Manager in a locked drawer with a record of incoming and outgoing payments.

1. The Business Manager maintains Petty Cash for the purposes of miscellaneous expenses. The funds are kept by the Business Manager in a locked drawer with a record of incoming payments (personal copy use, etc.) and outgoing payments (meeting refreshments, etc.) Amount does not exceed \$100.00
2. Incidental expenses incurred by staff may be submitted for reimbursement from Petty Cash with a receipt and program number.
3. Petty Cash is maintained at \$65; funds are replenished as necessary and should not fall below \$15.

3. The account is replenished when it falls below \$15, or as needed; and program totals are charged accordingly in the general ledger.

Bank Account Reconciliation

1. Each month, the Office Manager receives, date-stamps, and reconciles all bank account statements and prepares a printed report for each account.

2. Each month, the Business Manager reconciles all bank account statements and prepares a printed report for each account. (These reports are included in the monthly financial report)
2. All bank account statements and reconciliations are filed in the Office Manager's office for review at the request of the Treasurer or Executive Director.

3. All bank account statements are filed in the reconciliation file by the Business Manager. The Treasurer conducts a thorough review prior to the final approval of the monthly reconciliation.

Part 3 – Revenue

Policy

Contracts for Services

1. The Executive Director shall cultivate and enter into contracts for new projects including technical assistance to area municipalities and the general public up to \$75,000. These contracts for services shall be subject to the two signatures requirement and contracts for services greater than \$75,000 shall require the approval of the Executive Board.
2. Contracts for services shall be billed and accounted for consistent with the following guidelines:
 - a. Fees for assistance shall be based on the nature of the project incorporating salaries, benefits, direct costs, travel, supplies, surveys, mapping or other materials.
 - b. An agreement identifying the proposed scope of services, terms and conditions, and fees shall be signed by the appropriate signatory of SWMPC and the entity(ies) bearing the cost.
 - c. SWMPC shall only respond to those requests for assistance from local governments that do not involve an open competitive bid process.
 - d. SWMPC retains the right to waive a portion or all costs for a service in cases where other local state or federal grant sources allow for such.

Other Revenue

1. SWMPC invoice terms shall be due and payable upon receipt.
2. All revenue is to be deposited to an established SWMPC account promptly. Checks and cash is not to be held in the office more than two business days.

Procedures

Contracts and Awards

1. The Executive Director receives the award letter, signed contract or Project Authorization form and copies are given to the Office Manager and appropriate Planner. The Office Manager files original.
2. Staff respond to grants, contracts and awards as appropriate. Recognition of donors is included in the Annual Report, newsletters and on the website.

County Contributions, Local Matches, and Other Income

1. County contributions are established as a per capita rate at the August Commission meeting upon recommendation from the Executive Committee and Executive Director. The Executive Director contacts each County Administrator to assure inclusion in the county budgets. County Contributions serve as Local Match for Economic Development Administration funding (required by Federal legislation) and other grants. In January, the Office Manager prepares invoices sent with cover letters from the Executive Director for each county.
2. Metropolitan Planning Organization Local Match rates are established by federal legislation and are included in the Unified Work Programs approved at the August Commission meeting. In January, the Office Manager prepares invoices for each participating community.

3. Sales of reports, course fees, and document copying have fees assigned based on cost. Fees are collected as incurred and recorded in receipt log.

Accounts Receivable

1. The Office Manager generates invoices at the end of the quarter in which services are rendered, unless a specific exception is made in a program contract.
2. The SWMPC pursues aggressive collection of unpaid receivables, enlisting Board members and staff for personal contact with account holders and reminder invoices quarterly unless other arrangements are made.
3. The Office Manager discharges uncollectible accounts receivable in consultation with the audit firm upon final approval of the Board.
4. The Office Manager invoices employees for all due personal expenses quarterly.
5. Personal employee expenses due are paid by cash or check payable to SWMPC and deposited by the Office Manager.

Deposit of Funds

1. The Office Manager receives, records, copies, endorses "For Deposit Only" all incoming funds, and prepares the bank deposit. If not deposited immediately, checks and cash are in a locked cabinet until ready for deposit. All revenue received by SWMPC is deposited within two business days to an SWMPC account.
2. The deposit is made to the bank by the Office Manager. The bank stamps the verification on the bottom of the Deposit Summary and the check stubs are stapled to it, it is then filed with the financial files in the Office Managers office.

Part 4 – Expenditures

Policy

Purchase Authority and Limits

The Executive Director shall make on her/his own authority purchases per the approved budget. Purchase amounts not budgeted shall be limited to \$3,000.00 compatible with requirements of financial conditions. Amounts greater require approval of the Executive Committee.

Procurement

“Goods and services” refers to any item used in the course of the SWMPC operations; or a non-tangible activity performed for SWMPC by an outside entity (business or government) on a one-time or ongoing basis in support of SWMPC work. Goods may be, but are not limited to, office equipment, technology (software, etc), office supplies, educational materials, and storage systems. Services may consist of, but are not limited to, auditing, computer support, insurance, janitorial, clerical work, and printing (including both the supply of paper and processing). Leases of all kinds and specifically for office space are included.

“Vendors” are any outside entity that offers goods or services for financial consideration.

1. All purchases of goods and services shall not exceed approved budget limitations.
2. All purchases of goods and services shall meet contractual requirements.
3. Consideration of priority in the selection of goods and services shall proceed as follows:
 - a. Quality; taking account of any equipment compatibility concerns.
 - b. Value; cost analysis incorporating delivery, set-up, warranties, future service, etc.
 - c. Significance shall be attached to product sources within southwest Michigan.
 - d. SWMPC may choose to utilize certain vendors who offer intrinsic measurable fiscal advantages. The establishment of such regular vendors for ongoing supply of goods or services should be reviewed at least annually. There must be no exclusivity requirements.
4. No employee or Board member may profit directly from any SWMPC financial arrangement for goods or services unless potential conflicts of interest are fully disclosed to the Executive Committee. Business, family, and social relationships of staff or Board members with vendors should not be automatically considered a conflict of interest, but must be disclosed when relevant financial matters are under discussion.
5. Final selection of a vendor for any capital purchase shall be based on price, rate quotes obtained from at least three qualified sources, if possible an online product, or vendor search should be included when determining the final selection.
6. In the event a product or service is available only from a single source, negotiations shall be conducted to obtain the most favorable conditions possible for SWMPC.
7. Leases shall be reviewed prior to renewal. At least two alternatives should be considered.

Credit

1. By policy, SWMPC should not borrow money and no employee or Board member shall have authority to incur any debt without Full Board approval.
2. Vendor Accounts may be opened when advantageous to SWMPC. The Executive Director must approve use of such accounts. Documentation must be provided to indicate

programs to be charged. Accounts shall be paid in full when due so no interest or late fee shall accrue. Vendor accounts established as credit cards issued directly by the vendor shall be restricted to use with that issuing vendor.

3. Credit Card Policy

- a. SWMPC may acquire an agency credit card that may be used for the purchase of goods or services for the official business of the SWMPC with prior approval by the Executive Director. The use of credit card shall be limited to purchase of items for travel, meals and accommodations while on SWMPC business or phone/electronic orders for required services and supplies unavailable by standard prepayment or invoicing, or if such purchases result in lower prices and/or improved timeliness of delivery
- b. The total amount of outstanding charges on the SWMPC credit card shall not be more than \$10,000 per month. Single purchases up to \$3,000 shall require the Executive Director's prior approval. The Executive Committee shall be consulted prior to larger purchases.
- c. Staff members shall agree to use the card for business purposes only by signing the Employee Handbook receipt form. Any charges not approved shall be the responsibility of the employee. SWMPC shall prohibit the personal use of any SWMPC credit card.
- d. An agency card shall be the property of SWMPC and must be returned immediately to the Executive Director after each use. The credit card shall be issued to the Executive Director and shall be returned to the SWMPC Office Manager upon termination of the Director's employment or service with SWMPC.
- f. The Executive Director shall be responsible for accounting for, monitoring, retrieving and generally overseeing compliance with the SWMPC's credit card policy.
- g. The Executive Director shall be responsible for the protection, custody and authorization of use of the credit card. If the credit card is lost, or stolen, the SWMPC Office Manager shall be notified. The entity issuing the lost or stolen credit card shall be immediately notified to cancel the card.
- h. After approved use of the SWMPC credit card, employees shall submit receipts and a purchase authorization and voucher when charge is incurred to the Office Manager, addressing all charges incurred by the closing date of credit card statement. If no credit card slip was obtained that described the transaction, the employee shall submit a signed voucher that shows the name of vendor or entity from which goods or services were purchased, the date and the amount of the transaction, the official business that required the transaction, and the project number indicating which program is to be charged. All credit card slips shall include this information as well. Vouchers shall also include a statement why a credit card slip was not obtained.

Procedures

Employee Compensation

1. Each employee prepares and submits a Timesheet to the Office Manager at the end of each two-week pay period. Timesheets include allocation of the employee's hours to appropriate programs.
2. The Office Manager reviews all timesheets to verify inclusion of approved accrued leave and forwards to the Executive Director for further review. The Executive Director

receives and approves the timesheet and returns to the Office Manager for completion of payroll preparation and filing.

3. Per the direction of the employee, the Office Manager is authorized to deduct from an employee's payroll check all benefit or other expenses per SWMPC's policies and the request for the deduction is kept in the employee's personnel file. (i.e., retirement deductions, etc.)
4. The Office Manager files and retains all payroll reports and maintains all payroll tax reports.
5. The Office Manager posts information for payroll in the general ledger.
6. SWMPC issues payroll checks every two weeks on Wednesday, unless the day falls on a holiday, then the payday is the last workday before the designated Wednesday.
7. Accrued annual leave is shown on SWMPC financial statements as a liability and in accordance with policies outlined in the SWMPC Employee Handbook and other policy memoranda. It is adjusted at year end.

Travel and Expense Reimbursement

1. SWMPC reimburses employees for travel, conference/meeting and other expenses related to the performance of their responsibilities in accordance with policies outlined in the SWMPC Personnel Policies Manual and other policy memoranda. These expenses are mileage or transportation, parking fees, meal cost and other charges unless otherwise approved. The most economical means of travel is standard.
2. The Executive Director pre-approves all travel by the staff.
3. If a hotel stay is required, the Employee may make a reservation using the organization's credit card with the approval of the Executive Director.
4. All original receipts and a completed expense report form are due to the Office Manager by the end of the pay period the expenses were incurred. Expenses must be submitted in the quarter incurred for invoicing purposes.
5. If a Board member incurs approved expenditures for the organization, the individual files a request for reimbursement form prior to the semi annual processing of Member Per Diem and Mileage.
6. Board members receive payment of a per diem as determined by the approved SWMPC annual budget per Commission and Executive Committee meeting under the following conditions:
 - a. Members attending meetings without any other compensation from an employer or employing institution are eligible to receive a per diem.
 - b. Members attending meetings who are required to use employee leave time to account for time spent at the meetings are eligible to receive a per diem.
 - c. Members who attend meetings during their normal working hours and are paid as part of their normal duties are NOT eligible to claim a per diem.
 - d. Full Board and Executive committees meetings receive full per diem (\$30) and mileage. To be paid if eligible for per diem/mileage through the SWMPC.
 - e. Special committee assignments and ad hoc meetings (any board member) receive half per diem (\$15) and mileage. To be paid if eligible for per diem/mileage through SWMPC.
7. Board members receive payment of mileage expense reimbursement in the amount determined by US Internal Revenue Service regulations per mile, for the distance

normally traveled from home or work place to the commission meeting location, under the following conditions:

- a. Members who use their own vehicle and receive no other expense reimbursement from an employer or employing institution are eligible to receive mileage reimbursement.
- b. Members who use a company or employer-owned vehicle or are compensated for their mileage in any other way are NOT eligible to receive mileage reimbursement.
8. Members indicate their eligibility for per diem and mileage by submitting the "PER DIEM AND EXPENSE VERIFICATION FORM" which must be on file in order for funds to be disbursed.
9. Officers, the Chair and Treasurer receive additional compensation.
 - a. Chair: conducts meetings, confers with Executive Director about topics that shall be addressed at meetings, makes committee appointments, represents SWMPC and other State/Regional events, signs resolutions and occasionally other contracts and documents, serves on Executive Committee. Performs Executive Director Evaluation with the vice chair. \$200.00 officer compensation.
 - b. Vice Chair: conducts meetings in absence of Chair, conducts review of Executive Director in October and serves on Executive Committee. \$100.00 officer compensation.
 - c. Secretary: Signs the Signatory Resolution and some other documents, serves on Executive Committee, conducts meetings when both Chair and Vice Chair are unavailable. No extra officer compensation.
 - d. Treasurer: Presents financial reports after consultation with Office Manager (monthly, budget, audit), reviews back-up materials and signs checks (at SWMPC offices, bi-weekly), serves on Executive Committee. \$100.00 officer compensation.
 - e. Alternate Treasurer: performs all functions of the Treasurer as needed, serves on Executive Committee. \$100.00 officer compensation.

Accounts Payable

1. The Office Manager receives reviews and processes all accounts payable in accordance with written contractual agreements. Bills are date-stamped when received.
2. The Executive Director, or his/her designee in accordance with written terms approved by the Executive Director and agreeable to both SWMPC and the vendor settles bills for which payment amounts are disputed.

Check Writing

1. The Office Manager receives and processes all check requests and invoices. This request includes an invoice, applicable receipt, or other written/financial documentation (e.g. Request for Expense Reimbursement, Purchase Authorization, etc.). All invoices require review by the Executive Director prior to check processing.
2. The Office Manager prepares the check and forwards it to the Executive Director and Treasurer for approval and signature.
3. Checks are normally processed on a bi-weekly basis, according to the due date of specific payments.
4. The Executive Director authorizes approval of payment by signing the check request. All checks are required to have two signatures as designated by the Signatory Resolution. Documentation is available to the Treasurer before he signs the checks.

5. Checks required outside normal bi-weekly schedule still require two signatures. The Office Manager ensures the signatures are obtained in a timely manner by arranging for the Treasurer to visit the SWMPC offices or with a signature stamp. Authorization by fax for the use of signature stamp must be kept on file.
6. The Office Manager is responsible for disbursing all signed checks.
7. All processed payments and void checks are retained with appropriate documentation and are maintained by the Office Manager.

Part 5 – Management of Physical Assets

Policy

- Property assets in excess of \$1,000 shall be subject to depreciation.
- Inventories for computation of assets and insurance purposes are to be maintained.
- The SWMPC library and presentation equipment shall be resources for the southwestern Michigan community. The use of SWMPC equipment and materials will be monitored.

Procedures

Capital Depreciation

SWMPC maintains a capital depreciation account for office equipment and furnishings valued above \$1,000. The depreciation is applied over their useful lives, normally considered three years for office equipment and five years for office furnishings. The depreciation of property assets acquired by sale, loan, or gift requires written documentation and approval of the Executive Director.

Inventories

1. The Office Manager prepares an annual inventory of office equipment and furnishings and records such on the Inventory of Equipment done before annual audit.
2. The Executive Director approves the Inventory Report.
3. The Inventory Report is maintained and updated on an ongoing basis by the Office Manager.
4. The Office Manager prepares a separate inventory of office equipment and furnishings for insurance purposes with replacement values and no depreciation.
5. Employees taking SWMPC property offsite must post on Office Planner Board, which Office Manager monitors.

Library

1. Library materials are often original documents or planning resources that are not commonly available. Library materials that are original or available only in limited copies may not be removed or loaned. They may be copied using the SWMPC facilities at cost.
2. Published planning resources are lent, but must be signed out. Materials on loan from the SWMPC library are to be returned no later than three weeks from the date they were signed out. An individual who does not return materials on loan after the three-week period is fined for the cost of replacement of material. Additionally, the individual is not subsequently permitted to remove SWMPC library materials.

Part 6 – Audit and Reporting

Policy

A certified public accountant shall audit the financial records of the Commission within one year after the end of the longest period permissible by governmental audit guidelines.

Procedures

- A. The Office Manager coordinates activities of the audit with the auditor. She/he also schedules and participates in an audit exit interview with the audit firm, Executive Director, Chair and Treasurer.
- B. The Executive Director and a representative from the auditing firm submit the audit, which includes a management letter to the Board at the first board meeting after the completion of the audit. The Board approves the audit and considers taking any recommended actions.
- C. With the assistance of the Auditor, the Office Manager ensures the Auditor's preparation, completion, and submission of other federal and state financial reports as required by law.
- D. The Office Manager retains the audit, all background information, and other federal and State reports in the appropriate files. The final audit is kept as permanent record. Financial information is retained for no less than seven years.