



Mind Your P's and Q's: Policies, Procedures, and Questions Workshop

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Objectives

At the end of this session, you will be able to:

- Clarify “Why do you do it this way?”
- Discover efficiencies
- Identify more effective practices



The Essence of a Good Policy

- Keep it as short as possible
- Keep it relevant to the audience
- Keep it aligned to the needs of the business
- Keep it aligned to the legislation and regulatory frameworks in which you operate
- Do not marginalize it by aiming to "tick the box", as the policy needs to add value to the employee and the overall outcomes and behaviors you are looking to promote





Information Technology

Information Technology

- Security program
- Access controls
- Change controls
- Segregation of duties
- Contingency planning



Information Technology

Best practices to consider:

- **Information security awareness training**
 - completed prior to granting new employees with access to the company's network or applications
 - repeated on an annual basis, as a refresher
 - include a test to ensure an understanding of the content.
- **A Rules of Behavior** should also be required to be signed acknowledging an understanding of their responsibilities to only use IT systems for official business, and to protect the organization from malicious software or attackers.



Information Technology

Best practices to consider:

- Passwords - consist of 8-12 characters, upper case and lower case characters, include numbers and special characters, **expire at least every 90 days**, **result in account lockout** after 3-5 invalid attempts, and not be similar to the previous 5-10 passwords.



Information Technology

Best practices to consider:

- All changes made to information systems should be documented, tested, approved, and deployed into the production environment by someone other than the developer.



Information Technology

Best practices to consider:

- Based upon a business impact analysis to identify mission essential functions, the organization should identify those IT systems which support each function, identify recovery time objectives (RTO) and maximum allowable downtime. Recovery and system restoration procedures should enable the organization to restore these IT systems within the identified RTO targets. **Disaster recovery plans** should be tested on at least an annual basis.





Procurement

Procurement - Overview

- Definition and Guidance
- Procurement Standards
- Procurement Policy



Procurement - Definition and Guidance

Definition of ***Procurement***: “the act of finding, acquiring, buying goods, services or works from an external source.”

OMB UNIFORM GUIDANCE (2014)

The Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called "Uniform Guidance")

- Officially implemented in December 2014 by the Council on Financial Assistance Reform (COFAR)
- Government-wide framework for grants management
- Synthesizes and supersedes guidance from earlier OMB circulars, drawn from
 - OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in past OMB guidances);
 - Circulars A-89, A-102, and A-133; and
 - the guidance in Circular A-50 on Single Audit Act follow-up.



Procurement Standards

General Procurement Principles

- Written Procurement Policies
- Affirmative steps to assure vendors used when possible (§200.321)
 - Minority businesses
 - Women's business enterprises
 - Labor surplus area firms
- Engage in full and open competition



Procurement Standards

Procurement "Claw" (Sections 200.317-326)



Procurement Standards

Procurement Policy

1. Codes of Conduct
2. Solicitation and Competition
3. Methods of Procurement
4. Procurement Documentation
5. Contract Administration



Procurement Policy

1. Codes of Conduct

- Who policy applies to
- Conflicts of Interest
- Favoritism
- Gifts

2. Solicitation and Competition

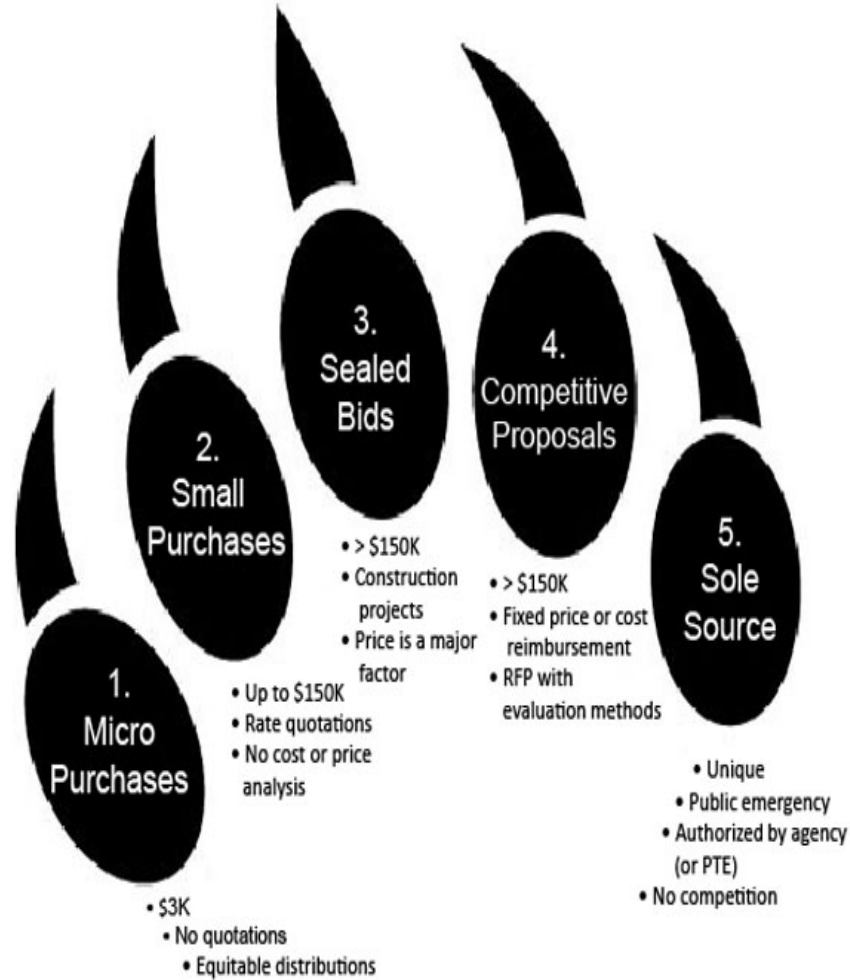
3. Methods of Procurement

- Attachments
 - Procurement Claw
 - Expense Authorization Matrix



Methods of Procurement

Procurement "Claw" (Section 200.320)



Methods of Procurement

Procurement Method	Aggregate Dollar Amount	Description
Micro-Purchase	Less than \$3,000	The employee will make a selection that is in the best interest of the company and the client using professional judgment. Purchases are distributed equitably among qualified suppliers.
Small Purchase	Less than \$150,000	Price or rate quotations shall be obtained and documented from an adequate number of qualified sources to insure that the selection process is competitive.
Sealed Bid Purchase (formal advertising)	More than \$150,000	Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price.
Competitive Proposal Purchase	More than \$150,000	Conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded.
Noncompetitive Purchases	Unique Purchase	Solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.



Appendix A

Position	Expenses										
	Food		Supplies		Services		Contracts & Leases	Other			
	Overhead	Funded	Overhead	Funded	Overhead	Funded	> 12 Months	Travel Expenses	Fixed Assets (>\$2.5k)	Legal Expenses	Utilities
President	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit
Senior Vice Presidents	\$10,000	\$25,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$2,500	\$10,000	\$10,000	\$10,000
Vice Presidents	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$2,500	\$1,000	\$5,000	\$10,000	\$10,000
Executive Assistant			\$10,000	\$10,000	\$10,000	\$10,000		\$500			
Executive Chef	\$10,000	\$10,000	\$5,000	\$5,000	\$5,000	\$5,000		\$500			
Controller	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000		\$500	\$5,000	\$5,000	
Directors	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000		\$500			
Director of Facilities			\$5,000	\$5,000	\$5,000	\$5,000					\$35,000
IT Manager			\$1,000	\$2,500	\$1,000	\$2,500					
Assistant Directors	\$2,500	\$2,500		\$2,500		\$2,500					
Program Managers	\$2,500	\$2,500		\$500		\$500					
MRS Admin Supervisor						\$1,000					

Expense Authorization Guidance:

- If an expenditure is above an individual's authority limit allowed in the matrix, higher authorization is required.
- All current policy and procedures must be followed related to purchasing, travel and other applicable policies and procedures related to all purchasing and reimbursement requests.
- Email approval of purchases and invoices will be accepted.
- Gift Card purchases must have either the Vice President of Finance or the Controller's prior approval.
- Contracts, purchases, and/or commitments cannot be split to avoid securing proper authorization.

Specific Instructions related to Authorization:

- **Travel Expenses** Travel expenses must be pre-approved prior to expenditure and reimbursement. Requests being submitted must be approved by the employee's Supervisor in addition to the appropriate level of management.
- **Fixed Assets** All asset purchases must have prior approval from a "C-Level" Executive and require a content review by the Vice President of Finance or the Controller.
- **Legal Expenses** All legal expenses must have approval from a "C-Level" Executive and require a content review by the Vice President of Finance or the Controller.
- **Contracts & Leases** All leases, and long-term (greater than one year in length) contracts and agreements must be reviewed and approved by two "C-Level" Executives. Contracts that have been approved according to policy do not require individual invoice approval for payment as long as the invoice is within terms of the contract; however, certain contract invoices may require content review by management.

Definition of "C-Level" Executive: "C-Level" Executives have the word "Chief" in their title and are Officers of the Agency.

Effective Date: January 1, 2016

Approved by:

[Name], [Title]

Date

Procurement Policy

3. Methods of Procurement (Cont.)

- > \$3k: Price/Cost Analysis
- => \$150k (Simple Acquisition Threshold):
 - Project Committee 5-8 employees (C-Level, ED, VPs, Directors, Facilities Mgr)
 - Sealed Bids
 - Preferred method for Construction, if:
 - Complete specification or description of purchase available,
 - (2) or more bidders available, and
 - Firm, fixed price contract and selection based on price
 - Advertisement
 - Bid Process
 - Scoring
 - Grievance
 - Competitive Proposals
 - Noncompetitive Proposals



Procurement Policy

4. Procurement Documentation

- Method of procurement and payment terms;
- Bids or proposals which were accepted and rejected;
- Basis and analysis for the procurement cost or price;
- Quotes or Professional Service Agreements;
- Basis for contractor selection;
- Justification for lack of competition when competitive bids or offers were not obtained; and
- Budget line item, source of funding, and general ledger code



Procurement Policy

5. Contract Administration

In addition to including provisions to define sound and complete agreement on all contracts, the following should also be included in contracts that exceed the Simplified Acquisition Threshold of \$150,000:

- Provisions or conditions for legal remedies
- Suitable provisions for voluntary and default terminations, and subsequent basis of settlement
- Construction or Facility Improvements
 - 5% Bid Guarantee
 - 100% Contractor Performance Bond
 - 100% Contractor Payment Bond
 - All bonds obtained from companies holding certificates of authority
- Provision that agency shall have access to book, documents, papers, etc.





Gift Acceptance

Gift Acceptance

- Manage expectations of donors (policy)
- Guidance to board and staff members (guidelines or procedures)
- Avoid gifts that conflict with the organization's values
- Avoid gifts that the organization is not equipped to dispose of or manage/maintain the value
- Consider posting it to your website



Gift Acceptance Policy

Acceptance of any contribution, gift or grant is at the discretion of the National Council of Nonprofits. The Council of Nonprofits will not accept any gift unless it can be used or expended consistently with the purpose and mission of the Council of Nonprofits.

No irrevocable gift, whether outright or life-income in character, will be accepted if under any reasonable set of circumstances the gift would jeopardize the donor's financial security.

The Council of Nonprofits will refrain from providing advice about the tax or other treatment of gifts and will encourage donors to seek guidance from their own professional advisors to assist them in the process of making their.

The National Council will accept donations of cash or publicly traded securities. Gifts of in-kind services will be accepted at the discretion of the Council of Nonprofits.

Certain other gifts, real property, personal property, in-kind gifts, non-liquid securities, and contributions whose sources are not transparent or whose use is restricted in some manner, must be reviewed prior to acceptance due to the special obligations raised or liabilities they may pose for the Council of Nonprofits.

The Council of Nonprofits will provide acknowledgments to donors meeting IRS substantiation requirements for property received by the charity as a gift. However, except for gifts of cash and publicly traded securities, no value shall be ascribed to any receipt or other form of substantiation of a gift received by Council of Nonprofits.

The Council of Nonprofits will respect the intent of the donor relating to gifts for restricted purposes and those relating to the desire to remain anonymous. With respect to anonymous gifts, the Council of Nonprofits will restrict information about the donor to only those staff members with a need to know.

The National Council will not compensate, whether through commissions, finders' fees, or other means, any third party for directing a gift or a donor to the Council of Nonprofits.

Gift Acceptance

“More than half (56 percent) of surveyed fundraising professionals describe their relationship with coworkers in finance as somewhat or not at all collaborative, as compared to 45 percent of finance professionals who answered that way.”

Exempt Magazine, March 2016



Gift Acceptance

Development Hears

- “The Organization is in my Will.” or “.... a beneficiary of my Trust”
- “My intention is to set up an endowment in my family’s name.”
- “As soon as the Organization raises \$1M I will donate \$1M”

Finance Hears

- Revocable?
- Not Revenue ... NOT a promise
- Not Revenue ... Conditional



Payroll

Segregate duties:

- Rate authorizations
- Adding employees
- Removal of employees
- Attendance and time records
- Approval of payroll before payment
- Review of paychecks/payroll register
- Remittance of withholdings



Payroll

- Are personnel files maintained?
- Verify individuals receiving W-2's aren't also receiving 1099's
- Tracking and reconciliation of compensated absences
- Who monitors employee benefit matters?





Conflict of Interest

Conflict of Interest

- Objective is to reduce organizational – and individual – liability and reputational risk.
- Address the public’s intolerance for ethical lapses and duty-of-loyalty breaches by board members, committee members with voting rights and executive officers.
- Comply with state laws governing nonprofit corporations if applicable and they have conflict of interest provisions (policy or process of managing)



Conflict of Interest

- Define conflicts of interest
- Identify who is covered by the policy
- Require disclosure of information that can help identify conflicts of interest (annual disclosure statement)
- Specifies procedures to be followed in managing conflicts of interest (prohibit individuals with conflicts from voting or deciding on matters where there is a conflict)



Whistle Blower

Whistle Blower

- Encourages staff and volunteers to come forward with credible information on illegal practices or violations of adopted policies of the organization.
- Specifies that the organization will protect the individual from retaliation.
- Identifies those staff or board members or outside parties to whom such information can be reported.





Document Retention

Document Retention

- A document retention and destruction policy identifies the record retention responsibilities of staff, **volunteers**, board members, and outsiders for maintaining and documenting the storage and destruction of the organization's documents and records (whether in the cloud, on a server, or in a filing cabinet ... yes, email too).
- Legal requirements (state laws differ as to what must be retained)



Document Retention Minimum Requirements

Permanently

- Annual financial statements
- Articles of Incorporation
- Audit reports, from independent audits
- Corporate resolutions
- Checks (for important payments and purchases)
- Correspondence (legal and important matters)
- Determination letter from the IRS, and correspondence relating to it
- Insurance records, current accident reports, claims, policies, and so on (active and expired)
- Minute books, bylaws, and charter
- Patents and related papers
- Retirement and pension records
- Tax returns and worksheets
- Trademark registrations and copyrights



Document Retention Minimum Requirements

7 Years

- Accounts payable ledgers and schedules
- Contracts, mortgages, notes, and leases (expired)
- Expense analyses/expense distribution schedules
- Invoices (to customers, from vendors)
- Payroll records and summaries
- Personnel files (terminated employees)
- Timesheets
- Withholding tax statements

3 Years

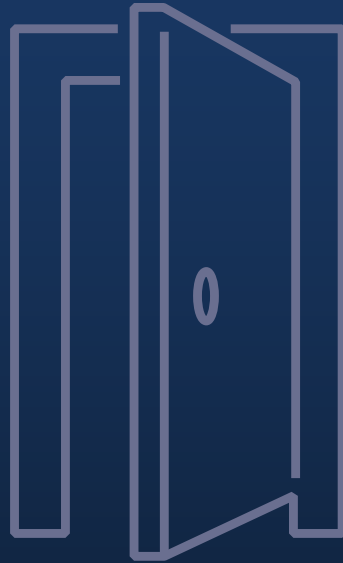
- Employment applications
- Internal audit reports
- Inventory records for products, materials, and supplies

2 Years

- Bank reconciliations
- Correspondence (general)
- Correspondence (with customers and vendors)
- Duplicate deposit slips



Questions?



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