



Memo

TO: Metropolitan Planning Commission

DATE: January 31, 2017

FROM: Gerald Green, AICP, Executive Director

RE: Update to MPC Financial Policies and Procedures

Attached is a proposed update to the above referenced Financial Policies and Procedures. This document has not been updated since December of 2010. The update reflects changes to MPC administration and is more consistent with Knox County purchasing regulations. Major proposed changes include:

- Increased from \$10,000 to \$25,000 for purchases not previously identified in the budget/encumbered or not grant related that must be approved by the Planning Commission.
- Increased from \$10,000 to \$25,000 line item transfer for an unbudgeted purchase that must be approved by the Planning Commission.
- Eliminated a \$50 petty cash fund.
- Updated the Receipts/Invoices Procedures.

I recommend approval of the updated MPC Financial Policies and Procedures.

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**KNOXVILLE / KNOX COUNTY
METROPOLITAN PLANNING COMMISSION**

FINANCIAL POLICIES AND PROCEDURES

Amended January 6, 2000
Amended March 14, 2002
Amended January 9, 2003
Amended June 14, 2007
Amended December 9, 2010
Amended 2017

Knoxville / Knox County Metropolitan Planning Commission
Suite 403 City County Building
400 Main Street
Knoxville, Tennessee 37902
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Knoxville / Knox County Metropolitan Planning Commission

Financial Policies and Procedures

1. CASH DISBURSEMENTS

A. Check Requests / Purchasing Card

Check Requests

MPC initiates payments for goods or services by submitting Check Request forms with authorized signatures and supporting documentation (i.e. original invoices, purchase orders, packing slips) to Knox County.

Knox County Purchasing Card

Knox County may issue a purchasing card to MPC staff for low dollar purchases. MPC follows Knox County purchasing guidelines.

Inter-Office Transfers

Purchases of goods or services from Knox County departments are paid by an inter-office transfer of funds which is initiated by Knox County.

B. Authorized Signatures

All purchases less than or equal to \$25,000 require the signature of the Finance Officer and Executive Director or designee. Exceptions to this procedure include: payments made for items which have been encumbered by the signatures on an approved contract on file in Knox County Finance; payments made for specific items included in a budget approved line-item expense; and payments for grant expenses which are budgeted and valid for grant reimbursement.

All purchases over \$25,000 and not meeting the above exceptions must be accompanied by the minutes of the MPC meeting indicating approval of the purchase by the full Planning Commission.

C. Internal Purchase Orders

All purchases \$500 or greater require that an Internal Purchase Order Approval Form be completed and approved by the requestor, their supervisor, and Executive Director prior to purchase. This form should show non-routine, unbudgeted, and purchase decision justifications as necessary. One exception to this policy is for service contracts previously approved by the Executive Director. The requestor is responsible for inspecting items when received and providing proof of delivery to MPC Administration.

D. Capitalization Policy

MPC follows Knox County policies and procedures regarding the capitalization of assets and services.

E. Bid Policy / Purchasing

MPC follows Knox County competitive sealed bidding and informal bidding policies and procedures.

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Small Purchases

MPC uses the same contracts as Knox County where possible, or by following the "open market" guidelines in the Knox County purchasing guidelines.

Professional Services (grant funded)

MPC procures professional services through a competitive Request for Qualifications or Proposal process in accordance with 49CFR Part 18 Procurement Section 36 and other grant contract requirements.

F. Inventory and Surplus Equipment

MPC keeps an inventory of all furniture, fixtures and equipment costing \$5,000 or more for depreciation purposes. A record of all equipment purchased with grant funds is kept and updated annually. In addition, all electronic small equipment is inventoried annually.

Property no longer needed is sent to Knox County Surplus department, unless purchased with grant funds, in which case the grant guidelines are followed. MPC may trade, sell, or dispose of capital equipment as needed for replacement. Discarded items are removed from MPC's inventory.

G. Change Fund

The MPC maintains a \$50 change fund which is used to make change for customers who pay fees with cash. This fund is balanced at the beginning and the end of each workday by the primary receptionist and at any transfer of responsibility. Any variances are fully investigated and resolved prior to the transfer of responsibility of the cash drawer, and the Finance Officer is notified immediately.

Employee advances, IOU's and cashing of personal checks are prohibited.

H. Insurance Policies

MPC maintains workers compensation and employers liability insurance policies for the agency. MPC has general property insurance through a policy that Knox County obtains.

2. CASH RECEIPTS

A. Fee Revenues / Other Receipts/ Separation of Duties

The MPC development services database includes a record keeping system for fee receipts. The database administrator limits levels of access for internal control purposes. MPC receives checks and cash from customers, balances the cash drawer, enters receipts or invoices into the database, and prepares the daily deposit. (see details on Attachment 1) MPC Finance Officer proofs the daily deposits for accuracy, compares the deposit to the database reports, assigns accounting codes, takes deposits to the bank within the three day rule, and provides documentation to Knox County. The Trustee's office is the banker for Knox County government and MPC. On a monthly basis, the MPC Finance Officer reconciles the daily deposit summary to the Knox County financial accounting system.

B. Other Funding Sources

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City and County Appropriations

MPC Administration requests budgeted appropriations from Knox County and City of Knoxville on a quarterly basis.

Grant Funds

MPC Administration and Knox County Finance Department request cost reimbursements from grantees on a quarterly basis or as required by the grant contracts. Grant related expenditures, direct salaries, and local matching funds are accounted for in separate cost centers. 2CFR Part 200 Uniform Administration Requirements, Cost Principles and Audit Requirements for Federal Awards are followed by MPC and Knox County Finance Department.

Local government subrecipients of grant funds must administer subgrants in accordance with the requirements imposed by the State and Federal requirements. MPC is subject to grant monitoring by the cognizant agency which involves an examination for contract compliance.

3. BUDGETING AND REPORTING

A. Budgets and Amendments

Operating Budget

The Executive Director, Managers and Finance Officer develop an operating budget for the fiscal year.

The MPC proposed budget, and any amendments during the fiscal year that would increase the budget, are presented to a five member Executive Committee, composed of the Planning Commission Chairman and four other Commissioners. The Executive Committee's recommendation is then forwarded to the full Planning Commission for adoption.

The Planning Commission and the Executive Committee approve a Revenue and Expenditure Budget that is summarized into grouped account codes. A detailed budget worksheet, with amounts categorized into anticipated line items, is provided to the Planning Commission during the budget approval process for informational purposes.

Budget transfers are authorized and made during the year by the Finance Officer. Transfers are usually made in an effort to match up budget amounts with the account codes to which the expenditures have actually been charged in the general ledger. If a line-item transfer is required in order to fund an unbudgeted purchase in excess of \$25,000, both the purchase and the transfer of funds will be approved by the Executive Committee and Planning Commission.

Grant Budget

MPC Administration and Knox County Finance work with the Transportation Director to develop and incorporate the grant budget for each fiscal year into the MPC operating budget. Transportation Planning Organization procedures and grant guidelines are followed for any necessary budget changes.

B. Monthly Status Reports

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MPC Administration and Knox County Finance prepares monthly status reports to compare actual revenues and expenditures to budgeted amounts and project fund balance through the end of the fiscal year.

C. Annual Financial Report / Audits

MPC, formed as a separate legal entity, operates like a government fund, and follows the modified accrual basis of accounting in accord with GASB Statement No.34. MPC is required by 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards to have an independent financial audit each year as well as a "Single Audit" over the grant program when federal funding exceeds \$750,000. These two audits are done simultaneously. MPC uses the certified public accounting firm selected by Knox County every four years in their bid for professional services.

MPC Administration makes year end entries, reconciles with Knox County's accounting system, and provides support documentation to the auditor.

MPC Administration and Knox County Finance prepares the year-end financial statements, Management Discussion and Analysis, and Notes to the financial statement. The auditor renders their opinion on the fairness of financial statement presentation in conformity with General Accepted Accounting Principles (GAAP). MPC Administration distributes the annual report to the Planning Commission, local funding governments, grantors, and other required recipients and the auditor sends its final report by calendar year end. MPC Administration and the auditor jointly submit an electronic Data Collection Form to the Federal Audit Clearinghouse by the deadline in March as required by the Single Audit Act.

D. Indirect Cost Allocation Plan

In accord with OMB 2CFR Part 200 MPC may prepare an Indirect Cost Allocation Plan, and obtain approval from the cognizant agent, which is TDOT. When approved, MPC is allowed to charge administrative / indirect costs to the direct work performed by MPC staff. The Indirect Cost Allocation Plan is updated annually and the indirect rate is incorporated into the internal time job costing system.

4. TRAVEL / OTHER EXPENSES

A. Business Travel Expenses

MPC will reimburse employees for reasonable business travel expenses incurred while on assignments away from the normal work location. All business travel must be approved in advance by the employee's supervisor, Finance Officer and Executive Director on the proper travel request form and accompanied with support documentation. One exception is for staff traveling within the region of MPC study where mileage is the only cost; only their supervisor must pre-approve. Employees whose travel plans have been approved are responsible for making their own travel arrangements.

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When business travel is approved, employees may use the Travel purchasing card to pay registration fees, transportation, and lodging. Meals and other travel expenses will be reimbursed by MPC and follow Knox County Travel Regulations. When travel is completed, employees must submit the completed travel expense form within 30 days for reimbursement along with original receipts. Any grant reimbursable travel will follow grant guidelines.

Abuse of this business travel expense policy, including falsifying expense reports to reflect costs not incurred by the employee, can be grounds for disciplinary action, up to and including termination of employment.

B. Moving Expenses

The cost of transporting household goods (not to include packing) for new employees may be paid by MPC up to a maximum of \$1,000, unless otherwise approved by the Executive Director.

C. Interview Expenses

Travel and per diem expenses of a person who is asked to visit MPC offices for an employment interview may be reimbursed at one-half of the current travel reimbursement rates. The Executive Director may approve exceptions to this policy.

5. TIMEKEEPING / PAYROLL / JOB COSTING SYSTEM

MPC Administration develops and maintains an internal job costing system in accord with the annual work program to facilitate the automation of determining project costs.

Employees record their time worked on various work programs by completing a biweekly timesheet. MPC Administration enters and maintains the official time records in a spreadsheet based job costing system and also keeps record of annual and sick leave balances. MPC Administration submits biweekly payroll requests to Knox County for processing paychecks. MPC personnel changes affecting pay are coordinated with all Knox County departments in accord with the MPC Employees Handbook.

6. KNOX COUNTY CENTRAL SERVICES

Knox County provides centralized support services to MPC and other county related entities. MPC uses Knox County's financial accounting system and reports and thereby follows Knox County policy and uses standard centralized forms to process payables, purchase orders, encumbered contracts, travel reimbursements and payroll. County Finance prepares MPC federal and state tax filings. Knox County Trustee provides banking services. Knox County Purchasing conducts and assists with the sealed bid process. Knox County Records Management retains old files in storage. Knox County provides half the building allowance for MPC office space, the other half provided by City of Knoxville. MPC's Retirement and Health Insurance Benefits programs are managed by the appropriate Knox County departments.

Distribution List:
Management Staff; Planning Commissioners; MPC attorney

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Attachment 1

MPC Receipts / Invoices Procedures

Step 1: Prepare Deposit

- The amount of cash in the cash drawer at the beginning of the day must equal the Cash Drawer Reconciliation form printed out at the end of the previous working day. Leave \$50.00 cash in the cash drawer; the remaining cash is for the deposit.
- Run an adding machine tape of cash to be deposited from receipts paid by cash. Label the tape "Total Cash" and place in deposit bag with the cash.
- Run an adding machine tape of checks from receipts paid by check. Label the tape "Total Checks and place in a deposit bag with the checks.
- Take receipts and paid invoices from the "Receipts/Invoices" folder. Run an adding machine tape of all the receipts and paid invoices. Label the tape "Total Receipts" and check to see if it equals the "Total Cash" plus "Total Checks" amount. Place tape in the deposit bag if it balances. If the amounts don't agree and you can't find the error, discuss with the Finance Administrator.
- File the receipts in NUMERICAL ORDER in the Receipt Notebook. Receipts are kept in this book for one week, then placed in the blue Receipt/Invoice Binders for the month received.
- File the paid invoices in NUMERICAL ORDER in the Receipt/Invoice Binders. (Ex. Invoice #445 dated July and paid in September, file the paid invoice between receipt #444 and #446, regardless of date paid).
- Tape a note on the deposit bag with the date of the deposit and the receipt/invoice numbers included in the deposit. Give the deposit bag to MPC Administration.

Step 2: Balance Cash

- Before assuming responsibility for the cash drawer, print out and complete the Cash Drawer Reconciliation form. The total cash in the drawer should equal \$50.00 plus the extra cash received so far that day.
- If there is a discrepancy, enter the difference and an explanation in the space provided. Both employees sign the form, and immediately notify the Finance Administrator (or another manager if Finance Administrator is unavailable).
- DO NOT allow anyone else to accept money or make change from the cash drawer while you have responsibility for it.

Step 3: Prepare Receipts / Invoices

- Receive Fee Charge Sheet and the cash or check from the customer to prepare a receipt or invoice.
 - Inspect check for preprinted name and address, correct amount, signature, etc. and stamp check "for deposit only" on back. If paying by cash, count the cash in the customer's presence. Make sure the cash or check equals the amount on the Fee Charge Sheet.
NOTE: Invoices can only be prepared with a manager's approval. Make sure to enter name, address and phone number when preparing invoice.
1. Log on to Dev Svcs database by entering password.
 2. From MAIN MENU chose Receipts/Invoices and verify you are logged on last name and hit OK.
 3. Choose "New Receipt/Invoice".
- Each receipt or invoice consists of two pages (see tabs at top left of screen).
 - TAB 1 - Customer Info

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- 1) Choose receipt or invoice from drop down arrow. Computer will assign a number and fill in date.
- 2) Choose name from drop down arrow for person entering receipt or invoice.
- 3) Click on "Last Name/Company", type in name that appears on check or the name of customer if paying with cash. Complete the blue section of information for receipts and invoices. In addition to name, the address and phone number must be provided for an invoice.
- **TAB 2 – Products / Services**
 - 1) Enter the code number from the Fee Charge Sheet (application/product info will automatically fill in).
 - 2) Enter amount of the fee, tab over and enter quantity. (Multiple codes can be entered in the same manner using additional lines provided.)
 - 3) Click on the "Calc Total" box when all codes have been entered.
 - 4) If this is a receipt, choose method of payment in lower left corner, cash or check. Leave blank for invoice.
 - 5) Enter Date payment received or click "today" and computer will enter date automatically.
 - 6) If paying by check, complete "Check issued by" information (or click on "Copy Name" to have information from pg 1, "Last Name/Company" automatically copied to this space).
 - 7) Use "Notes/Publications" section at the bottom for comments, etc. Only MPC Finance Officer can add information after receipt is printed.
 - 8) Click on "Save Record".
 - 9) Click on "Print". (DO NOT print from printer icon on the tool bar or all records from the database will be printed).

Two receipts will be printed:

Receipts - Give the receipt marked "Original" to the customer, and file the "Duplicate" in the "Receipts/Invoices" folder. This folder is cleared out the next day when the deposit is done.

- Unlock the cash drawer and place cash in the tray, or checks in the check envelope (from front to back). Re-lock the cash drawer.

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Payment of Invoices

- Inspect check for preprinted name and address, correct amount, signature, etc. and stamp check "for deposit only" on back. If paying by cash, count the cash in the customer's presence. Make sure the cash or check equals the amount of the invoice being paid.

- In the Dev Svcs database from "MAIN MEN" choose RECEIPTS/INVOICES, then verify you are logged on by last name and hit OK.

Choose "Update Invoice".

1. Click on Number Box in upper left corner, then click on FIND in lower left corner of "FIND RECORD".
2. Enter Invoice #you wish to update in the small blue highlighted box that comes up automatically in field called FIND and REPLACE.
3. Click on "FIND NEXT" then click on RED X to close box
4. Click on Products/Services in upper left corner
5. Choose Method of Payment in lower section of pg. 2
6. If paying by check, complete "check issued" information or click on "copy name" if name is same and information from page 1 will automatically copy to this space.
7. Enter the date payment received (or click on TODAY and date will fill in automatically).
8. Enter check number
9. From drop down arrow, choose name of person receiving payment.
10. Click on SAVE RECORD in lower right of page.
11. Click on PRINT (DO NOT print from printer icon on the tool bar or all records from the database will be printed)

Two invoices will be printed:

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Invoices - Highlight the word "invoice" and the "total amount due". Give or mail the "Original" to the customer, and file the "Duplicate" in the "Invoice" binder in numerical order.

12. Remove the unpaid invoice from the "invoice" binder and throw away. The paid invoice is filed in the appropriate blue binder in numerical order after deposit is done.

OTHER IMPORTANT INFORMATION

> Mistakes

- A mistake on a receipt or invoice can be corrected provided you do so before you save and print. This action closes the document. If you close in error, it must be corrected by MPC Administration.
- If you made a mistake, prepare a new receipt or invoice for the customer. Keep the incorrect copy, write an explanation of the error, and give it to MPC Administration with the following day's deposit.
- If you forget to enter information such as a file number, check number, etc., write the needed information on a copy of the receipt/invoice and give it to MPC Administration with the following day's deposit.

> Computer Problems

- If the printer is not working, select a different printer. If you don't know how to do this, call Tim Kuhn (5-3806) or Terry Gilhula (5-3819) for help.
- If the computer locks up while you are preparing a receipt/invoice, call Tim or Terry for help. They will get you out of the receipt/invoice, and you can start a new one. Make a note of explanation for MPC Administration with the receipt / invoice number(s) to be voided due to this problem.
- If the computer system is down, you will need to write manual receipts / invoices using the manual receipt book. Be sure to fill in all needed information so that these manual receipts can be entered into the computer when the system is back on- line.

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