State Education Resource Center

Accounting Policy and Procedure Manual

FOR BOARD OF DIRECTORS APPROVAL

Accounting Policy and Procedure Manual

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1.1 Purpose

This Accounting Policy and Procedures manual is intended as a guide to the financial practices of the State Education Resource Center (SERC).

As a recipient of Federal and state grant funding, it is the intention of SERC that policies and procedures follow all applicable federal, state, and local regulations, including OMB Circulars A-87 and A-133.

1.2 Procurement Process (REVISED)

SUMMARY:

The purpose of this section is to describe the guidelines, including processes and procedures to be followed by ALL SERC employees when acquiring goods and/or services needed in support of the organization's ongoing operations. Before initiating the procurement process, departments will first be required to identify the need for a particular durable good or service. The required process to be followed (i.e., contract required or purchase order) depends upon the type of requirement and its total value. Before purchasing any goods or services, the appropriate supporting documentation, as detailed within, must be completed and approved.

PROCEDURE:

Prior to staff initiating the purchase of goods or services, the following steps are required:

1. Staff email the Fiscal Specialist a description of the item or service needed and the name of the proposed vendor.
2. If the vendor is NOT on the approved list and no other vendor on the list can provide the goods or services needed, then staff can proceed with the process of choosing a vendor via the following guidelines:
    a. Minor non-recurring purchases of any type of goods or services up to $5,000 (annually, per item) a/k/a direct or open market services may be made without obtaining quotations or bids.
    b. Purchases over $5,000 and up to $50,000 (annually, per item) must be based upon, when possible, at least three (3) written quotations or bids from responsible and qualified sources of supply.

c. Purchases over $50,000 and less than $200,000 (annually, per item) must be based upon, when possible, at least three (3) written quotations or bids from responsible and qualified sources of supply. Agencies must also publish their Request for Quotation or bid notice on the CT source website in accordance with the provisions in Connecticut General Statutes Section 4e-13.
d. Contracts for services or goods more than $200,000 where the term exceeds one year or fees exceed $20,000 require a formal request for proposal (RFP)

3. Once the appropriate vendor selection process is complete, staff can proceed with the vendor who can provide the best quality goods and/or services at the most reasonable price by completing the Purchase Request form. Staff must complete the form in full and obtain their director's or Supervisor's approval PRIOR to submitting it to the Fiscal Department, with supporting documentation for processing. If bids are required in the selection process, then the original copy of the bids MUST be included with documentation submitted to the Fiscal Department.
4. The Fiscal Specialist will review Purchase Requests for completeness and accuracy, which may include follow-up inquiries to staff and/or supervisors.
5. The Fiscal Specialist will obtain Chief Financial Officer (CFO) and Executive Director (ED) approvals, then complete the purchase via the appropriate pathway by either issuing a purchase order to the vendor or completing the purchase via the vendor's website using the Agency Purchasing credit card or purchase order.

1.3 Purchase Order Process (PROPOSED)

PROCEDURE:

1. Once a contract is signed, the Contracts Manager will send it to the Fiscal Specialist for entry into MIP.
2. The Fiscal Specialist enters the contract per the guidelines and terms to create a purchase order and encumbrance into MIP.
3. The Fiscal Specialist gives a purchase order and encumbrance report to the CFO for signature and posting into MIP.

4. Once the purchase order and encumbrance are posted, the Fiscal Specialist will email a copy of the purchase order to the vendor, consultant, and project specialist that is responsible for the contract, with a copy to the Contracts Manager.

1.4 Vendor Payments (REVISED)

PROCEDURE:

1. Invoice payments must be submitted to the Fiscal Department within seven (7) business days of receipt by the staff responsible for the expenditure. The staff is to verify that all charges on the invoice are accurate and complete.
2. The Payment Request Invoice Coversheet must be completed in full and include the corresponding GL code(s) and ADP/Contract codes for the expenditure. All relevant supporting documentation must be attached in addition to the invoice; the Staff's responsible Director or Supervisor must approve the paperwork prior to submittal to the Fiscal Department.
3. Once approval is received, the staff is to submit the coversheet, the invoice, and any relevant supporting documentation to checkrequests@ctserc.org.
4. Invoice payment requests will be reviewed by the Fiscal department for accuracy, which may include a follow-up inquiry to staff and/or supervisors.
5. The Fiscal Specialist will enter all verified invoices/payment terms into the MIP system and then will have the Payment Request Invoice Coversheets signed off on by the CFO and Executive Director.
6. Once all invoices are signed off on, the Fiscal Specialist will provide the CFO with an accounts payable batch report for review, approval, and posting. Only the CFO can post batches in MIP.

The Fiscal Specialist issues the checks, sets up ACH payments on the bank's website, and provides the CFO with accounts payable payment reports to review, approve, and post to MIP. For ACH payments, the CFO will release the wires on the bank website prior to posting the batch in MIP (see Disbursement Policy below for additional information).

Checks are issued and authorized in accordance with the Disbursement Policy.

1.5 Disbursement Policy (REVISED)

SUMMARY:

It is SERC's general Disbursement Policy that vendor invoices are to be paid within thirty (30) days of receipt or presentation to the Fiscal Department. In the case of Presenters, payment terms are net forty-five (45) days. Vendor invoices and employee reimbursements must be approved by the responsible Director or Supervisor prior to their submission to the Fiscal Department to be processed for payment. Payments to vendors are dependent upon the Agency having a valid vendor W-9 information on file or submitted with the check request. A payment for a vendor's invoice can be made in the form of a check or electronic funds transfer (EFT/ACH) provided the agency has the proper banking information or credit card.

PROCEDURE:

Payment authorization via check is made by the Executive Director or designee:

- If the amount is under $5,000, authorization will be in the form of electronic signature via the MIP Accounting system.
- If the amount is over $5,000, but under $10,000, authorization will be in the form of one handwritten signature.
- If the amount is greater than $10,000, the authorization will be in the form of two handwritten signatures.

Electronic Funds transfer payments will be facilitated via the bank of record's banking system. Payments will be entered into the bank system by the Fiscal Department and approved/released by the CFO. Each step of this process is subject to the security controls of the banking system.

Credit card payments will be issued using the bank or issued company credit card, (a/k/a "ghost card"). This card is to be used by the Fiscal Department and the SERC Library, as they presently make their own purchases, to pay expenses in lieu of Check or Electronic Fund Transfer alternatives, when considered necessary and appropriate.

Upon receipt of the monthly credit card statement, the Fiscal Specialist will match the supporting documentation to the individual statement items and verify the proper accounting code prior to entering the transactions into the MIP Accounting system. The statement, along with the MIP Accounting system summary report will be sent to the Chief Financial Officer for review, approval and posting.

The" ghost card" account balance is automatically replenished by the bank of record via the SERC bank account per the authorized procedure (Section 1.5) as was set up when the credit card accounts were opened.

1.6 Credit Card Policies and Procedures (REVISED)

SUMMARY:

The purpose of this policy is to communicate eligibility, usage, and expenditure requirements for the State Education Resource Center (SERC) bank of record issued credit cards. Presently, the company credit card is under the control of the Fiscal department.

PROCEDURE:

1. The Chief Financial Officer is responsible for authorizing the use of corporate credit card cards and assigning the credit limit via the Bank of America on-line credit management systems, if applicable.
2. Before any purchase is made, the employee should verify that the funds are available to cover the expenses.
3. The employee submits a completed Purchase Request Form signed off by their supervisor and includes links, if available, to the items being purchased online. In the case of meals, each receipt should include the name(s) of the people involved in the purchase.
4. The Fiscal Specialist will submit all documentation to the CFO and Executive Director for signature. Once signed, the Fiscal Specialist will complete the purchase.
5. Once purchase is complete, the Fiscal Specialist will print a receipt and attach it to the purchase request form.
6. The employee must notify the Fiscal Department immediately in the event a card is lost or stolen.

7. On the 1st of the month, the Fiscal Specialist will download a copy of the credit card statement from the Bank of Records website and send it to the Executive Director for signature.
8. Once the signed statement is received from the Executive Director, the Fiscal Specialist will match the receipts to the individual items and verify the appropriate code prior to entering the transactions into the MIP Accounting System. The statement, along with the MIP Accounting system summary report will be submitted to the Chief Financial Officer for review, approval and posting. The batch will then be sent to the Executive Director for approval.
9. The individual credit card balance is automatically replenished by the Bank of record via the SERC bank account per the authorized procedure as established when the credit card accounts were opened.

1.7 Bank Reconciliations (REVISED)

SUMMARY:

Bank reconciliations are to be prepared by the Fiscal Specialist monthly, then reviewed and approved by the Chief Financial Officer. This process is to be done within 15 days of the end of the preceding month.

PROCEDURE:

To reconcile the accounts in MIP:

1. Obtain bank statements from applicable accounts.
2. Under the "activities" heading in MIP, select "Reconcile Cash Account."
3. Select the account number to reconcile. Hit the new button to create a Reconciliation ID. The ID should be the last day of the month that is reconciled.
4. Enter the statement date and ending balance from the bank statement.
5. Review each heading (i.e., checks/vouchers/deposits/other cash items/suspense items) to verify all activity is recorded appropriately.
6. Place cursor in box for items verified as reconciled and check off as cleared.

7. Return to Summary tab and if bank balance equals Balance per Books, the account is reconciled. Print the full reconciliation report.
8. The completed bank reconciliation package, which includes printed bank reconciliation from MIP, bank statement, voided checks (if any) and a list of outstanding checks is signed and dated by the Chief Financial Officer for review and signature.
9. The completed bank reconciliation package is filed in a binder in the Fiscal Department.

1.8 Accounts Receivable and Revenue Policy (Proposed)

SUMMARY:

This proposed policy and procedure outlines the accounts receivable and revenue process guidelines at the State Education Resource Center. The Fiscal Department manages the flow of revenue through invoices. It is the responsibility of SERC to notify the person or entity who owes money to the Agency effectively and efficiently. Accounts Receivable records shall be accurate, complete, and maintained in a manner to indicate the length of time the debt has been outstanding. Accounts Receivable include all claims held against others for future receipts of monies, goods and services that have been billed and are expected to be collected. Accounts receivable will consist of amounts due from federal and state agencies, other agencies, and other billings due because of regular business transactions. Revenues and receivables will be recognized when the State Education Resource Center invoices for amounts and services.

Revenue Recognition:

1. Transactions are accounted for on an accrual basis in the MIP Accounting software application. Therefore, revenues are recognized when transactions occur and are invoiced.

2. The Contracts Manager will verify when services took place and the appropriate period for revenue recognition.

PROCEDURE:

1. The Contracts Manager will generate invoices monthly or quarterly with the Agency's accounting application. Invoices will communicate transactional information and include a unique invoice number, details of the products delivered and/or services rendered and related costs.
2. Entered invoices in the accounting application are reviewed, approved, and posted by the Chief Financial Officer.
3. All accounts that have a balance will have a statement generated and mailed to the customer by the Contracts Manager the first week of each month,
4. Invoice terms are outlined as payment is being made by the entity to SERC within thirty calendar days of receipt of an invoice for services, without regard to the service date.
5. A record (i.e., email) will be kept of each action taken to collect an account, including the name of the person acting and the date the action was taken. This document is evidence of collection efforts will support classifying an account as uncollectable.
6. For LEA contracts – Deferred payment terms can be extended on a limited basis only upon determining that the customer cannot pay the invoice. Terms can be extended for large balances if SERC has received a commitment to pay.
7. If deemed necessary, SERC may contact a third-party collection agency for assistance in collecting debts owed.

Write off Request Procedures:

SERC will obtain approval from the Board of Directors to write off uncollectible debts. The Board of Directors will be presented with the customer's name, total dollar amount of such accounts, and a brief statement of the reason or basis for determining whether the account is uncollectable. Uncollectable accounts will be determined through the following criteria:

- A valid receivable exists with no unsettled differences between the Agency and the debtor as to the validity of the charges to the account.
- Accounts resulting from billing errors whereby the appropriate accounting entries will be made to remove these from accounts.
- The past due receivable and length of time for the receivable have been deemed uncollectible.

Upon receiving the Board of Directors' approval, the Agency will promptly make the necessary journal entries in MIP to relieve the receivables of all uncollectible accounts**. (After 2 years)**

Fraud Reporting:

SERC is responsible for maintaining internal controls for preventing and detecting fraud in accounts receivable. Segregation of duties is critical in preventing receivables fraud. Any unethical or illegal activity will be reported to the Executive Director, the Board of Directors, and, if deemed necessary, law enforcement.

1.9 Asset Management Policy

SUMMARY:

Asset management is the process of receiving, tagging, documenting, and disposing of furniture and equipment. It is critically important to maintain up to date inventory and asset controls to ensure computer equipment locations and dispositions are known. Proper asset management procedures and protocols provide documentation that aid in recovery, replacement, and insurance activities.

PURPOSE:

This policy provides procedures and protocols supporting organizational asset management primarily focused on electronic devices.

POLICY:

- Asset types

  The following minimal asset classes are subject to tracking and asset tagging:

  - Desktop workstations
  - Laptop computers
  - Tablet devices.
  - Printers, copiers, fax machines and multifunction print devices
  - Handheld devices
  - Servers
  - Network appliances (i.e., firewalls, routers switches, Uninterruptible Power Supplies (UPS), endpoint network hardware and storage.
  - Monitors and projectors
  - Enabled Video and Security Devices
  - Furniture

- Asset Value

  Assets which cost less than $500 shall not be tracked, including computer components such as smaller peripheral devices, video cards, keyboards, or computer mouse. However, assets which store data regardless of cost shall be tracked either as a part of a computing device or as a part of network attached storage. These assets include:

  - Temporary storage drives
  - Tape or optical media with data stored on them including system back-up.
  - Network Attached Storage (NAS), Storage Area Network (SAN) or other computer data storage.

- Asset Tracking Requirements
  The following procedures and protocols apply to asset management activities.

- All assets must have an internal (LEP) asset number assigned and mapped to the device's serial number (or furniture).
- An asset-tracking database will include purchase and device information, including:
    - Date of purchase
    - Make, model and description
    - Serial number
    - Location
    - Type of Asset
    - Owner
    - Department
    - Purchase order number
    - Disposition

Prior to deployment of, I/T staff (for I/T and electronic related equipment) and Facilities staff (for furniture) shall assign an ID to the asset and provide this information for entry into the Fixed Assets module in MIP by the Fiscal Department. All assets maintained in the asset tracking database inventory shall have an assigned owner.

- Asset disposal and repurposing

  Procedures governing asset management shall be established for secure disposal or repurposing of equipment and resources prior to assignment, transfer, transport, or surplus.

  When disposing of any asset, sensitive data must be removed prior to disposal or reassignment. The I/T Staff shall determine what type of data destruction protocol should be used for erasure. This must happen in compliance with State rules for Retention and disposition of records. Minimally, data shall be removed using low level formatting and degaussing techniques. For media storing confidential or student personally identifiable information (PII) that is not being repurposed, this information should be destroyed prior to disposal.

- Enforcement

  Staff members found in policy violation may be subject to disciplinary action, up to and including termination of employment.

- Depreciation of Assets:

  The depreciation of assets will follow the straight-line depreciation method over the useful life of the asset. In review of IRS and Generally Accepted Accounting Principles (GAAP), the class life and recovery periods should be as follows:

  - Office Furniture, fixtures, and equipment – 10 years
  - Computer equipment – 5 years
  - Data handling equipment (i.e., copiers, calculators) – 5 years
  - Buildings (should SERC decide to purchase a building) – 30 years.

1.10 Receiving Goods and Services Policy (Proposed)

SUMMARY:

This section aims to provide guidelines governing receipt of goods or services purchased by the State Education Resource Center. Delivery of requested goods and services marks a transition in the process from a purchasing activity to a payable activity. All purchases must be received to release vendor payments. The Fiscal Department must determine if the products and services received are acceptable and satisfy the terms and conditions of the purchase order.

PRODECURE:

1. The person receiving the goods will inspect the items before signing for the delivery. The receiver will examine the order to ensure goods conform to the purchase requirements, the quantity ordered is consistent with the amount delivered, and items are not damaged. The packing slip will then be sent to the Fiscal Department to reconcile the invoice.

2. Shipments will be refused if the person receiving the goods is unable to confirm SERC placed the order or if the shipment is damaged.
3. If the vendor fails to provide a packing slip, the Fiscal Department will contact the supplier to request copies if they cannot verify the goods with the existing documentation.
4. The Fiscal Department will keep all receiving documents. Saving on receiving documents is essential when accepting partial deliveries.
5. The Fiscal Department will contact the requestor when a purchase is received as partial delivery without acknowledgment or notification from the vendor.
6. The Fiscal Department should be notified immediately if goods are rejected for being defective or any other non-conformance.
7. The goods will be stored and secured in the Fiscal office until they are returned to the vendor.
8. Following acceptance of capital items, asset tags will be affixed to capital equipment and recorded to the inventory tracking worksheet.

1.11 Cash Receipts Policy (Proposed)

SUMMARY:

The purpose of this section is to outline proper controls and handling procedures for cash receipts at the State Education Resource Center. Establishing and maintaining strong internal controls are required to safeguard against loss and define responsibilities in managing all cash receipts. Cash may consist of currency, checks, money orders, bank checks, wire transfers and electronic funds transfer (EFT). Deposits are to be made in a timely manner to avoid exposure to theft or loss of funds.

PROCEDURE:

1. Mail is delivered to the SERC library and placed in a locked filing cabinet. For the time being (until a second Fiscal Specialist is hired) the Contracts Manager is responsible for cash collection

and recording transactions on a check log before the deposit and entering MIP or SERCWorks.

2. Check logs must include a daily check count, check date received, check date, check number, payor, amount, event code/contract, and signatures of the receiver and enterer.
3. Before depositing, funds logs and receipts are secured in a locked safe located in the Fiscal Department.
4. The Fiscal Specialist will deposit checks via an in-office online banking application. The Fiscal Specialist will prepare deposit tickets and physically bring the deposit to the bank if cash is received.
5. The Fiscal Specialist will provide the Contracts Manager with deposit receipts for verification.
6. The Contracts Manager will enter cash receipt transactions in MIP.
7. The Chief Financial Officer reviews, posts and approves cash receipt transactions based upon supporting documentation provided by the Contracts Manager.
8. The Fiscal Specialist reconciles the bank statement with the Chief Financial Officer reviewing and signing off after all validation is completed.

1.12Compliance Reporting (STANDARD)

Quasi-Public State Reporting Requirements

SUMMARY:

In accordance with Connecticut General Statutes, 1-123, SERC, as a Quasi-Public Agency of the State, must submit the following reports:

Quarterly Requirements

1. **Funds Report**– Submit to Office of Fiscal Analysis
    a. Beginning fund balance

b. Expenditure and revenue per quarter
c. Total estimated expenditure and revenue for fiscal year

2. **Personnel Report** – Submit to Office of Fiscal Analysis
    a. Total number of employees
    b. Positions vacated and filled.
    c. Estimated vacancies and filled positions by year end.

Annual Requirements

1. **Yearly Budget** – submitted to the State Board of Education and the joint standing committee of the General Assembly having cognizance of matters relating to education.
2. **Projected Revenue Statement** – submitted to the State Board of Education and the joint standing committee of the General Assembly having cognizance of matters relating to education.
3. **Financial Audit** – submitted to the State Board of Education and the joint standing committee of the General Assembly having cognizance of matters relating to education.
4. **Report to the Governor and the Auditors of Public Accounts** – submit to the Governor and Auditor of Public Accounts and two copies of such report to the Legislative Program Review and Investigations Committee.
    a. List of all bond issues
    b. List of all projects
    c. List of all outside individuals and firms receiving more than $5000.00 in loans, grants, or payment for services
    d. Balance sheet showing all revenues and expenditures
    e. Detailed bond information
    f. Affirmative action statements, efforts, and Agency demographics
    g. Planned activities for the current fiscal year

Biennial Requirements

1. **Biennial Audit** - Completed by Auditors of Public Accounts for two prior fiscal years.

Statements of Financial Interest

1. Required Filers must submit a Statement of Financial Interest filed with the Office of State Ethics on or before May 1 accounting for the preceding calendar year.
2. After ending State service, a Statement should be filed for the portion of the year that a Required Filer position was held.
    a. After receipt of notice from the Office of State Ethics, the Filer has 60 days to comply.

PROCEDURE.

The Fiscal Department, in collaboration with the HR Department, shall draft all State reports noted above in accordance with the required reporting schedule identified by Statute. Reports shall be sent to the appropriate state agency(ices) by the Chief Financial Officer after review and approval by the Executive Director and/or the SERC Board of Directors, as required for each individual report.

Statutory References from Connecticut General Statutes

Sec. 10-357d. Submission of yearly budget, projected revenue statement and financial audit. For the fiscal year ending June 30, 2015, and each fiscal year thereafter, the State Education Resource Center shall annually submit a **yearly budget, projected revenue statement and financial audit** to the State Board of Education and the joint standing committee of the General Assembly having cognizance of matters relating to education, in accordance with the provisions of section 11-4a.

Sec. 1-122. Compliance audit. The **Auditors of Public Accounts shall biennially** conduct a compliance audit of each quasi-public agency's activities during the agency's two fiscal years preceding each such audit or contract with a person, firm, or corporation for any such audit or audits. Each such audit shall determine whether the quasi-public agency has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds and the distribution of loans, grants, and other financial assistance. Each audit shall include a review of all or a representative sample of the agency's activities in such areas during the relevant fiscal years. The Auditors of Public Accounts shall submit each audit report to the Governor and two copies of the audit report to the Legislative Program Review and

Investigations Committee. Not later than thirty days after receiving copies of an audit report from the Auditors of Public Accounts, the Legislative Program Review and Investigations Committee shall prepare an assessment of whether the audit report complies with the requirements of this section and shall submit the assessment and a copy of the audit report to the joint standing committee of the General Assembly having cognizance of matters relating to the quasi-public agency. Each quasi-public agency shall pay the cost of conducting such biennial compliance audit of the agency.

Sec. 1-123. Reports. (a) The board of directors of each quasi-public agency shall **annually** submit a report to the Governor and the Auditors of Public Accounts and two copies of such report to the Legislative Program Review and Investigations Committee. Such report shall include, but not be limited to, the following: (1) A list of all bond issues for the preceding fiscal year, including, for each such issue, the financial advisor and underwriters, whether the issue was competitive, negotiated or privately placed, and the issue's face value and net proceeds; (2) a list of all projects other than those pertaining to owner-occupied housing or student loans receiving financial assistance during the preceding fiscal year, including each project's purpose, location, and the amount of funds provided by the agency; (3) a list of all outside individuals and firms receiving in excess of five thousand dollars in the form of loans, grants or payments for services, except for individuals receiving loans for owner-occupied housing and education; (4) a balance sheet showing all revenues and expenditures; (5) the cumulative value of all bonds issued, the value of outstanding bonds, and the amount of the state's contingent liability; (6) the affirmative action policy statement, a description of the composition of the agency's workforce by race, sex, and occupation and a description of the agency's affirmative action efforts; and (7) a description of planned activities for the current fiscal year. Not later than thirty days after receiving copies of such report from the board of a quasi-public agency, the Legislative Program Review and Investigations Committee shall prepare an assessment of whether the report complies with the requirements of this section and shall submit the assessment and a copy of the report to the joint standing committee of the General

Assembly having cognizance of matters relating to the quasi-public agency.

(b) For the quarter commencing July 1, 2010, and for **each quarter** thereafter, the board of directors of each quasi-public agency shall submit a report to the Office of Fiscal Analysis. Such report shall include, but not be limited to, for each fund and account of the agency: (1) The beginning fiscal year balance; (2) all funds expended and all revenue collected by the end of the quarter; and (3) total expenditures and revenues estimated at the end of the fiscal year. For the purposes of this subsection, "expenditures" and "revenues" have the same meaning as provided in section 4-69.

(c) For the quarter commencing July 1, 2010, and for **each quarter** thereafter, the board of directors of each quasi-public agency shall submit a personnel status report to the Office of Fiscal Analysis. Such report shall include, but not be limited to: (1) The total number of employees by the end of the quarter; (2) the positions vacated and the positions filled by the end of the quarter; and (3) the positions estimated to be vacant and the positions estimated to be filled at the end of the fiscal year.

Sec. 1-127. Restriction on entities conducting financial audits. No quasi-public agency, as defined in section 1-120, shall contract with the same person, firm, or corporation to conduct financial audits of such an agency for more than six consecutive fiscal years of the agency. The provisions of this section shall apply to fiscal years of quasi-public agencies beginning on or after July 1, 2003.

Sec. 1-83. Statements of fiscal interests. Filing requirements. Ethics statements. (a)(1) All state-wide elected officers, members of the General Assembly, department heads and their deputies, members or directors of each quasi-public agency, members of the Investment Advisory Council, state marshals and such members of the Executive Department and such employees of quasi-public agencies as the Governor shall require, shall file, under penalty of false statement, a statement of financial interests for the preceding calendar year with the Office of State Ethics on or before the May first next in any year in which they hold such an office or position.

If, in any year, May first falls on a weekend or legal holiday, such statement shall be filed not later than the next business day. Any individual who leaves his or her office or position shall file a statement of fiscal interests covering that portion of the year during which such individual held his or her office or position. The Office of State Ethics shall notify individuals of the requirements of this subsection not later than sixty days after their departure from such office or position. Such individuals shall file such a statement not later than sixty days after receipt of the notification.

1.13 Fiscal Year-End Closing Process – SERC and SERC Foundation (PROPOSED)

SUMMARY:

The annual fiscal year-end process will take place only after all adjustments recommended by SERC and SERC Foundation accounting firm are completed and both SERC Finance and the accounting firm are in alignment and agreement. Ther are seven (7) steps to the closing process that need to be followed in exact order to ensure a proper fiscal year-end closing.

PROCEDURE:

1. All accruals for the year end must be entered and closed.
2. Void ALL checks that are not expected to clear in the future. These are checks that are over 6 months old or have exceeded a banking institution's threshold for clearing "stale dated" checks.
3. For Fixed Assets – Depreciate and Transfer Depreciation for all depreciated assets through the end of the fiscal year being closed.
4. Post all sessions related to the fiscal year being closed.
5. Enter Closing account Assignments in MIP for all revenue and expense type accounts.
6. Print Balance Sheet, Statement of Cash Flows, Statement of Revenues and expenditures, AR report and AP report for post-closing comparison. Print and file in a clearly defined place ALL pre-audit and end of audit work papers.
7. **BACK UP THE ORGANIZATIONAL DATABASE IN MIP.**

1.14 Investment Policy (PROPOSED)

SUMMARY:

In the Auditor's Report of Connecticut Auditors of Public Accounts, a key finding and recommendation focused on maximizing interest income and investing prudently in accordance with SERC's Investment Policy. At the time of the audit, SERC was at risk for Custodial Credit Risk due to the balances in SERC's bank accounts. The Federal Deposit Insurance Corporation (FDIC) protects individual and business account assets to a maximum of $250,000. The auditors highly recommended opening an account in the Short-Term Investment Fund (STIF).

The Fund was established in 1972 and serves as an investment vehicle for operating cash of the State Treasury, state agencies and authorities, municipalities, and other political subdivisions of the state. The investment objective of the STIF is to provide the greatest income while ensuring the safety and preservation of principal and provide immediate liquidity to meet daily cash flow requirements. The Fund lowers risk by investing in high-quality, well-diversified securities with short average maturities. STIF also maintains a reserve of one percent of fund assets to protect against losses.

Standard and Poor's has rated STIF as "AAAm," which is the highest principal stability rating which demonstrates an extremely capacity to maintain principal stability and to limit exposure to principal losses due to a credit risk.

PROCEDURE:

1. Opening a new STIF account
    a. Any entity /agency interested in opening an account will need to complete an Investor Registration Form. All account forms are available on-line at STIF's website (https://portal.ct.gov/OTT/Pension-Funds/STIF/Forms-and-Instructions).
    b. For security reasons, all new account information on the Investor Registration Form (IRF) must be signed by at least two

authorized individuals prior to submitting it to the Treasurer's Office. The required information on the form is:

i. Names of individuals authorized to transact business on the STIF account.
ii. Bank instructions for electronic transfer of funds.
iii. Organizational address and contact information.
iv. Other pertinent account information.

c. An Investor Registration Form must be completed for each bank account that will receive wire transfers or ACH from your STIF account.
d. If you wish to have an individual who is not listed on the Investor Registration Form obtain balances, grant information, monthly data, and account history, an Online Access Authorization Form must be filled out. Once the forms are returned to STIF, a 10-digit account number will be assigned. For security reasons, the identity of the number should be restricted to authorized personnel.

2. Transactions
    a. After all necessary paperwork to electronically transfer funds from our bank, STIF transactions may begin. SERC may make purchases/deposits and redemptions/withdrawals utilizing an outside bank (i.e., Bank of Record) for the transfer of funds in and out of the STIF account. In the event SERC should have more than one account, transfers between accounts are also allowed.
    b. When executing a STIF transaction, the following information is required.
        i. STIF account number
        ii. STIF account name
        iii. Amount of the transaction
        iv. The name of the bank the funds are coming from, or the name and account number of the funds are going to.
    c. There are two methods for transacting business with STIF.
        i. Via telephone – contact STIF Investor Services Unit at 1-877- 225-8481.

ii. On-line execution through STIF Express Web Portal (STIF Express(ct.gov) or https://www.your-fundaccont.com/SOC. To sign up for on-line access, contact STIF Administration at 860-702-3118 or email: STIFadministration@ct.gov

d. Transaction times.
    i. If a transaction is either through the STIF-Express portal or via telephone, they must be entered (or called in) by 10:30 AM on the day the funds are needed to ensure settlement on the same day. If after 10:30 AM, the transaction(s) will execute on the next business day.
e. Investment Trade and Settlement Dates.
    i. It is important to note that failure to notify STIF of any purchase/deposits to the STIF office will result in the loss of at least the first day's interest. Interest is earned on settlement date.

1.15 Reserve Fund Policy

I. Purpose

The purpose of the Reserve Fund for the State Education Resource Center (SERC) is to help ensure the long-term ability of the organization to meet its mission. SERC will maintain the reserve to achieve the following objectives:

- To create an internal line of credit to manage cash flow and maintain financial flexibility.
- To enable the organization to sustain operations through delays in payments of committed funding, sudden increases in expenses, unanticipated loss in funding or uninsured losses.
- To pay for one-time, nonrecurring expenses that will build capacity, such as staff development, research and development or investment in infrastructure.

The Reserve Fund is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of SERC for reserves to be used and replenished within a reasonable period which should not exceed a year but would be subject to circumstances. The Reserve Policy will be implemented in concert with the other governance and financial

policies of SERC and is intended to support the goals and strategies contained in all related policies and in strategic and operational plans. The Reverse Fund serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

II. Definitions and Goals

The Reserve Fund is defined as a designated fund set aside by the action of the SERC Board of Directors. The minimum amount to be designated as the operating reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period, measured in months.

The **target minimum Reserve Fund is equal to three months** of average operating expenses. The calculation of average monthly operating expenses includes all recurring, predictable expenses such as salaries and benefits, occupancy, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation.

The amount of the Reserve Fund target minimum will be calculated each year after approval of the annual budget, reported to the Finance Committee/Board of Directors, and included in the regular financial reports.

III. Funding of Reserves

To establish the Reserve Fund, the SERC Board of Directors may allocate a portion of the existing accumulated unrestricted net assets as the beginning balance of the fund.

The Reserve Fund may be funded annually with surplus operating funds derived from unrestricted sources. The Board of Directors may, from time to time, direct that a specific source of revenue (e.g., a special grant received) be set aside for the Reserves. SERC management will ensure that any funding sources designated for the Reserve Fund will not carry restrictions that conflict with the Board's oversight of the fund as outlined in the policy.

IV. Accounting for Reserve Fund

The Reserve Fund will be recorded in the financial records as a Board-Designated Reserve and listed accordingly on SERC's financial statements. The status of borrowings from the Reserve Fund will be reported in financial reports submitted to the Finance Committee and the Board of Directors.

V. Investing Reserves

The Operating Reserve Fund will be funded and available in cash or cash equivalent funds, in accordance with the risk preferences, liquidity needs and investment objectives of the organization.

The Reserve Fund will be maintained in a segregated bank account or investment fund. Policies and procedures for overseeing deposits, reconciling statements, and safeguarding access will be the same as for any of SERC's other bank accounts.

VI. Using Reserves

The Executive Director will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. The Executive Director must receive prior approval from the Board of Directors for the use of reserves and will submit a request in writing to the Board of Directors which will include an analysis and determination of the need to use reserve funds, an assessment of the availability of other funding sources before using reserves and plans for replenishment. The Board of Directors will either approve, modify, or reject the request to authorize a transfer from the Reserve Fund. A record of such action will be maintained and be made as part of the Board meeting minutes.

VII. Reporting and Monitoring

The Executive Director is responsible for ensuring that the Reserve Fund is maintained and used only as described in this Policy. Upon approval for use of the Reserve Fund, the Executive Director and Chief Financial Officer will maintain records of the use of funds and plan for

replenishment. Management will provide regular reports to the Board of Directors/Finance Committee of progress to restore the funds.

The Executive Director and/or Chief Financial Officer will annually discuss what additional risk factors might be considered for the organization, the impact of budgeting on operating reserve levels, and any requirements with funders.

VIII. Review of Policy

This Policy will be reviewed every other year at a minimum, by the Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee of the Board of Directors.

Questions about this policy should be directed to the Chief Financial Officer of SERC.

1.16 Budget Process (Proposed)

Purpose:

Under Sec. 10-357d. (Submission of yearly budget, projected revenue statement and financial audit), the State Education Resource Center (SERC) shall annually submit a yearly budget, projected revenue statement and financial audit to the State Board of Education and the joint standing committee of the General Assembly having cognizance of matters relating to education, in accordance with the provisions of section 11-4a.