

New Mexico Veterans Integration Centers (NMVIC) Financial Policy

This policy establishes guidelines for the Board of Directors of the New Mexico Veterans Integration Centers (NMVIC) for developing financial goals and objectives, making financial decisions, reporting the financial status of the NMVIC, and managing the NMVIC's funds. It also serves to provide guidance to management, ensuring consistency, accuracy, accountability and transparency with respect to financial management and reporting.

1. Background

1.1 Organization

The New Mexico Veterans Integration Centers (NMVIC) is a 501(c)(3), independent, non-profit corporation, incorporated in 2005. The NMVIC administrative and programmatic functions are subject to policies adopted by the NMVIC Board of Directors (Board). The authority for administration of the financial policy as applicable to the Board is the responsibility of the Board Chair.

The Board establishes the policies and long-term plans for the NMVIC, to be implemented by management under the direction of the Chief Executive Officer (CEO). The authority for administration of the financial policy as applicable to the management and staff of the NMVIC is the responsibility of the CEO. The CEO develops and implements operating procedures consistent with this policy. The CEO shall review and evaluate on a regular basis all NMVIC operations and activities to ensure compliance with this policy and make adjustments as necessary. The CEO may recommend revision of this policy to the Board to reflect changing or additional operational considerations.

2. Areas of Responsibility

2.1 Board of Directors

The Board, at a minimum, will meet quarterly to provide operational oversight, ensure NMVIC financial compliance, ensure appropriate funding, consider policy initiatives, and develop and oversee implementation of long-term plans. The Board may establish a Finance Committee to which is delegated such matters as the Board deems appropriate. To the extent more frequent financial oversight is deemed appropriate, the Board may request the CEO provide monthly reviews for approval of financial data and monthly financial reports.

Fiscal Year. The Board establishes the fiscal year for the NMVIC.

Budget. The Board approves the NMVIC budget within the first quarter of the fiscal year, reviews material deviations from the budget throughout the year, and considers adjustments as circumstances dictate. No change to the annual budget will be effective without prior

Board approval.

Financial Resources. The Board is responsible for ensuring that the NMVIC has sufficient financial resources to fulfill its mission. The Board, with the assistance of the CEO, will prepare long-term financing plans and cooperate with the CEO to execute these plans.

Audit. The Board's oversight of the NMVIC includes assurance of the existence of a satisfactory system of internal controls. **(See Appendix entitled "Effective Systems of Internal Control.")** The Board will engage the services of a qualified firm of independent Certified Public Accountants annually to audit the financial books and records of the NMVIC. The Board will review the auditor's report, receive an in-person briefing by the auditors, and consider and address any issues the auditor brings to the attention of the Board. Thereafter, the Board shall accept the report of the auditors.

Signature Authority. The Board may delegate check signatory authority to one or more of its Directors. These Directors will have the authority to sign for the CEO or designee in limited circumstances in the absence of the CEO and the CEO's designee. The Director will sign the banking signature card but will only be authorized to exercise this signature authority in the above-described limited circumstances. Criteria for dual signatures remain applicable. **(See Section 2.2.)**

Donation Approval. The Board will consider gifts and donations for approval in accordance with the NMVIC Policy on Gifts.

Debt and Expenditure Approval. The CEO will ensure that the Directors are provided with a written explanation of and justification for any proposed expenditure or acceptance of a liability to the extent that any expenditure or liability to be incurred is required to be approved by the Board. This written explanation may be either by a separate document or during a meeting in which official minutes are taken. Voting for approval of any such expenditure liability shall be in accordance with the NMVIC Bylaws. Any expenditure not included in the budget that represents greater than 10 percent of the approved budget requires board approval. However, any expenditure in excess of the terms or amounts listed above that is authorized by a program contracted for and paid for by a state or federal agency shall not require prior Board approval.

Real Estate Acquisition. All acquisitions of real estate must be approved by the Board.

Loans. All loan agreements may be entered into after approval of the Board.

Additional Entities. Only the Board shall have the power to create one or more entities owned or controlled by the NMVIC.

Compensation. The Board shall approve the annual compensation of the CEO. Board approval of all other compensation matters shall be reflected by its approval of the annual budget. The members of the Advisory Board and Board of Directors serve without compensation.

Expenses. Service on the NMVIC Board is without remuneration. Administrative support, travel, and accommodation costs in relation to Director duties are reimbursed pending available funds

as follows:

It is expected that Directors will use their personal automobiles within the 100 miles of their personal residences without reimbursement, unless such usage becomes frequent. At any point, a Director may request reimbursement for travel on behalf of the NMVIC by submitting a Request for Reimbursement form with estimated costs to the Board for approval prior to the travel. If approved, the Director will submit a final Request for Reimbursement with receipts to the Board Chair or NMVIC for approval upon completion of approved travel. If the costs are within 15 percent of the original estimated cost, and the Board Chair or NMVIC feels the overage is justified, the Board Chair or NMVIC will forward the Request for Reimbursement to the CEO for payment. If the cost exceeds 15 percent of the estimated amount or there is any disagreement in reimbursed line items, the Director may provide written explanation to the entire Board. The Board will then vote on the final reimbursement total. All approved reimbursed personal vehicle travel will be based on the federal standard mileage rate.

Investment Policy. Unless the NMVIC Board has adopted a separate Investment Policy for the management of liquid assets, the primary investment principals for NMVIC cash assets are safety of principal and liquidity. Absent such a formal Investment Policy, all funds shall be deposited in federally insured bank accounts, except to the extent that the Board may approve the deposit of restricted funds in a noninsured money market account.

2.2 CEO

The CEO provides management and financial oversight for all NMVIC operations. The CEO is responsible for the organization's fiscal management and the day-to-day leadership and operations of the NMVIC, ensuring that all regulatory requirements for the NMVIC are followed. The CEO establishes and updates policies to ensure compliance with federal or state grants, contracts and Memos of Understanding.

The CEO is responsible for financial management and related support services (e.g., payroll, cash management, accounts receivable, accounts payable, etc.). This responsibility includes budget development, budget management, and financial performance reports to the Board. The CEO directly supervises the full-time management staff and delegates supervision to the remaining exempt and non-exempt staff. The CEO develops the accounting Chart of Accounts and budget and oversees data entries for ensuring accuracy for reporting. In addition, the CEO drafts all reports to funding agencies and monitors NMVIC activities to ensure NMVIC performance is in compliance with regulations. The CEO reports in regular Board meetings and in special Board and Board committee meetings as requested. The CEO is charged with determining the requirements and need for a Chief Financial Officer (CFO). The CEO will develop a position description, approved by the board, for the CFO and may delegate to the CFO functions of operational financial management of the NMVIC, as the CEO determines to be appropriate.

Accounting Policies. Within the overall financial management function, the CEO shall establish written accounting policies and procedures as part of the NMVIC's system of internal controls. **(See Appendix entitled, "Effective Systems of Internal Control.")** Accounting policies shall include the appropriate accounting standards under which the books and records of the NMVIC are to be maintained and presented to the Board ("Generally Accepted Accounting Principles" or such other standard as may be determined to be appropriate for a not-for-

profit entity). The CEO shall ensure compliance with all federal and state laws and regulations regarding the reporting of revenues, including donations, and expenditures, including the timely filing of all required tax returns.

Tax Status. The NMVIC is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code as amended. The CEO shall ensure that the NMVIC retains this not-for-profit tax status.

Adequate Short-Term Resources. The CEO is responsible for ensuring that the NMVIC has sufficient short-term funds available to meet its needs. In the event that circumstances develop such that sufficient funds will not be available to meet short-term requirements, the CEO shall notify the Board and work with the Board to develop a plan and budget for resolving the shortfall.

Expenditure Approvals. The CEO, or designee, shall approve all expenditures of NMVIC funds, reviewing all invoices for mathematical accuracy, validity and conformity to the approved budget and compliance with grant/contract requirements in accordance with the NMVIC Financial Operating Procedures.

Checking, Money Market and Certificates of Deposit Accounts. The CEO shall establish federally insured bank accounts on behalf of the NMVIC in one or more reputable, duly licensed financial institutions. Such accounts may include checking, savings and certificates of deposit.

Signature Requirement. For general monthly/quarterly or annual payments, such as utilities, insurance, taxes, and those such as rent or lease payments that are governed by previously approved contract terms, authorization for payment can be given by the CEO for either checks or electronic payments. For checks over \$5,000 that are not general payments as noted above, a second signature is required from an approved signer (staff member or, in the absence of any other signer, the authorized Board member). In no event will the following be allowed:

Invoices paid unless approved by an authorized signer;

Blank checks (checks without a date or payee designated) signed in advance, unless it is a transfer of funds from one bank account to another (in this case, a check will be endorsed as "for deposit only" with the bank name and account number);

Checks made out to "cash," "bearer," etc.; or

Checks prepared on verbal authorization, unless approved by the CEO through written communication.

Until such time as the NMVIC engages a fully qualified CFO, and in the absence of the CEO, the CEO may delegate to a Program Director or Program Manager signature and/or approval authority for the above-identified functions.

Petty Cash. The CEO is authorized to establish and properly account for a petty cash account in an amount not to exceed \$200, the administration of which will be identified in the NMVIC

Financial Operating Procedures.

Investments. Consistent with the investment principals stated above, absent a separate Investment Policy adopted by the NMVIC Board, the CEO shall invest any investable assets in insured savings accounts at one or more reputable banking institutions.

Credit Cards. Credit cards will be issued only to the CEO, Program Director and management team as approved by the CEO for specific program or operational expenses. These cards will only be used for NMVIC purchases authorized through the expense report process, requiring signature approval.

Reporting. The CEO is responsible for all financial reporting to the Board. Monthly financial statements, including Profit and Loss Statements, Balance Sheets and budget tracking will be prepared. Quarterly and year- to-date reports will be provided to the Board in advance of the regular quarterly Board meetings, as well as when requested by the Board Chair.

Budgeting. A proposed annual budget shall be presented to the Board not later than thirty (30) days following the end of the previous fiscal year. This budget shall include a Chart of Accounts and separation of costs versus revenues. Once approved, any changes to the budget must be approved by the Board. Actual performance must be compared to the approved budget in the monthly report prepared by the CEO. An analysis of any deviations over 10 percent must be provided to the Board with recommended corrective action provided as needed.

Purchasing. It is the policy of the NMVIC to patronize local Veteran-owned businesses to the extent possible.

2.3 Compensation, Payroll, and Payroll Taxes

The salaries of all management and staff employees shall be determined by the CEO. Compensation ranges for all staff positions shall be developed and approved by the CEO. No employee of the NMVIC may be compensated outside of the approved range without a written justification. The CEO will ensure that NMVIC payroll is paid on time to all employees; that all employer contributions and employee withholdings are paid on time; and that all payroll reports, W-2 forms and 1099 forms are accurately and timely completed and transmitted. On a monthly basis, the CEO will verify that payroll taxes have been deducted and paid in full, as well as confirm that tax returns are prepared and submitted on a quarterly and annual basis as required.

Employee Benefits. The CEO shall determine the benefits and other conditions of employment to be offered to employees, and all such expenses shall be included in the annual budget. Retirement benefit plans, however, require the approval of the Board. The CEO is responsible for ensuring that the NMVIC complies with all applicable laws and regulations pertaining to employee benefits, including the Employee Retirement Income Security Act of 1974 (ERISA).

Bonding. The CEO shall not be bonded except upon an affirmative decision by the Board. The CEO shall determine whether or not the NMVIC should require one or more employees who handle financial matters for the NMVIC should be covered by a Dishonesty Bond. The cost of any such bond shall be reflected in the annual budget.

3. Travel and Expenses

If any traveling is required, each employee must obtain approval by the CEO, Program Director or Program Manager (if program travel) prior to travel (with an estimate of expenses). The employee will then complete an expense report for reimbursement in accordance with the NMVIC Financial Operating Procedures.

Employees will be reimbursed for travel and other related expenses at the rate set by the IRS. The NMVIC will reimburse no more than the standard mileage rate for the business use of a personal car as established by the IRS. The NMVIC will reimburse meal expenses incurred in direct connection with employment or a standard per diem rate. Mileage to and from an employee's residence will not be paid.

4. Events/Fundraising

Contract commitments for events, facilities or support services must be approved by the Board prior to signature. Once approved, any contracts will be signed by the CEO or Board Director.

5. Property/Equipment

Equipment shall be defined as all items (purchased or donated) with a unit cost of over \$1,000 and a useful life of more than one year. The CEO will review all equipment leases. All leases, clearly delineating terms and conditions, will be approved and signed by the CEO subject to the signature authority limitations stated elsewhere in this Policy. The CEO will ensure that all property is accounted for accurately and in a timely manner and that disposition of any property is handled in accordance with the written procedures established by the CEO.

Leases. Prior to signing any lease, and prior to submitting any lease to the Board for prior approval as required elsewhere in this Policy, the CEO will review the lease and submit it to the Board Legal Advisor for review and comment. The CEO will sign all leases and will keep a copy of each on file.

Loans. The CEO shall not enter into any loan agreement without the prior approval of the Board.

6. Insurance

Consistent with the Appendix, "Effective Systems of Internal Control," to this Policy, in consultation with the NMVIC's legal counsel and any other third party with expertise in the field, the CEO will assess the risks to which the NMVIC is exposed and evaluate the availability and cost of purchasing insurance to protect against financial loss associated with those risks. To the extent feasible, reasonable insurance coverage will be maintained to safeguard the assets of the NMVIC. Such coverage will include property and liability, worker's compensation, Board Director insurance and other insurance deemed necessary. Not less than annually, the CEO will review all insurance policies and report the NMVIC risk and insurance profile to the Board.

7. Grants and Contracts

The CEO will direct the NMVIC to apply for such grants and awards from third parties as are consistent with the NMVIC's mission, ensuring that the terms and conditions imposed do not outweigh the benefits or unduly restrict the activities of the NMVIC with respect to matters outside

of the specific program to which the grant or contract applies. The CEO shall review each award and contract to ensure compliance with all financial and programmatic provisions of the solicitation and upon acceptance shall ensure the NMVIC's on-going compliance with all financial and programmatic provisions. The CEO shall ensure that all contract obligations are met and appropriate documentation and reports are submitted per the grant/contract requirements.

8. Confidentiality and Records Security

Financial records are restricted materials with limited access. The CEO shall ensure that, except as otherwise may be required by law, only those individuals with a good reason to know, have access to the NMVIC's financial records.

9. Record Retention and Destruction

The CEO shall ensure that financial documents are retained for a period of time in keeping with state law, the requirements of the IRS and in accordance with the Record Retention and Destruction Policy.

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 following 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 access 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.