



Agenda Item # 70

MEMORANDUM

DATE: April 4, 2018

TO: Metropolitan Planning Commission

FROM: Gerald Green, AICP, Executive Director

RE: MPC Financial Policies and Procedures and Internal Control Manual -
4-A-18-OB

MPC staff has updated the Financial Policies and Procedures in response to staffing responsibilities and the fact that we are now accepting credit cards as an additional form of payment.

In addition in cooperation with Knox County Finance Department staff has prepared an Internal Control Manual that essentially summarizes the financial Policies and procedures and further explains the relationship between MPC and Knox County Finance Department. Although this report is not a required document it was recommended by the Finance Department to have such a document.

MPC staff recommends approval of both the Financial Policies and Procedures and the Internal Control Manual.



**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 February 9, 2017
Amended April 12, 2018

Suite 403, City County Building
400 Main Street
Knoxville, Tennessee 37902
(865) 215-2500

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.

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

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 reconciler 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, IOUs, 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

MPC Planning Services (PS) database includes a record keeping system for fee receipts. The database administrator limits levels of access for internal control purposes.

MPC receives checks, cash, and credit/debit payments from customers. The primary reconciler balances the cash drawer, verifies receipts and/or invoices in the DS database and in the online credit/debit card processing database, and then prepares the daily deposit. (See details in Attachment 1.) MPC Finance Officer proofreads 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 Knox County Trustee 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

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 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 requirements imposed by 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 Chair 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 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 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 Planning 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

MPC Administration and Knox County Finance prepare 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 2CFR 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 prepare 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 Generally 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 accordance 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.

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 accordance with the annual work program to facilitate the automation of determining project costs.

Employees record their time worked on various work program tasks 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 accordance with the MPC Employee 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

ATTACHMENT 1

1. MPC DEPOSIT PROCEDURES

- Gather receipts/invoices folder, bank bag that contains checks and cash, and the book of deposit slips.
- Print "Daily Deposit Report" from MPC Planning Services database application (PS).
- On the Nexus (electronic payment system) website, go to "Financial Report, All Transactions" and enter the date for reporting. Click "Search." Once the search is complete, click the "Summary Report (PDF)" button and print this PDF for reconciling.
- Collate receipts in numerical order (if you are missing any, call the Finance Officer, and they can reprint). Be sure first receipt is consecutive to the previous day's closing number.
- Go through receipts and checks, matching the amounts and information. Be sure to verify check date, amount (both numerical and written), and signature and be sure that the check is written to MPC. Also verify that the check has been stamped on the back in the endorsement section with the "For Deposit Only" stamp. Verify that information on the receipt contains all necessary information and that it is correct to include: name of applicant, file number, surveyor name, etc. If you are missing information on the receipt, call the Finance Officer, and they will be able to input the additional information. As you are verifying information, place a check mark beside the correct line item on the "Daily Deposit Report" previously printed.
- Compare and check off that payments entered into the PS receipts system are the same as the totals entered into the Nexus system upon processing. Be sure to check that amounts charged to Nexus are the same as the receipt and checks processed. Also make sure receipt numbers and payment ID numbers match on both reports, PS "Daily Deposit Report" and Nexus "Summary Report."
- Verify cash payments to the receipts and check off of the "Daily Deposit Report." Cash payments will not be shown on the Nexus report.
- Once all receipts and payment forms have been verified, initial and date the Nexus and Daily Deposit reports. Attach both reports, checks, and receipts together to give to Finance Officer.
- Cash will be deposited using a deposit slip from the book in the drawer. Count the cash and put the total amount of cash to be deposited for that day on the "currency" line on the deposit slip and the total at the bottom. Do not date at the top of the deposit slip as this will be dated when deposited. Initial and date the deposit slip somewhere in the unprinted portion of the deposit slip.
- Attach cash to both copies (top and carbon) of the deposit slip with a paperclip and attach to deposit packet.
- If a check is received that has to be manually deposited (one that has not been or cannot be processed through the Nexus e-check system, e.g., TDOT, City of Knoxville, Knox County, etc.), add that check to the deposit slip in the "checks" line. Add any cash plus the check to get the total deposit amount for the bottom total. Place that check with the cash and attach both to the deposit slip.

- Place complete deposit packet in the folder marked "Deposit" and place the folder in the appropriate drawer. Notify Finance Officer that deposit is complete and ready for pickup.

2. PREPARATION OF RECEIPTS/INVOICES

- Receive Fee Charge Sheet and payment 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.
- Invoices can only be prepared with a manager's approval. Make sure to enter name, address, and phone number when preparing invoice.

Steps to Create Receipt/Invoice and Record Payment

1. Log into PS database by entering username and password.
2. From "Main Menu" chose "Receipts/Invoices," verify you are logged on by confirming last name, and click "OK."
3. Choose "Create New Receipt" or "Create New Invoice," and blank receipt/invoice form will open, consisting of two tabbed pages.

Tab 1 – Customer Info

4. Computer system will assign a receipt/invoice number and date automatically.
5. Choose name of person creating receipt/invoice from drop down menu.
6. Click on "Last Name/Company," and type in name that appears on check or 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

7. Enter code number from Fee Charge Sheet (application/product info will automatically fill in).
8. Enter amount of fee, then tab over to enter quantity.
9. Multiple codes can be entered in same manner using additional lines provided.
10. Click "Calc Total" when all codes, fees, and quantities have been entered.
11. Indicate method of payment (cash, check, credit, debit). (Note: If this is an invoice creation only – not an invoice payment – leave the payment method blank and proceed to step 30.)
12. Computer will enter payment date automatically when payment method is selected.
13. If paying by check, complete "Check issued by" information (or click "Copy Name" to carry over information from pg. 1, "Last Name/Company").
14. Use "Notes/Publications" section at the bottom for comments, etc.
15. If payment is made with cash, proceed to step 30. If payment is check, credit, or debit, proceed to step 16.

Check/Credit/Debit Payments

16. Minimize PS "Receipt/Invoice" screen.
17. Log into Nexus payment system by using MPC email address and password.
18. Choose "POS" or "Web Payment."
19. Click "Submit" to go to next page.
20. Enter PS receipt/invoice number and amount of payment.
21. Choose payment method: e-check, credit, or debit.
22. Click "Make Payment." This takes you to next page.
23. Enter amount of payment.

24. If paying by check, choose "Checking" or "Savings" and enter information requested.
25. If paying by credit or debit, swipe card and provide information requested that is not automatically completed by card swipe.
26. Click "Submit Payment."
27. Click "Print Receipt and New Payment."
28. From "Confirmation of Receipt," obtain payment ID.

Finalize PS Record

29. Insert Nexus payment id number in "Payment ID" box at the bottom of second tab page of DS receipt/invoice.
30. Click "Save Record" on PS receipt/invoice form.
31. Click "Print" on PS receipt/invoice form.
32. DS receipt/invoice form will close and receipt/invoice will be locked from any changes (except by MPC Administration).

Payment of Invoice

33. When payment for invoice is received, select "Update Outstanding Invoice" from "Receipts and Invoices Menu" in PS, proceed to invoice to be processed, then enter payment as outlined in steps 11-32 above.

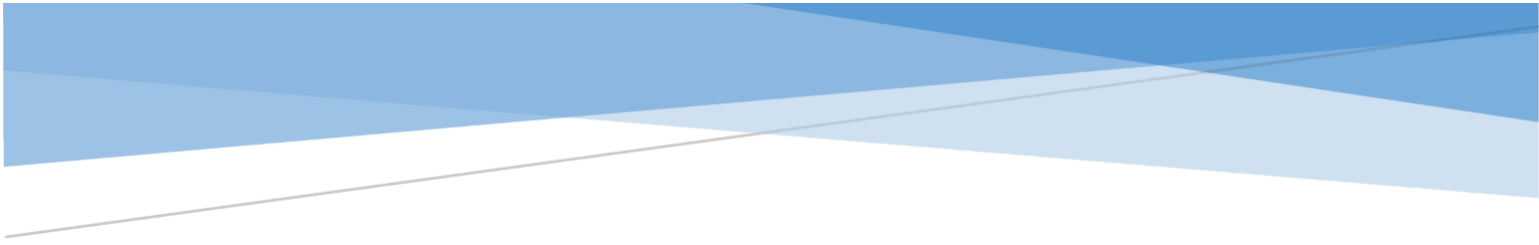
3. OTHER IMPORTANT INFORMATION

Error Correction

- A mistake on a receipt or invoice can be corrected provided you do so before you save and print. Otherwise, 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 (to void) with the 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 the Finance Officer with the deposit.

Computer Problems

- If the printer is not working, select a different printer. If you do not know how to do this, call MPC IT staff for help.
- If the computer locks up while you are preparing a receipt/invoice, call MPC IT staff or MPC Administration 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 paper 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 available.



KNOXVILLE - KNOX COUNTY
METROPOLITAN PLANNING
COMMISSION (MPC)
INTERNAL CONTROL
MANUAL

Adopted on: April 12, 2018

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Introduction

The Knoxville - Knox County Metropolitan Planning Commission (MPC) has the responsibility to be good stewards of public monies and property. In our efforts to serve the public, the MPC established this Internal Control Manual using widely recognized best practices and state and federal directives.

The Tennessee Legislature amended TCA Section 9-18-102 to require local governments to establish and maintain internal controls in accordance with guidance issued by the U.S. Government Accountability Office (GAO). The guidance is titled *Standards for Internal Control in the Federal Government* (Green Book). The Green Book follows the format developed by the Committee of Sponsoring Organizations (COSO) which has been the gold standard of internal control for all entities except the federal government for several years.

TCA 9-18-102(a)

Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls, which shall provide reasonable assurance that:

- 1) Obligations and costs are in compliance with applicable law;
- 2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- 3) Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

The policy and procedures herein contained are an integral part of the internal control framework used to fulfill the mission and objectives of the MPC. The purpose of this manual is to ensure that the objectives of reporting and compliance are established. The policies to achieve the objectives are derived from various financial best practices, state and federal laws, and regulations and policies may be developed to suit specific needs of the MPC functions and resources.

As directed by T.C.A. 9-18-102 (a) and in accordance with the guidance issued by the Tennessee Comptroller's Office, the MPC has adopted this internal control manual. It is critical to note that the development and operation of the internal control system involves everyone in the organization. As such, management must ensure that the manual is shared with all of its employees. The manual is a work in process and will be assessed periodically.

Internal Control System

The internal control system consists of three objectives and five main components.

THREE (3) OBJECTIVES OF INTERNAL CONTROLS:

1. Reporting – reliability
2. Operations – effective and efficient
3. Compliance – compliant with applicable laws, regulations, contracts and grant agreements

FIVE (5) MAIN COMPONENTS OF INTERNAL CONTROLS THAT ARE REQUIRED TO BE ADDRESSED:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

The five (5) main components of internal control addressed by this policy are detailed below:

Control Environment - The control environment is the foundation for **all** other components of internal control, providing discipline and structure. Moreover, management establishes the tone at the top regarding the importance of internal control and expected standards of conduct, and reinforces expectations at various levels. The MPC Board of Commissioners will conduct business with integrity and ethical behavior, provide direction and oversight for the MPC's internal control system, employ qualified and competent personnel, and hold individuals accountable for internal control responsibilities.

Risk Assessment - Management will assess risk of operations continually as they seek to achieve their objectives. Management will have processes in place to identify, analyze, and respond to potential risks due to changing circumstances, including technological developments, new accounting standards, new laws and regulations, and other factors that may impact the MPC's internal control structure. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.

Control Activities - Control Activities are the actions management establishes through internal control policies and procedures to achieve objectives and manage risks. Management will put policies and procedures in place to reduce risk and gain reasonable assurance that reporting and compliance objectives are being met. When possible, duties of employees will be separated so that one person will not have control over a complete transaction from beginning to end. Work flow will be established so that one employee's work is automatically verified by another employee working independently. When adequate segregation of duties is not possible, commission oversight will be increased to provide reasonable assurance that errors, irregularities or fraud are prevented or detected

and corrected in a timely manner. The MPC will have adequate surety bond coverage for all officials.

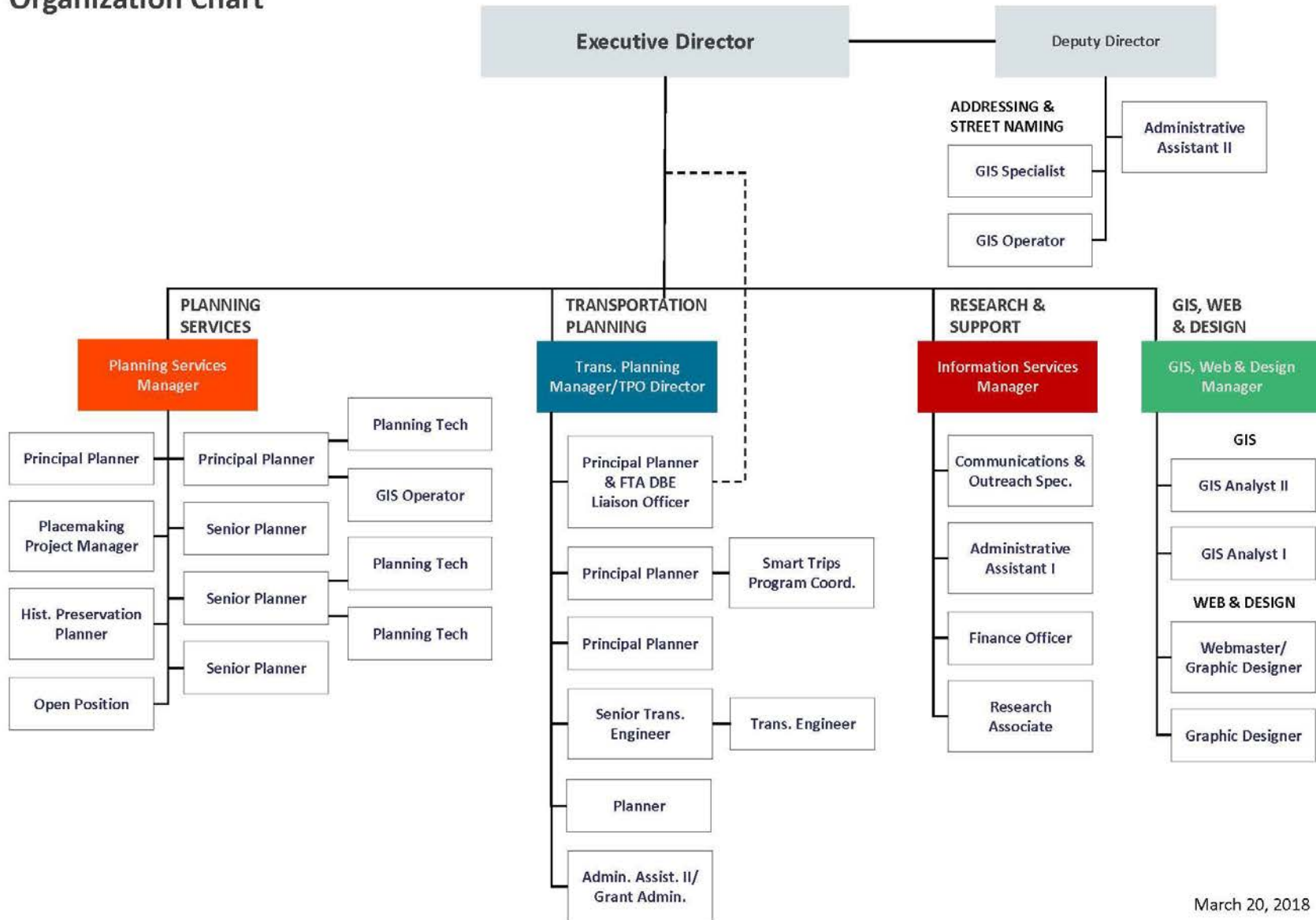
Information and Communication - Management has the responsibility to adequately communicate and provide information to both internal and external parties. It is important that employees know the objectives, policies and procedures management has established and what the expectations are for internal controls. Management will review all information needs and will determine what reports are needed, when the reports should be prepared, to whom they should be submitted, and the appropriate means of communicating this information. The MPC Board of Commissioners will hold periodic meetings. Minutes of actions taken by the board will be maintained and circulated in a timely manner.

Monitoring - The internal control system changes as technology, staff, objectives and policies change. Management will continually monitor the internal control system to determine if it is operating as it was designed to do and to insure that:

- a. internal controls are working
- b. personnel are following the prescribed procedures
- c. work flow obstructions are minimized
- d. bank accounts and control accounts are being reconciled systematically and the reconciliation is documented and retained
- e. procedures are effective and efficient
- f. adequate information is being furnished promptly

KNOXVILLE-KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Organization Chart



March 20, 2018

Internal Controls Cycles and Objectives

Revenue/Collection Cycle Internal Control Objectives

1. All collections are received at the proper time.
2. The correct amount of money is received.
3. All collections are promptly deposited intact and recorded in the accounting records.
4. All collections are properly allocated to the appropriate fund and accounts.

Revenue/Collection Cycle Internal Controls

1. Accounting or bookkeeping staff is competent and well trained in basic bookkeeping skills.
2. Procedures for collections, including follow-up on uncollected accounts, are established and documented.
3. All revenue/receipts are accurately and promptly recorded in accounting records.
4. The following duties are not performed by the same individual: receiving cash, making bank deposits, maintaining the accounting records and reconciling bank accounts.
5. Bank reconciliations are prepared and reviewed by someone who is independent of the receiving and recording functions.

Purchasing/Disbursement Cycle Internal Control Objectives

1. Purchases are properly authorized and do not exceed account balances.
2. Goods and services ordered are for an appropriate purpose.
3. Goods and services ordered are actually received, and all goods and services received were ordered.
4. Invoices for goods and services are correct.
5. Purchase amounts are recorded in the proper accounts and fiscal year.
6. Disbursements for purchases are supported by adequate documentation.
7. Checks are written on a timely basis for the correct amount and made payable to the proper payee.
8. Documentation of supporting disbursements is kept in a manner which will prevent duplicate payment.

Purchasing/Disbursement Cycle Internal Controls:

1. The availability of money for the fund/account in question is determined before requisitions are approved.
2. All requisitions are properly approved prior to the purchase.
3. Pre-numbered purchase orders are used, and access to blank forms is controlled by the director or designee.
4. Competitive bids or quotes are required for purchases.
5. Merchandise received is opened immediately, physically inspected and counted, and documented on a receiving report to verify that goods were actually received in good condition and in the quantities ordered. Likewise, services performed are approved and accepted and documented on the invoice to verify the service was performed as requested.

6. Invoice prices are compared to prices shown on purchase authorizations, and invoices are checked for mathematical accuracy.
7. Invoices are compared to purchase authorizations and matched with receiving reports before payment is approved.
8. When payment is made, the invoice (or other supporting documentation) along with the purchase authorization is canceled to prevent duplicate payment. The paid check number and account distribution number or code is stamped or written on the invoice or other supporting documentation.
9. Unpaid invoices (or other supporting documentation) for goods or services received are reviewed at least monthly and approved as required.
10. Access to blank checks and signature stamps, if used, is restricted to avoid unauthorized use.
11. All disbursements/expenditures are accurately and promptly recorded in the accounting records.
12. The following duties are not be performed by the same person: approving requisitions; preparing purchase authorizations; receiving goods or services; approving payment; preparing checks; signing checks; and preparing bank reconciliations.
13. Bank reconciliations are performed on a timely basis. If the person preparing the bank reconciliation performs other cash functions, the reconciliation must be reviewed by someone who is independent of those functions.

Fixed Asset Cycle Internal Control Objectives

1. Assets purchased are properly authorized and are beneficial to the MPC.
2. All fixed assets are correctly recorded in the accounting records and are physically on hand.
3. Records correctly reflect the sale, theft, abandonment or damage of fixed assets; and all obsolete fixed assets have been noted and reported to the board.
4. Restrictions on the use or disposition of property and equipment are complied with.
5. Donated fixed assets are valued and recorded correctly.
6. All fixed assets are identified in such a way as to identify them as MPC property.

Fixed Asset Cycle Internal Controls

1. Formal approval of the board is required for all fixed asset purchases.
2. Detailed property and equipment records are maintained that include asset description, date purchased or received by donation, cost or fair value at donation, location, etc.
3. Applicable laws and policies are followed when disposing of fixed assets.
4. Designated individuals are responsible for assuring compliance with the terms of restricted donations.
5. At least annually, a physical inspection and count of fixed assets is performed and compared with the records.
 - a. Reconciliations are prepared and discrepancies are immediately followed up and explained.
 - b. Reconciliations are reviewed by a responsible individual.

6. Equipment items and other applicable properties are properly identified by numbered metal tags or other means of identification.
7. Items are kept secure and safeguarded from loss due to fire, theft or misplacement.
8. Adequate insurance coverage on capital assets is obtained and maintained.

Payroll Cycle Internal Control Objectives

1. Payroll expenditures are within the budget authorization.
2. Employees are paid the correct amount for work performed.
3. Employee withholdings, deductions and net pay are computed correctly.
4. Payroll related liabilities are accrued and properly documented.
5. Payroll costs are allocated to the correct fund and account.
6. Payroll expenditures are recorded correctly.

Payroll Cycle Internal Controls

1. Cumulative payroll costs are compared to the budget authorization, if applicable, prior to disbursement.
2. Payroll computation for new employees and changes in deductions for existing employees are calculated by one person and reviewed by a different person, whenever possible.
3. Personnel files include current documentation of employees' authorized pay rates and for all payroll deductions.
4. Attendance records, time sheets, or time cards are signed by the employee, approved by a designated person, and submitted to the payroll clerk where the records are used to compute payroll.
5. Employee vacation and sick leave records are current and are reviewed periodically by both the supervisor and the employee.
6. Payroll disbursements are promptly and accurately recorded in the proper fund.

Internal Controls Detail of Finance Department

MPC Finance Officer Duties

MPC's Finance Officer, has several responsibilities: invoices most Federal and State grants; keeps monthly procurement card statements on file; codes expenditures to the MPC administration and to each grant program; prepares a monthly summary of MPC fees collected; keeps MPC payroll record summaries for each pay period; provides worksheets of billable hours for personnel who work on each grant; prepares check requests, including grant A/P and SunTrust charges; and, provides some revenue and expenditure summaries for the monthly reports that are issued by the Knox County Finance Department to the MPC Executive Director.

Account System Used

MPC uses Munis. They also use a Development Services database application for fee receipts and invoices. The database administrator limits levels of access for internal control purposes.

Bank Accounts

MPC does not have a bank account. All of their deposits go to the Knox County Trustee and are processed through the Trustee's BB&T account.

Receipting

MPC accepts cash, checks, and credit/debit card payments. All Planning Services personnel are trained and have the ability to accept payments from customers. MPC Planning Technician, Sherry Michienzi, has primary responsibility for balancing the cash drawer, entering receipts (and creating invoices in limited circumstances when no invoice already exists) into the database, and preparing the daily deposit. The Finance Officer proofreads the daily deposits for accuracy, compares the deposit to database reports, assigns accounting codes, takes deposits to the bank within the three-day rule, and provides copies of documentation to Knox County Finance for entry into Munis. The Finance Officer also reconciles the daily deposit summary to the Knox County financial accounting system on a monthly basis. It is noted that those who receive cash cannot alter completed receipts in the database. Very little cash is received, and it is MPC's policy to mail a receipt to any customer who does not receive one in person.

Deposit Preparation

Deposits are prepared at the close of business each day. Cash in drawer at the end of the day must equal \$50 and is left in the cash drawer. The remainder is deposited. Receipts and paid invoices are pulled from the "receipts/invoices" folder, totaled, and verified. Reports from the electronic payment system, Nexus, and Development Services database are run and compared to receipts. Total receipts should equal total cash plus total checks and credit/debit card payments. If there is a discrepancy and need for adjustment, Sherry Michienzi will contact Tina Piatt for edits or clarifications.

Disbursements

MPC does not keep manual (i.e., paper) checks on hand and does not issue payments out of their office. All payments are initiated in the MPC finance office and submitted to Knox County on County Check Request forms. MPC follows Knox County Government policies on disbursements. Purchases from Knox County departments are paid by inter-office transfer initiated by Knox County.

Accounts Payable (AP)

All purchases less than or equal to \$25,000 require signature approval of the Finance Officer and the MPC Executive Director or designee. Exceptions include payments for items encumbered if signatures are 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 budgeted and valid for grant reimbursement. All purchases over \$25,000 and not meeting exceptions must be accompanied by minutes of the MPC meeting indicating approval of purchase by the full Commission.

MPC uses the Knox County Purchasing Department for any items requiring bidding excluding some grant related procurements.

All purchases greater than or equal to \$500 require an Internal Purchase Order Approval Form completed and approved by the requestor, their supervisor, and the Executive Director prior to purchase. This form shows non-routine, unbudgeted, and purchase decision justifications if necessary. The exception is service contracts previously approved by the Executive Director. The requestor is responsible for inspecting items when received and providing proof of delivery to the MPC Finance Officer.

Travel Reimbursement

MPC follows the County's travel policies. Requests for travel reimbursement must be signed by the employee, contain appropriate supporting documentation, and be approved by the Executive Director prior to submission to Knox County Finance.

Purchasing-Cards (P-Cards)

Knox County may issue purchasing cards to MPC staff for low-dollar purchases, and MPC follows Knox County guidelines for p-card transactions. All purchases are entered into Munis by the purchaser and reviewed by the Finance Officer for supporting documentation and proper expense classification. All original supporting documentation is forwarded to the MPC Deputy Director for final approval.

Payroll

Payroll is processed through Knox County. Employees keep time on various work program tasks by completing a bi-weekly timesheet. Employees sign their timesheets, and their supervisor approves them. The MPC Finance Officer enters and maintains official time records in a spreadsheet-based job costing system and maintains annual leave and sick leave accrual, use, and balance records. The Finance Officer submits bi-weekly payroll requests to Knox County. Personnel changes affecting pay are coordinated with Knox

County. Bi-weekly payrolls are reviewed by the Finance Officer and Transportation Planning Director.

Budgeting/Reporting

Knox County Finance works with the MPC Executive Director and Division Managers to develop an operating budget for the fiscal year. The proposed budget and any amendments during the fiscal year are presented to the five-member MPC Executive Committee, composed of the Planning Commission Chair and four other Commissioners. The Executive Committee’s recommendation is then forwarded to the full Planning Commission for adoption. The Planning Commission and Executive Committee approve a Revenue and Expenditure Budget that is summarized into grouped account codes. A detailed budget worksheet is provided during the approval process for informational purposes. Budget transfers are authorized and made during the year by the Knox County Finance Department. If a line-item transfer is required to fund an unbudgeted purchase in excess of \$25,000, both the purchase and transfer of funds will be approved by the Executive Committee and Planning Commission.

Knox County Finance works with the Transportation Planning 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.

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

Knox County Finance makes year-end entries and provides support documentation to the auditor.

Other

MPC follows Knox County’s policies regarding capitalization of assets and services.

MPC follows Knox County’s competitive sealed bidding and informal bidding policies and procedures. MPC uses the same contracts as Knox County where possible, or by following “open market” guidelines in Knox County purchasing guidelines.

See the MPC Financial Policies and Procedures for additional information. This Internal Control Manual is adopted by the MPC on April 12, 2018.

Board Chair

Director