Financial Management and Internal Control Policy for the Region VII Workforce Development Board

Effective Date: December 19, 2024

1. Purpose

This policy establishes detailed internal control and financial management procedures for the Region VII Workforce Development Board to ensure compliance with 2 CFR 200.303(a) and 2 CFR 200.302(b). The policy aims to protect organizational assets, ensure accurate financial reporting, and promote responsible use of funds, thereby supporting the Board's mission and strategic goals.

2. Scope

This policy applies to all employees and board members involved in financial operations, including the Executive Director, fiscal agent, accounting staff, program managers, and any other personnel responsible for financial transactions, budget management, or reporting.

3. Definitions

- **Internal Controls:** Policies and procedures designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.
- **Budget Management:** The process of planning, monitoring, and controlling financial resources to ensure that expenditures align with approved budgets and organizational priorities.
- **Cash Disbursement:** The process of paying out funds to settle obligations, including invoices, grants, and other expenses.
- **Bank Reconciliation:** The process of comparing the organization's financial records to bank statements to ensure consistency and accuracy.

4. Policy Statement

The Region VII Workforce Development Board is committed to establishing and maintaining effective internal controls and financial management procedures that ensure compliance with applicable regulations, protect organizational resources, and facilitate accurate and timely financial reporting.

5. Internal Control Procedures

5.1 Bank Statement and Reconciliation Procedures

- **Bank Account Management:**
  - The organization will maintain separate bank fund identifying the cash balance for operational funds and federal award funds, ensuring transparency and ease of tracking.

- Access to bank accounts will be restricted to authorized personnel only. Authorized signatories will include the Executive Director and fiscal agent designees, with a limit on the number of individuals who can authorize transactions.

- **Monthly Bank Reconciliation:**
    - The fiscal agent will perform monthly bank reconciliations within 15 business days of receiving bank statements. The reconciliation process includes:
        - **Receiving Bank Statements:** Bank statements will be downloaded from the bank's secure online portal. Physical copies will also be retained for backup.
        - **Comparing Transactions:** The fiscal agent will compare each transaction listed on the bank statement to the organization's accounting records, ensuring that all transactions are accounted for. This includes:
            - Matching deposits
            - Reconciling checks and electronic payments
            - Identifying any outstanding checks
        - **Identifying Discrepancies:** Any discrepancies between the bank statement and the organization's records must be documented. Common discrepancies may include:
            - Missing transactions
            - Errors in transaction amounts
            - Duplicate entries
        - **Investigating Discrepancies:** The fiscal agent will investigate any discrepancies by reviewing supporting documentation (invoices, payment confirmations) and resolving issues promptly. This includes contacting the bank if necessary.
        - **Documentation of Reconciliation:** A reconciliation report will be generated, summarizing findings and including:
            - The balance per bank statement
            - The balance per the organization's books
            - Adjustments made
            - The final reconciled balance
        - The completed bank reconciliation report will be submitted to the Executive Director for review.
- **Documentation Retention:**
    - All bank statements, reconciliation reports, and supporting documentation will be retained for a minimum of seven years, in accordance with federal regulations and organizational policies.

5.2 Cash Disbursement Procedures

- **Authorization of Expenditures:**
    - All cash disbursements must be approved based on established authorization limits:
        - **Expenditures under $500:** Approval by the respective Program Lead.
        - **Expenditures between $500 and $5,000:** Approval by the Executive Director.
        - **Expenditures over $5,000:** Approval by the Board.
    - **Pre-Approval Process:** A pre-approval form will be required for significant expenditures. This form must include:
        - Purpose of the expenditure

        - Amount requested
        - Funding source
        - Estimated timeline for expenditure
        - Signature of the requester and their supervisor
- **Payment Process:**
    - Payments will be processed only after the receipt of appropriate documentation, which includes:
        - Detailed invoices from vendors outlining services or goods provided.
        - Proof of receipt (e.g., delivery confirmation, signed acceptance of services).
        - Approval signatures from authorized personnel confirming the validity of the expense.
    - **Payment Methods:** Payments will be made via:
        - **Check:** Checks must be signed by at least two authorized signatories.
        - **Electronic Funds Transfer (EFT):** For recurring payments or those under established limits, EFT may be used after the necessary approvals.
    - All payment methods will be tracked in the accounting system to ensure accountability.
- **Cash Disbursement Recordkeeping:**
    - A cash disbursement log will be maintained, documenting:
        - Date of payment
        - Payee
        - Amount
        - Purpose of expenditure
    - **Monthly Review:** The fiscal agent will conduct a monthly review of the cash disbursement log against bank statements to ensure all disbursements are accounted for and appropriately supported.

5.3 Budget and Obligated Expenditure Procedures

- **Budget Development:**
    - An annual budget will be developed by the Executive Director and Executive Committee in collaboration with department heads, incorporating input on anticipated revenues and expenditures. This budget will include:
        - **Detailed Line-Item Budgets:** Each program and operational area will have a detailed budget outlining expected revenues, expenditures, and any anticipated funding shortfalls.
        - **Revenue Projections:** Forecasting revenue from federal awards, donations, and other funding sources.
        - **Justifications for Budget Items:** A justification for each significant budget line item will be provided, explaining the necessity and alignment with organizational goals.
- **Budget Approval Process:**
    - The proposed budget will be presented to the Executive Committee and subsequently to the Board and LEO Board for approval prior to the start of the fiscal year.
    - **Amendments to the Budget:** Any amendments **over $5000** during the fiscal year must be documented and submitted to the Executive Committee for review and approval by the Board and LEO Board.
- **Monitoring Budget to Actual Expenditures:**

- The fiscal agent will prepare monthly financial reports comparing actual expenditures to the approved budget. Reports will include:
  - **Detailed Line-Item Comparisons:** Budgeted amounts vs. actual amounts for all programs and departments.
  - **Variance Analysis:** An explanation of significant variances (greater than 10% of budgeted amounts), will be provided by the Executive Director.
  - **Recommendations:** Suggestions for budget adjustments or reallocations if necessary.
- **Review Process:** Budget reports will be reviewed quarterly by the Executive Committee, and significant issues will be reported to the Board.

- **Obligated Expenditure Tracking:**
  - Obligated expenditures will be tracked using a dedicated tracking spreadsheet or module within the accounting system, ensuring compliance with grant agreements. This tracking will include:
    - **Record of Committed Funds:** Maintain a record of all committed funds and outstanding obligations.
    - **Regular Updates:** Update the tracking system monthly to reflect current obligations and expenditures.
    - **Reporting to Funding Agencies:** Ensure obligations are reported to funding agencies as required, with detailed reports outlining how funds have been utilized.

6. Procedures for Effective Controls

6.1 Budget to Actual Reconciliation Procedures

- **Monthly Reconciliation of Budget to Actual:**
  - The fiscal agent will reconcile the budget to actual expenditures on a monthly basis. This process involves:
    - **Updating the Financial Management System:** Entering actual revenue and expenditure data into the financial management system.
    - **Generating Detailed Reports:** Creating reports that compare budgeted amounts to actual amounts for all programs and departments, identifying variances.
    - **Variance Analysis:** Analyzing discrepancies, investigating significant variances, and documenting findings in a variance report.
  - A summary of the budget to actual reconciliation will be submitted to the Executive Director for review and approval.
- **Adjustment Procedures:**
  - Any necessary adjustments to the budget will be documented, with a clear rationale for the changes, and submitted for approval by the Board.

6.2 Intercompany Transfers Related to WIOA Funds

- **Transfer Procedures:**

        - Interfund transfers are maintained and recorded as each transaction is recorded in West Virginia Educational & Informational System (WVEIS), the fiscal agent's accounting program.
            - **Transfer Request Submission:** A formal request for transfer will be submitted by the fiscal agent, detailing the purpose, amount, and timeline for the transfer. This request will include:
                - A summary of the intended use of funds.
                - An outline of the program objectives supported by the funds.
            - **Approval Process:** The request must be approved by both the Executive Director and the designated fiscal agent representative, with all approvals documented.
- **Documentation and Reporting:**
    - Each transfer will be recorded in the financial management system, including:
        - Transaction date
        - Amount transferred
        - Purpose of the transfer
    - A reconciliation of WIOA funds will be conducted quarterly to ensure accurate tracking and reporting of fund utilization, including:
        - Verification that transferred funds have been used according to program objectives.
        - Submission of reports to funding agencies as required, detailing expenditures related to WIOA funds.

7. Roles and Responsibilities

- **Executive Director:**
    - Provide overall oversight of financial management and internal control processes, ensuring compliance with this policy.
    - Review bank reconciliation reports and significant financial transactions.
    - Prepare and manage budgets.
- **Fiscal Agent:**
    - Perform bank reconciliations and ensure compliance with cash disbursement procedures.
    - Generate monthly financial reports and present findings to the Executive Director.
    - Coordinate training for staff involved in financial management activities.
- **Executive Committee:**
    - Review financial reports, budgets, and reconciliations, providing oversight and recommendations to the Board.
    - Conduct quarterly reviews of compliance with financial management practices.

8. Compliance and Monitoring

- **Regular Audits:**
    - The fiscal agent will engage an independent auditor annually to assess compliance with internal controls, financial management procedures, and federal regulations.
    - The Executive Committee will review audit findings and develop a plan for addressing any identified deficiencies, ensuring corrective actions are implemented.

- **Internal Reviews:**
    - The Executive Committee will conduct annual internal reviews of financial management practices, ensuring adherence to established policies and procedures.
    - Reports of these reviews will be documented and submitted to the Board for transparency.

9. Training

- **Staff Training:**
    - All staff involved in financial processes will receive annual training on internal control procedures, cash management, budgeting, and compliance with federal regulations.
    - Training materials will be updated regularly to reflect changes in regulations and best practices.

10. Policy Review

- This policy will be reviewed annually by the Executive Director to ensure its relevance and effectiveness, with any necessary updates submitted for Board approval.

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11. Conclusion

This detailed policy establishes a strong framework for financial management and internal controls within the Region VII Workforce Development Board, ensuring compliance with relevant regulations and fostering accountability. Any financial policies or procedures not explicitly expressed here or within the financial policies of the Region VII Workforce Development Board shall be more fully outlined at https://wvde.us/finance-and-administration/school-finance/manuals-policies/ . This link provides full comprehensive financial policy and procedural manuals for the West Virginia Department of Education. As of July 1, 2024 the Eastern Panhandle Instructional Cooperative (EPIC) is the Fiscal and Administrative Agent for the Region VII Workforce Development Board. EPIC is an Educational Service Cooperative (ESC). As an ESC EPIC adheres to all West Virginia Department of Education policy and procedures including policy 1224.1, 8100, and 8200. As the Fiscal and Administrative Agent for the Region VII Workforce Development Board EPIC will adhere to all applicable federal guidance, procedures, and policy when reporting or disbursing WIOA funds

T.J. Van Meter, Executive Director | Date 12/19/24

1/8/2025

Layne Diehl, Chairperson Region VII WDB | Date