Luzerne County Transportation Financial Management Policies and Procedures

GENERAL PURPOSE

The purpose of these policies is to establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of the Authority, and managing the Authority's funds.

FINANCIAL RESPONSIBILITIES

It is the responsibility of the Board of Directors to formulate financial policies and review operations and activities on a periodic basis.

The Board delegates this oversight responsibility to the Treasurer of the Board and Finance Committee of which the Treasurer is the Chair. This responsibility is shared through delegation with the Authority Executive Director and the Director of Finance.

The Authority Executive Director acts as the primary fiscal agent, implementing all financial policies and procedures. The Authority Executive Director, with oversight of The Finance Committee is responsible for the coordination of the following: Annual budget presentation, management of any investment funds, selection of cash management facilities, selection of outside auditors, and approving revenue and expenditure objectives in accordance with the Board approved long-term plans.

The Director of Finance with oversight by the Finance Committee has the day-to-day operations responsibility for managing Agency funds, ensuring the accuracy of the accounting records, internal controls, financial objectives and policies, financial statement preparation, bank reconciliations, chart of accounts, and journal entries for general ledger.

The Staff Accountant is directly supervised by the Director of Finance and is responsible for accounts payable processing, payroll input and payroll processing, cash receipts input, and W-2 and 1099 reporting

C**ONFLICT OF INTEREST**

Members of the Board of Directors are prohibited from activities that might present conflicts of interest. The powers of directorship may not be used to personally benefit the Director at the Authority's expense. If a Director has a financial interest in a corporate transaction, the Director must fully disclose the interest and abstain from voting. Loans to Directors are prohibited.

BUDGETING PROCESS
The Authority's Executive Director, Director of Finance, and the Treasurer of the Board of Directors shall be responsible for presenting to the Finance Committee and other Board Committees an annual operating budget draft thirty days (30) prior to the end of the fiscal year and fifteen (15) days prior to its submission to the Board of Directors.

The Finance Committee shall review and approve the recommended fiscal year budget revenues and expenditures, and submit it for approval to the Board of Directors.

The budget shall contain revenues and expenses forecasted by month.

FINANCIAL STATEMENTS
The Authority's financial statements shall be prepared on an accrual basis in accordance with FTA and State requirements. The Director of Finance shall prepare and present monthly financial statements in a format approved by the Authority's Executive Director and Finance Committee. The statements shall be presented to the Authority Executive Director, senior management, and the Finance Committee for review.

CASH FUND
A cash fund of one-quarter to one-third of the Authority's annual operating expenses shall be maintained. When the funds balance falls below this minimum, the Finance Committee and the Board shall develop a plan and budget for rebuilding it.

AUDIT
The Authority will have an audit of its financial statements annually, within 6 months of the end of each fiscal year. The audit shall be completed by a firm of Independent Certified Public Accounts. The Authority Executive Director and the Director of Finance shall have direct responsibility in overseeing the implementation of the Annual Financial Audit.

The Authority Executive Director and the Director of Finance shall recommend to the Board of Directors for approval, the selection of a firm to perform the annual audit. The final audit results will be presented to the Board of Directors. A representative of the audit firm shall be invited to attend the annual presentation to the Board of Directors, and shall be required to make a presentation to the Board if the audit report is other than unqualified, or if the auditor's report material weaknesses in internal controls or reportable conditions.

REVENUE AND INCOME PROCEDURES
The Authority Executive Director in conjunction with the Director of Finance, develops and proposes revenue goals and objectives and submits them to the Board discussion and approval.

All reported revenues shall be recorded in accordance with FTA and State reporting guidelines and must be credited to the appropriate revenue lines as presented in the annual budget and coded with the appropriate account number as designated in the Authority's Chart of Accounts.

RECORDING RECEIPTS
The following procedures for cash received through the mail or given to a staff person shall be in place: Mail should be opened by a staff person that is not involved in the accounting function. All checks shall be endorsed with the Authority's official stamp. All cash and checks received through the mail shall be

forwarded to the designated staff in the Finance Department. This person records all checks and cash by date, name of company or individual, designation, and amount.

An individual deposit ticket shall be prepared with one copy. That ticket shall include the date of the deposit, name of Authority, amount, and designation. A copy of the bank deposit slip is retained attached to the corresponding back up for the deposit and filed.

Funds received electronically, such as State Operating funds, should be properly recorded by Finance department. Transactions should be periodically rechecked by the Director of Finance.

The Director of Finance shall make the appropriate entries in the General Ledger books. The Staff Accountant shall reconcile all logs of incoming cash/checks with the deposit slips.

EXPENDITURE PROCEDURES

All expenditures shall be approved by the Authority Executive Director and the Treasurer or Assistant Treasurer of the Board of Directors. All expenditures shall be coded by account number using the Authority's Chart of Accounts.

The Staff Accountant maintains standard accounting records containing all aspects of the Authority's financial operations. They include but are not limited to: A general ledger, a check register, and a payroll register.

Each invoice shall be accompanied by a payment voucher which must always contain two signatures. The first signature shall be of the requesting authority. The requesting authority shall always be the Director of Finance, unless the in the absence of the Executive Director, in which case the Director of Finance may substitute as the approver of such invoice. In such case where the Director of Finance must sign as the approver of the invoice, the Staff Accountant shall sign as the requester of payment. The second signature shall be that of the approver of the invoice. Invoices shall be approved by either the Authority's Executive Director or Director of Finance in the Executive Directors absence.

Upon payment of an invoice, a duplicate check stub shall be stapled onto the invoice. The paid invoices shall be filed alphabetically according to company/individual name and shall be kept on a fiscal year basis on file.

SIGNATURE POLICY

The Authority Executive Director and the Treasurer or Assistant Treasurer (two signatures) shall unless otherwise decided by the Board, sign all checks. The Director of Finances' signature may substitute in the absence of the Executive Director.

The Chair of the Board of Directors is responsible for signature on all contracts. The Vice Chair may sign in the absence of the Chair.

COMPENSATION AND PAYROLL

Payroll is executed on a bi-weekly basis unless otherwise determined by the Board of Directors. Paychecks or direct deposits will be provided to each employee by the Staff Accountant.

Monthly payroll expenses shall be verified by the Director of Finance against payroll reports and direct deposit reports and reconciled with checking account reports.

The compensation of the Authority's Executive Director shall be determined by the Board of Directors or their designees and Executive Director Compensation is based on a board-approved process that considers comparable data and Executive Director Performance. The salaries of all other employees shall be determined by the Authority's Executive Director along with the Authority's Personnel Committee and approved by the full Board of Directors. Compensation ranges for all staff positions shall be approved by the Authority's Executive Director along with the Personnel Committee. No employee of the Authority may be compensated outside of the approved range, without the approval of the Board of Directors.

LOCAL TRAVEL AND EXPENSE REIMBURSMENTS

Employees must abide by the Authority's Travel and Expense policy located within the employee handbook. Travel and expense reports for mileage, meals, hotel, supplies, etc., will be maintained by each employee and then submitted to their supervisor for approval. Supervisor shall then submit approved expense reports to the Finance Department for payment to employee. Mileage to and from the employee's residence to the place of work will not be paid by the Agency. All parking and other expenditure receipts must be attached to the expense voucher as a condition for payment.

CREDIT CARD EXPENDITURES

The Executive Director and long with the Director of Finance will approve the issuance of a company-issued credit card for employees who travel frequently. Employees must utilize that card only for business travel. The Director of Procurement shall also be authorized to make small procurements authorized by the Director of Finance when a purchase becomes immediate and necessary. The direct supervisor must approve the voucher, which is then submitted to the Finance Dept. for recording and reconciliation.

PURCHASING

All purchases must be made in accordance with the Authority's official Procurement Manual.

NOTES, LOANS, ETC.

All notes, loans and other indebtedness to be contracted in the name of the Authority (except open accounts and all other routine banking transactions), shall require the signature of the Authority Executive Director, unless otherwise specified by the Board. All indebtedness must be approved by the Board of Directors.

BANK ACCOUNTS AND INVESTMENT ACCOUNTS

The Director of Finance shall maintain and oversee Bank and Investment accounts, and ensure the Authority's day-to-day financial operations.

CHECKING ACCOUNT

All checks, cash, money orders, and credit card deposits, are reviewed by the Finance Department and deposited in the appropriate Accounts. Money may be transferred between accounts as necessary. Checks are written weekly to meet obligations, or ongoing operational expenditures.

BANK RECONCILIATIONS

Bank reconciliations shall be completed monthly by the Director of Finance and cross-referenced with the cash and receipts logs and the monthly Financial Statements. The Financial Statements shall be compiled by the Director of Finance. The Statements shall be then reviewed by the Authority Executive Director.

All Bank Statements will be reconciled every month by the Director of Finance, and all records will be kept in the Finance Office.

PETTY CASH

A petty cash fund provides a systematic method for paying and recording out-of-pocket cash payments too small to be made by check. The Authority shall maintain a Two Hundred ($200.00) petty cash fund that is replenished as needed.

The Staff Accountant shall maintain control of, and responsibility for, payments disbursed from the Petty Cash fund. Expenses in excess of $50.00 are not eligible for petty cash reimbursement.

BONDING

All Authority employees shall be bonded through an Employee's dishonesty bond policy.

PROPERTY AND EQUIPMENT

Property and equipment shall be stated at historical cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. A depreciation schedule shall be prepared and maintained by the Agency's Director of Finance on an annual basis, taking into consideration the annual equipment inventory. A Property removal Form shall be required for the removal of the Agency's property, supplies, and/or equipment from the Agency's premises.

EQUIPMENT INSTALLATION

Purchase, installation and maintenance of telephone equipment, telephone lines, office equipment, computer equipment, etc. shall be approved by the Director of Finance after discussion and approval by the Authority Executive Director. Staff Members and other managers shall be responsible for receiving and supervising the installation of equipment scheduled for their facility or working area, and for maintaining and protecting the equipment installed in their offices.

DONATED MATERIALS AND SERVICES

Donated materials and equipment shall be reflected in the Financial Statements at their estimated values measured on the date of receipts. Volunteers donate tie to the Authority's Program services on an on-going basis. Other volunteers contribute time and services. Such contributed services are generally not reflected in the Agency's financial statements, since there is no objective way of assessing their value.

CONFIDENTIALITY AND RECORDS SECURITY

Financial records are restricted materials with limited access. Only the Director of Finance and Staff Accountant (or others so authorized) shall have access to financial records (vendor files, checks, journals, payroll, etc.)

DOCUMENT RETENTION

Financial documents are retained for a period of time in keeping with State law and the recommendations of the IRS.

TAX REPORTING
Being a Municipal Authority, the Authority is exempt from federal income taxes. Accordingly, no provisions for income taxes shall be reflected in the financial statements.

Appendix

Effective Systems of Internal Control

General

Internal control can be divided into two areas: accounting controls and administrative controls. Administrative controls deal with the operations of the business, whereas the accounting controls deal with accounting for such operations. Accounting controls should be designed to achieve the five basic objectives:

Validation

Validation is the examination of documentation by someone with an understanding of the accounting system, for evidence that a recorded transaction actually took place and that it occurred in accordance with the prescribed procedures. As systems grow more sophisticated, validation is a built in component whereby the transactions test themselves against predetermined exceptions.

Accuracy

The accuracy of amounts and account classification is achieved by establishing control tasks to check calculations, extensions, and additions and account classifications. The control objective is to be certain that each transaction is recorded at the correct amount, in the appropriate account, and in the right time period.

Completeness

Completeness of control tasks ensures that all transactions are initially recorded on a control document and accepted for processing once and once only. Completeness controls are needed to ensure proper summarization of information and proper preparation of financial reports. To ensure proper summarization of recorded transactions as well as a final check of completeness, subsidiary ledgers and journals with control accounts need to be maintained.

Maintenance

The objective of the maintenance controls is to monitor accounting records after the entry of transactions to ensure that they continue to reflect accurately the operation of the business. The control system should provide systematic responses to errors when they occur, to changed conditions, and to new type of transactions. The maintenance function should be accomplished principally by the operation of the system itself. Control maintenance policies require procedures, decisions, documentation, and subsequent review by a responsible authorized individual. Disciplinary control tasks, such as supervision and segregation of duties, should ensure that the internal control system is operating as planned.

Physical Security

It is important in all business organizations that the assets are adequately protected. Physical security of assets requires that access to assets be limited to authorized personnel. One means to limit access to both assets and related accounting records is through the use of physical controls. Protection devices restrict unauthorized personnel from obtaining direct access to assets or indirect access through accounting records that could be used to misappropriate assets. Locked storage facilities restrict asses to inventories, and fireproof vaults prevent access to petty cash vouchers. Transaction recording equipment limits access to assets by limiting the number of employees involved in recording and posting transactions.