

**Executive Director's Update on RRBC Financial Management
October 22, 2009**

In the first quarter of FY 2010 (July 2009-June 2010), there has been significant progress towards establishing a solid financial management system for the Commission. This resulted in part, from the need to assume fiscal agency of the Commission in order to become Employer to the newly hired Executive Director.

The following outlines the activity since the last Commission meeting.

- Ms. Mary Rice has been hired as bookkeeper for the Commission for the near-term (through at least December, 2009). Ms. Rice was chosen, in part, for her experience in setting up accounting and recordkeeping systems for newly formed organizations similar to the Commission in size and requirements.
- An "Accounting Policies and Procedures" document has been developed that covers all aspects of financial management and recordkeeping, with an emphasis on accountability, oversight and documentation, that is suitable for an organization with presently only one staff-person (and likely to grow staff slowly in the next 3 to 5 years). The Executive Committee has reviewed this document.
- The RRBC account being managed by our former fiscal agent, TJSWCD, has been closed, and all funds in this account have been transferred to two Commission accounts at SunTrust Bank: a "free" checking account and a money market account. A debit card in the name of the Commission (and issued to the Executive Director) has been obtained to facilitate online purchases and to reduce the number of reimbursements to staff.
- All funders (The Nature Conservancy, VA Dept. of Conservation and Recreation, and National Fish & Wildlife) have been informed of the change in fiscal status. Grant contract modifications to reflect this change in status are being executed for all state and federal grants.
- ADP, a nationally recognized but low cost and efficient payroll service, has been retained to provide payroll services, including direct deposit and submission of quarterly and annual payroll taxes and reports.
- Recordkeeping and filing systems in the office have been established consistent with the Accounting Policies and Procedures document. The Commission has one locked file cabinet for the required records (e.g. personnel).
- QuickBooks software has been used to develop an accounting system that supports the Commissions requirements, including General Ledger, bank

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statement reconciliations, and profit and loss reports. The system is used to generate computer checks. In addition, the system is set to track expenses allocated to each Commission grant and some of the documentation required for "grant match."

- Forms for staff travel and non-travel expenses and requests for reimbursement have been created and are now in use.
- The FY 2010 budget has been corrected, balanced, and reformatted into standard budget format for Commission review and approval.

In the next quarter, staff plans the following activities:

- Review and revise general ledger reports in accordance with the needs of the Commission, Treasurer, and Executive Director to track financial activity at all levels of review and oversight.
- Meet with the bookkeeper and an independent auditor to review accounting practices for compliance with federal audits.
- Establish oversight capabilities of the Treasurer, e.g. online access to SunTrust Account and Payroll services.
- Implement recordkeeping systems still outstanding, possibly using volunteer administrative assistance.
- Create schedules and worksheets for grant tracking and reporting, including match documentation.
- Create timesheets for staff (holidays, leave, and hours applied to grants, etc.).
- Develop Computer Applications and Controls policies and procedures document; implement computer data back-up procedures (including online service, if appropriate; purchase software licensed to RRBC).
- Develop procurement policy.
- Develop travel reimbursement policy.
- Obtain insurance for the Commission and Commissioners (e.g. general liability, D&O).

August 17, 2009

MEMORANDUM

From: Leslie Middleton, Executive Director
To: Executive Committee of the RRBC

Re: Recommendation to proceed with assuming fiscal agency of the RRBC as soon as possible

Action Required:

- Review and approve draft RRBC Accounting Policies & Procedures by August 26, 2009
- Approve plan for transitioning to full fiscal agency by August 26, 2009

During the process of setting up payroll for the new Executive Director, we discovered that the payroll must be issued under the TAX ID of the employer. Presently, all fiscal transactions are managed by the TJSWCD as our fiscal agent using a bank account that has been registered under TJSWCD's Tax ID. We have checked with that bank, and it is not possible to set up a separate account with RRBC Tax ID that is still managed by TJSWCD (as a way to continue to take advantage of TJSWCD's role as interim fiscal agent).

The only way to pay the Executive Director, as a bona fide employee of the Commission, is to establish a bank account in the Commission's name, using the Commission's federal and Virginia state tax ID numbers and make payroll from this account. The TJSWCD is not willing to (nor would any auditor find it acceptable) to write checks or do accounting based on a bank account that is not in their name or under their tax ID. *This means that we have no choice but to assume fiscal responsibility of the Commission and do so as quickly as possible.*

I have hired Mary Rice (of *RiceBooks*, a nonprofit accounting specialist) to work with us on a short-term basis (within my authorized limits) to help plan the details of the transition so that it is as efficient as possible. Below I have outlined the steps:

Outline of Transition

1. Develop a fiscal policy document that outlines our fiscal processes. This document serves to guide the RRBC as well as serve as necessary documentation for the eventual audits that we will be required to undergo. Executive Committee reviews and approves this document as soon as possible, with final approval by the full Commission at the October 22 Commission meeting. The draft policy document is attached (RRBC Accounting Policies & Procedures, dated August 17, 2009). *Please note that the Commission will need to appoint a Treasurer and/or a Financial Advisory Committee and that the Treasurer should be a member of the Commission.*

2. Executive Director opens a separate bank account at the financial institution that will best serve our needs. Some considerations include location and convenience, online banking services, and fees. The Executive Director prepares a letter from the Commission requesting that a check be written to close the TJSWCD/RRBC account. All monies in the TJSWCD RRBC account are transferred from to this new account. *The signature cards at the bank are signed by the Chairman and/or Treasurer and the Executive Director, with check-writing authorization and approval spelled out in the fiscal policy guidelines.*
3. The Executive Director forwards the new RRBC bank account information to ADP (payroll services), with whom we have just contracted for monthly payroll and withholding tax reporting services. ADP requires at least a week to establish the system, so it is important that these changes are executed as quickly as practical so that the Executive Director can be paid for the first month of employment (August 2009) *as close to the beginning of September as possible.*
4. Accounting and bank statement reconciliation functions will be taken over by RRBC, at first by the Executive Director with substantial assistance from Mary Rice. Ms. Rice will develop the accounting system (general ledger) based on our budget using QuickBooks Premier. The system will be customized for the Commission's particular needs, including tracking of grant expenditures and staff time. Ms. Rice will also provide the Executive Director enough basic training in QuickBooks so that she may write checks and develop basic reports. Also, Ms. Rice will work with the Executive Director to establish the array of forms necessary for tracking reimbursements, cash expenditures, travel expenses, etc.
5. For the short term (3 to 6 months), the Commission will contract with Ms. Rice to provide monthly assistance in statement reconciliation, expense allocation, and developing monthly reports, estimated at about 3 hours per month @ \$70/hr. *The Executive Director envisions QuickBooks accounting support to be an essential part of a part-time administrative assistant position.*
6. The Commission authorizes the Executive Director to hire part-time administrative assistance within the next 3 to 6 months. The Executive has meanwhile purchased a second RRBC computer and back-up disk on which QuickBooks has been installed and the RRBC books are maintained. This computer A second computer (laptop) that been purchased for accounting, offsite presentations, and administrative help (volunteer or otherwise) will be used for accounting.

Recommended Timeline for Action

Executive Committee approves transition plan and Fiscal Policy	Aug 26, 2009
Executive Director opens bank account and forwards info to ADP	Aug 27, 2009

Memo to File Regarding RRBC Fiscal Agency

ADP executes first payroll for Executive Director	Sept 4, 2009
Executive Director provides information regarding employment benefit to Executive Committee	Sept 18, 2009
Executive Committee meeting to discuss in detail Fiscal Policy, employment benefits, and other matters for recommendation to full Commission	Sep 23, 2009
Full RRBC Commission meeting	Oct 22, 2009

Budgetary Impact

Other costs	Budget	Estimated	Description
Bank fees	\$50	?	To be researched
Computer (memory/soft)	\$1,500	\$1100	\$300 QuickBooks software \$800 laptop PC for accounting (future admin assistant)
Payroll service	\$700	\$550	1-year ADP w/ 1-time discount
Professional: Accounting/audit	\$5,500	\$2630	\$2000 RiceBooks for set-up \$630 RiceBooks (3 months) (est)

This table shows the relevant line items from the 2010 RRBC budget approved by the Commission on July 23, 2009. Note that the Commission's first audit will take place no sooner than late in the calendar year of 2010 but during fiscal year 2011. This audit would be for fiscal year 2010. Thus, the \$5500 budgeted for this expense would not be incurred until late 2011 and not part of this year's budget. Organizations accepting more than \$500,000 of federal funds are required to have A-133 audits. However, we may be able request grant reimbursements and payments from NFWF with timing such that we do not exceed the \$500,000 annual limit.

Audit Impact

In addition to the timing of the audit, it is important to note that during this first year, RRBC accounting books and documentation will consist of two discrete parts: July 2009 through August (under fiscal agency of TJSWCD) and September through June 2010 (as our own fiscal agent. This is not a problem as long as the transition is clearly documented and all record keeping is "audit-ready."

One of the reasons we are utilizing Ms. Rice is because she has extensive experience with the audit process and will be establishing the accounting system and associated processes so that the Commission is well positioned to undergo its first audit.

Relationships with Funding Agencies

The Executive Director is contacting the funding agencies (National Fish and Wildlife Foundation and Virginia Department of Conservation & Recreation) and The Nature Conservancy to determine what the Commission will need to do to effect this transition

Memo to File Regarding RRBC Fiscal Agency

from the standpoint of receiving grant funding. Existing grant agreements between with DCR and NFWF and "TJSWCD/fiscal agent for RRBC" may need to be maintained, with the TJSWCD subcontracting to RRBC.

Payroll Considerations

ADP has confirmed that the Commission may change the discretionary payroll deductions (for health insurance, worker's compensation, etc.) at any time. The Employment Agreement with the Executive Director states that the benefit package will be negotiated on or before October 22, 2009, with an interim allowance equal to "*\$10,000 in the benefit package, to be reevaluated at the end of the three-month interim period (and once all costs are known).*" Thus, it is not necessary to have determined the benefit package by the time of the first payroll (around September 1).