

## PLMA Fiscal Policy

13 July 2023, V3.1

### 1 GENERAL PURPOSE

The purpose of this fiscal policy document (the “Policy”) is to establish operational guidelines to maintain the financial security of PLMA (the “Organization”), and to provide processes for making financial decisions, reporting financial status, and managing funds.

### 2 DEFINITIONS

- 2.1 The following capitalized terms, in their singular and plural forms, shall have the following meanings when used in this Policy. Capitalized terms not defined here shall have the meaning assigned to them in the Organization’s By-Laws (the “By-Laws”).
- 2.2 **Accounting Software** means the primary software package (e.g., QuickBooks) utilized by Staff for financial bookkeeping.
- 2.3 **Accounting Services** means services provided by Independent Contractor(s) (e.g., Certified Public Accountants [CPAs] or other qualified professionals) that provide public accounting services such as tax preparation, bookkeeping, reconciliation, and financial reporting.
- 2.4 **Auditor Review** means a review of the financial statements of the Organization. The review provides limited insurance that the Organization has complied with GAAP.
- 2.5 **Bill Payment Service** means an Independent Contractor (e.g., Bill.com) that provides software and services to help securely facilitate, route, or automate the electronic review, approval, and payment of the Organization’s expenses and accounts payable in a system that provides a complete audit trail of transactions.
- 2.6 **Chart of Accounts** means an index to all financial accounts or categories of revenue and expenses used in the general ledger.
- 2.7 **Employee** means a person engaged to provide services to the Organization for an agreed upon wage and that meets the IRS definition of an employee which requires at a minimum withholding of income tax and payment of Social Security, Medicare, and unemployment taxes on wages paid.
- 2.8 **Financial Records** means approved budgets, bank statements, online bank account information, expense reports, expenditure authorizations, records of financial transactions kept in Accounting Software, and monthly, quarterly, and annual financial reports and statements.
- 2.9 **Fiscal Committee** means a committee composed of the Treasurer and at least two (2) PLMA members appointed by the Executive Committee.
- 2.10 **Fiscal Year** means the time period that starts on January 1 and ends with December 31.

- 2.11 Independent Audit** means a thorough review of financial statements that includes tests of specific transactions and an examination of internal controls. It is conducted by an independent accounting firm, using one or more CPAs, that issues a formal opinion letter with respect to how well the Organization's financial statements comply with Generally Accepted Accounting Principles (GAAP).
- 2.12 Independent Contractor** means an individual or organization that is contracted by the Organization to perform services and which may or may not require a Form 1099 depending on rules of the U.S. Internal Revenue Service as that definition may change from time-to-time.
- 2.13 Provisional Annual Operating Budget** means the budget prepared before year-end for the following year that is presented to the Executive Committee each December. It is replaced by the final budget at the January Executive Committee meeting. The purpose of this step is to allow for year-end receipts (primarily dues payments) and expenditures to be finalized before creating and approving the final budget for the following year.
- 2.14 Staff** means the paid human resources, either Employees or Independent Contractors, that manage the daily operations of the Organization. Staff includes the Executive Director.

### **3 FINANCIAL RESPONSIBILITIES**

- 3.1** The Board including Officers and Fiscal Committee, as well as Staff, have a fiduciary duty to act in the best interest of the Organization, and exercise appropriate business judgment in the financial operation of the Organization, ensuring all transactions are made in good faith, with reasonable skill and prudence, and in compliance with the PLMA Code of Conduct Handbook.
- 3.2** The Treasurer shall perform the duties prescribed in the Bylaws and ensure prudent and accurate financial management and periodic review of the Policy. The Treasurer shall ensure that a Fiscal Committee exists and shall provide committee oversight. In the absence of the Treasurer, the Chair shall assume the Treasurer's responsibilities.
- 3.3** The Fiscal Committee shall:
- receive and review monthly financial statements
  - meet at least quarterly to review financial reporting and the fiscal matters of the Organization;
  - analyze cash flow and determine working capital requirements for funding programs and operations;
  - review the Policy and associated procedures, and the adherence thereto, at least every two years;
  - recommend to Executive Committee for approval financial institutions as needed for appropriate management and investment of resources;
  - identify and recommend changes in the location or manner of maintaining funds, investments, or financial instruments to the Executive Committee for approval;
  - identify and recommend to the Executive Committee appropriate Accounting Software and Bill Payment Service; and,
  - identify, review, and recommend to the Executive Committee the selection of Accounting Services and an Independent Auditor, as necessary.

3.4 Staff shall perform the following accounting functions:

- cooperate and collaborate with Accounting Services, the Officers, and the Fiscal Committee to implement best practices in management accounting and financial reporting;
- prepare and maintain the Chart of Accounts;
- process accounts payable consistent with the Policy;
- process accounts receivable consistent with the Policy;
- perform financial bookkeeping by creating accurate journal entries in the general ledger in the Accounting Software;
- support the budget creation and tracking processes (see Section 4);
- assist the Treasurer and Fiscal Committee in performing their responsibilities;
- prepare financial statements; and,
- review tax filings prepared by Accounting Services.

3.5 Accounting Services shall be budgeted in the annual budgeting process, recommended by the Treasurer and approved by the Fiscal and Executive Committees to perform the following functions:

- monthly reconciliation of checking, savings, and credit card accounts;
- reconcile and record any transactions in investment accounts;
- record adjusting entries required in the general ledger;
- annually prepare and issue required IRS Tax Forms 1096 and 1099; and,
- annually prepare and issue IRS Tax Form 990.

Financial reconciliations prepared by the Accounting Service shall be reviewed and signed off by the Chair.

#### **4 BUDGETING PROCESS**

Staff shall be responsible for developing a Provisional Annual Operating Budget during the month prior to the end of the fiscal year. The Treasurer shall be responsible for the budget approval process before the end of the fiscal year as follows:

- The Fiscal Committee shall review, adjust, and recommend approval to the Officers the Provisional Annual Operating Budget.
- The Officers shall review, adjust, and approve the Provisional Annual Operating Budget.
- The Treasurer shall submit this budget for review to the Executive Committee.
- Executive Committee members shall review and comment on the Provisional Annual Operating Budget and approve.
- The Treasurer shall work with the Staff, Fiscal Committee, and Officers to prepare a final budget during the first month of the fiscal year.
- The final budget shall be submitted to the Executive Committee for approval which may be done at a special meeting or through electronic voting.
- The Treasurer shall present the budget to the Board of Directors at the next general meeting.
- Non-budgeted expenditures and/or budget revisions above \$5,000 may be recommended by the Staff or Officers and Fiscal Committee and approved by the Executive Committee.

#### **5 FINANCIAL STATEMENTS AND REPORTING**

Financial statements shall be prepared on an accrual basis in accordance with GAAP. Revenues, expenses, gains, and losses are classified based on the annual budget. Staff shall input the budget into the accounting software so the profit and loss can be compared to the budget.

The Treasurer shall receive and review monthly financial statements prepared by Staff with the assistance of Accounting Services. The financial statements shall follow GAAP and be presented to the Fiscal Committee, other Officers and Executive Committee for review quarterly. Financial statements and appropriate financial reports and metrics—as determined by the Fiscal Committee—shall be presented by the Treasurer twice a year to the Board of Directors.

## **6 FINANCIAL RESERVE**

In the first quarter of every year, effective for the following year, the Fiscal Committee shall establish an amount to be held as a contingency fund to be used to continue operations should the association run into financial difficulty and will submit the recommendation as part of the budgeting process to the Executive Committee for approval. All contingency funds shall be deposited into financial accounts which have FDIC insurance protection and accounts shall be maintained at or below FDIC protected balances.

## **7 INTERNAL CONTROLS AND INDEPENDENT AUDIT**

The Treasurer, with support and approval from the Fiscal Committee, shall establish and maintain internal financial controls to help prevent fraudulent activity. Such controls, at a minimum, shall include:

- adequate separation of accounting duties;
- appropriate background checks on all Officers as well as any Staff that handle accounts receivable or keep records of inventories, supplies, equipment, or other assets; and,
- appropriate insurance to cover Employee, Staff, or Officer dishonesty.

Upon exceeding \$1 million in gross annual revenue in a particular year, the Fiscal Committee shall consider hiring appropriate resources to conduct an Independent Audit at least once every other year. An Auditor Review shall be conducted in any year that an Independent Audit is not conducted. The Fiscal Committee shall ensure that funds are budgeted and allocated for such audits in the annual budgeting process.

## **8 ACCOUNTING PROCEDURES**

All revenues and expenses shall be recorded by Staff in accordance with GAAP in Accounting Software approved by the Fiscal Committee. Revenues and expenses are recorded on an accrual basis and must be recorded consistent with the Chart of Accounts and the approved annual budget. All transactions shall include date, name of company or individual, designation, and amount.

## **9 ACCOUNTS RECEIVABLE PROCEDURES**

The following procedures for funds received through the mail, electronically, or given to Staff shall be in place:

- Mail shall be opened by Staff;
- Staff shall record all checks and cash by date, name of company or individual, designation, and amount in the Accounting Software;
- All checks shall be endorsed with the official deposit stamp "For Deposit Only";
- All cash and checks received through the mail shall be forwarded to the designated banking establishment for deposit; and,
- Electronic receipts, ACH transfers, and credit card deposits shall be directly deposited to the Organization's designated checking account.

## 10. ACCOUNTS PAYABLE PROCEDURES

10.1. The Executive Director and Officers shall approve invoices and expenditures submitted by Staff for payment via the Bill Payment Service in accordance with the Chart of Signature Authority below. In the absence of Staff, the Chair and the Treasurer will review and submit invoices and expenses for approval by the other Officers, and the Treasurer shall process approved payments. In the absence of the Treasurer, the Chair shall process approved payments. At no time shall approval and payment for expenses requiring approval be performed by the same Officer.

### 10.2. Chart of Signature Authority (“COSA”)

- **Level 1 - Expenditures up to \$5,000.** Budgeted expenditures for single items up to and including \$5,000 may be approved by the Executive Director for payment via credit card or the Bill Payment Service.
- **Level 2 - Expenditures over \$5,000 and up to \$15,000.** Budgeted expenditures for single items over \$5,000 and up to and including \$15,000 shall be subject to approval by the Executive Director and the Treasurer (or Chair in the absence of the Treasurer) for payment via credit card or the Bill Payment Service.
- **Level 3 - Expenditures over \$15,000.** Budgeted expenditures for single items over \$15,000 should have bids from at least three (3) suppliers, if possible. These bids are reviewed and approved by a simple majority of the Officers. Upon bid approval, the Executive Director shall execute a contract for the expenditure. Invoices shall be subject to approval by the Executive Director and two (2) Officers for payment via the Bill Payment Service.
- PLMA on-site events, like Conferences and Symposiums, often have a variety of services that can go over the Level 1 or 2 expenditure limits—and, in many cases, it is not efficient to send out for bid these services. The Executive Director is authorized to contract and pay for services relating to these events without additional approval of the contract or payment as long as the event is being managed to be at or under budget. This exception does not apply to the hotel contract and bill for the event.

Recurring service contracts (e.g., audio visual, photographer, association management system, credit card processing) shall be reviewed and new bids sought at a minimum every five (5) years.

### 10.3. Reimbursable Expenses

Executive Director may pay COSA Level 1 and Level 2 expenses up to \$15,000 directly and have them approved as part of an expense report. The Executive Director may pay expenses over \$15,000 directly with prior approval according to the COSA and have them reimbursed as part of an expense report.

Any purchase made by a Board member on behalf of the Organization shall require prior approval by the Executive Director or Officers in accordance with the COSA, and reimbursement will be made after submission of a reimbursement request with supporting documentation. At no time shall approval and payment for expenses requiring approval be performed by the same Officer, and no Officer may pay or approve their own reimbursement request.

10.4. Management and Contractual Fees

Organization management fees that are under contract will be paid in a timely fashion, in accordance with contract requirements, or within seven (7) business days of the presentation of an invoice to the Treasurer and/or Officers.

10.5. Credit Cards

Credit/debit cards linked to the checking account can be issued to Staff for payment of Level 1 or Level 2 budgeted expenses. The credit/debit card shall be paid in full monthly to avoid interest charges and shall carry a credit limit of up to \$50,000.

**11 COMPENSATION AND PAYROLL**

The Officers and the Fiscal Committee shall hire a Payroll Service to manage and process payroll, including filing of employment taxes, reporting, and benefits, if any.

For any Staff, the Officers and the Fiscal Committee—after appropriate due diligence and benchmarking—shall recommend appropriate compensation packages for approval by the Executive Committee.

**10 INVESTMENT POLICY AND ACCOUNTS SUBJECT TO POLICY**

The Treasurer, with support of and approval from Fiscal Committee, shall manage and recommend a bank and investment account strategy, oversee all accounts in all financial institutions, and ensure that financial operations conform to the Bylaws and the Policy.

PLMA investment and banking decisions shall reflect a conservative approach. PLMA investments will balance (1) maintaining needed liquidity, keeping access to funds for cash flow needs; (2) earning a return on funds to grow the assets' value; and (3) minimizing risk, protecting the value of the initial invested assets. To minimize risk, all accounts shall be federally insured, and balances shall be maintained at or below federal insurance levels.

A checking account will be used for short term (up to 2 months) operating needs. A liquid savings account will be used for medium term (2 up to 3 months) operating needs. Investment accounts such as Certificates of Deposit (CDs) may be used for operating funds not needed for at least 3 months. Investments should not be made if there are equal or higher returns on more liquid options. Transaction fees and early withdrawal penalties shall be considered in calculating and comparing rates of return.

Other investments may be permitted with approval of two-thirds (2/3) of the Executive Committee.

The Executive Committee shall review and approve the banking and investment account recommendations. Several account types may be maintained with the following controls and authorities:

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1. **Checking Accounts** may be set up jointly by the Treasurer and the Executive Director, with the Chair also being a signatory, and configured for integrations with the Accounting Software and Bill Payment Service. Staff shall maintain such accounts and perform day-to-day financial operations including financial bookkeeping responsibilities. Account transfers to or from any other account shall be managed by the Treasurer and require approval of one other Officer with notification to the Executive Director and Fiscal Committee with audit trail recorded in the Accounting Software.
2. **Savings Accounts** may be set up jointly by the Treasurer and the Chair, with the Secretary also being a signatory, and configured for integration with the Accounting Software. Such accounts shall be configured to not allow direct payment of expenditures, cash withdrawals, or transfer to an account not owned and managed by the Organization. Account transfers to or from any other account shall be managed by the Treasurer and require approval of one other Officer with notification to the Executive Director and Fiscal Committee with audit trail recorded in the Accounting Software.
3. **Investment Accounts** may be setup jointly by the Treasurer and the Chair, with the Secretary also being a signatory, and configured for integration with the Accounting Software. Such accounts shall be configured to not allow direct payment of expenditures, cash withdrawals, or transfer to an account not owned and managed by the Organization. Account transfers to or from any other account shall be managed by the Treasurer and require approval of one other Officer with notification to the Executive Director and Fiscal Committee with audit trail recorded in the Accounting Software.

## 13 INSURANCE AND RISK MANAGEMENT

Reasonable and adequate coverage shall be maintained to protect the Organization's interests as well as the Board of Directors. At a minimum, the following insurance policies shall be maintained on an annual basis and not allowed to lapse: General and Professional Liability Insurance; Directors and Officers Liability Insurance; and Executive Director Errors and Omissions Insurance. Officers shall carefully review Insurance Policies before renewal each year.

The Fiscal Committee shall establish and manage a general risk management framework to protect the Organization against financial and operational risks. If appropriate, the Fiscal Committee shall recommend, and the Executive Committee shall approve insurance coverage, self-insurance, and risk avoidance procedures.

## 11 DOCUMENT RETENTION

Financial Records are to be managed and retained by Staff, and easily accessible by the Officers and Executive Committee in a read-only format, for a period of time in keeping with State law and the recommendations of the IRS, but for no less than seven (7) years or as otherwise stated in the Record Retention Policy.

## 12 TAX REPORTING

Yearly tax returns shall be filed by Accounting Services with review by the Treasurer and Executive Director. The tax return or filing authorization shall be signed by the Treasurer. In the absence of the Treasurer, another Officer shall sign.

## 13 Document Revision History

Date	Version	Person	Change/ Modification Description
12/10/12	0.1	PLMA Treasurer	Prepared initial version
12/15/16	1.0	PLMA Treasurer	Prepared draft of new policy in accordance with strategic vision
03/09/17	1.1	PLMA Strategic Vision Team	Revised and updated
03/13/17	1.2	PLMA Secretary	Reviewed for consistency with by-laws and related existing policies
05/17/17	2.0	PLMA Strategic Vision Team	Revised and updated for consistency and compliance
06/01/17	2.0	PLMA Executive Director	Submitted to Executive Committee for review.
06/19/17	2.1	PLMA Secretary	Executive Committee Reviewed and Accepted policy revisions. Fiscal Policy published on PLMA website for member only view.
10/19/17	2.2	PLMA Secretary	Updated reference to Conflict of Interest Policy to new Code of Conduct Handbook.
10/19/17	2.2	PLMA Secretary	Executive Committee Reviewed and Accepted policy revisions. Fiscal Policy published on PLMA website for member only view.
08/30/19	2.3	PLMA Fiscal Committee	Submitted updated policy to Executive Committee for Review
09/17/19	2.3	PLMA Executive Committee	Approved update Fiscal Policy
01/09/2020	2.4	PLMA Fiscal Committee	Updates based on fiscal audit report. Submitted policy to Executive Committee for Approval
01/14/2020	2.4	PLMA Executive Committee	
07/12/2023	3.0	PLMA Fiscal Committee	Updates based on several Fiscal Committee meetings and emails, submitted to Fiscal Committee for approval.
7/13/2023	3.1	PLMA Fiscal Committee	<i>Updated by Fiscal Committee, and approved for submission to the Executive Committee for approval.</i>
7/18/2023	3.1	PLMA Executive Committee	<i>Approved Update</i>