FIRST 5 FRESNO COUNTY

ADMINISTERED BY CHILDREN & FAMILIES COMMISSION OF FRESNO COUNTY

FINANCE AND PROGRAM REVIEW COMMITTEE

DATE: Monday, October 15, 2018

TIME: 11:00 a.m.

Lighthouse for Children
2405 Tulare Street
Fresno, CA 93721

AGENDA

ITEM	SUBJECT	PRESENTER
1.	**CALL TO ORDER**	K. Gilbert, Commissioner
2.	**POTENTIAL CONFLICTS OF INTEREST** Any Commission Member who has potential conflict of interest may now identify the item and recuse themselves from discussing and voting on the matter.	K. Gilbert, Commissioner
3. Action Pg. 1	**MINUTES FOR SEPTEMBER 18, 2018 COMMITTEE MEETING**	E. Reyes, E.D.
4. Action Pg. 3	**COMMISSION'S FINANCIAL AUDIT REPORT AND STATE ANNUAL REPORT FOR FISCAL YEAR 2017-2018**	E. Reyes, E.D. A. Hillis, Staff
5. Action Pg. 5	**PROCUREMENT POLICIES AND PROCEDURES – ANNUAL REVIEW** Supporting Documents	E. Reyes, E.D. F. González, Staff
6. Action Pg. 16	**ACCOUNTING POLICIES AND PROCEDURES – ANNUAL REVIEW** Supporting Documents	E. Reyes, ED. F. González, Staff
7. Action Pg.52	**TRAVEL POLICIES AND PROCEDURES – ANNUAL REVIEW** Supporting Documents	E. Reyes, ED. F. González, Staff
8. Action Pg. 63	**INVESTMENT POLICY – ANNUAL REVIEW** Supporting Documents	E. Reyes, ED. F. González, Staff
9. Action Pg. 74	**CONFLICT OF INTEREST POLICY – ANNUAL REVIEW** Supporting Documents	E. Reyes, ED. F. González, Staff
10.	**PUBLIC COMMENT** Limit two minutes per speaker. Public Comment is also taken on individual agenda items throughout the meeting at the conclusion of each agenda item.	K. Gilbert, Commissioner
11.	**ADJOURNMENT**	K. Gilbert, Commissioner

NOTE: If you need disability modification(s) and/or other accommodation(s) in order to participate in this meeting, please contact the Commission office at (559) 558-4900 at least 48 hours prior to the start of the meeting. Government Code Section 54954.2(a).

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FINANCE AND PROGRAM REVIEW COMMITTEE
October 15, 2018 – 11:00 a.m.

2405 Tulare Street
Fresno, CA 93721

AGENDA ITEM NO. 3

RECOMMENDED ACTION:

Approve September 18, 2018 Finance and Program Review Committee Meeting Minutes.

ACTION SUMMARY MINUTES
September 18, 2018 – 9:00 a.m.

Present: Hugo Morales and Kari Gilbert

Absent: None

Staff: Emilia Reyes (via Conference call), Fabiola Gonzalez, Kristina Hernandez, Alix Hillis, Mayra Diaz, Chia Vue, Karina Perez, Ken Price (Legal Counsel)

1. CALL TO ORDER

2. POTENTIAL CONFLICT OF INTEREST

None heard.

3. MINUTES FOR MAY 10, 2018 COMMITTEE MEETING

Public Comment: None heard.

Motion by: Morales Second by: Gilbert
Ayes: Morales, Gilbert
Noes: None Heard.

4. AGREEMENT WITH CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION – CENTRAL CALIFORNIA CHILDREN'S INSTITUTE TO ESTABLISH A BLUE RIBBON PANEL

Commissioner Morales disclosed a potential conflict of interest as a California State University Trustee.

Public Comment: None heard.

Motion by: Morales Second by: Gilbert
Ayes: Morales, Gilbert
Noes: None Heard.

5. **AGREEMENT RECOMMENDATIONS FROM THE COORDINATION AND ALIGNMENT OF EARLY CHILDHOOD SERVICES IN RURAL FRESNO COUNTY**

Commissioner Gilbert provided detailed feedback to staff to ensure staff reports and staff presentations include specific deliverables and key evaluation points that will be tracked and assessed on these type of agreements to highlight the Commission's return on investment more prominently.

Public Comment: None heard.

Motion by: Morales Second by: Gilbert
Ayes: Morales, Gilbert
Noes: None Heard.

6. **PUBLIC COMMENT**

Reyes reminded the Committee Board the launch of the Preconception to age 5 Blueprint for Funding taking place at the September 26, 2018 Commission Meeting where Moira Kenney, Executive Director of First 5 Association will also be presenting.

Commissioner Gilbert thanked the Commission staff for providing the Fresno County Department of Child Support Services with outreach materials for the Carnival Children's Fair that took place on Saturday, September 8, 2018.

Commissioner Morales mentioned the Fresno Clean and Safe Neighborhood Parks Initiative that will go on the ballot November 2018 to potentially raise an estimated $38 million per year and shared he was looking forward to have this effort come to the next Commission meeting for official endorsement consideration.

No action required.

Public Comment: None heard.

7. **ADJOURNMENT**

FIRST 5 FRESNO COUNTY
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FINANCE AND PROGRAM REVIEW COMMITTEE
October 15, 2018 – 11:00 a.m.

2405 Tulare Street
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AGENDA ITEM NO. 4

TO: Children & Families Commission of Fresno County

FROM: Emilia Reyes, Executive Director

SUBJECT: Commission's Financial Audit Report and State Annual Report for Fiscal Year 2017-2018

RECOMMENDED ACTION:

Review and approve, for full Commission consideration, the Financial Audit Report and State Annual Report for fiscal year 2017-2018.

BACKGROUND:

On an annual basis, on or before October 31st, the Commission is required to submit a financial Audit Report and a State Annual Report (per Health and Safety Code section 130150) to the California Children and Families Commission (also known as First 5 California) and the California State Controller's Office. The purpose of these reports is to inform the appropriate stakeholders on the status of the programmatic and strategic investments, as well as provide a detailed financial assessment of each county Commission.

Financial Audit Report
In accordance with Health and Safety Code section 130150, the Commission conducts an independent Audit of, and issues a written report on the implementation and performance of its functions during the last fiscal year (FY 2017-2018). The Health and Safety Code section 130140 (G) also requires the Commission to conduct one public hearing prior to adoption of the annual Financial Audit Report.

State Annual Report
Produced in accordance with State statute and guidelines, the State Annual Report focuses on the number of services provided to clients within the First 5 California strategic initiatives. The report highlights the funding, services, and systems used to improve family functioning, improve child development, improve health, and improve systems of care for children ages 0 to 5. County commissions are also required by statute to hold a public hearing and make the annual report available to the public upon request.

Subsequent to public hearings and submission approval by the full Commission, both reports will also be presented to the Fresno County Board of Supervisors as required by Fresno County ordinance. The draft Financial Audit and State Annual Report for FY 2017-2018 will be provided in more final form during the Committee meeting for review.

Fiscal Impact: Approval of the Financial Audit and State Annual Report for FY 2017-2018 will allow the Commission to continue receiving Proposition 10 funds in a timely manner from the California Children and Families Commission.

CONCLUSION:

If recommended by the Finance and Program Review Committee, both reports will be presented for full Commission consideration at the October 24, 2018 regular meeting and then submitted to First 5 California before the October 31, 2018 deadline. In the event a county commission does not submit a Financial Audit Report and/or a State Annual Report, the California Children and Families Commission may withhold funds that otherwise would have been allocated to the county commission.

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FINANCE AND PROGRAM REVIEW COMMITTEE
October 15, 2018 – 11:00 a.m.

2405 Tulare Street
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AGENDA ITEM NO. 5

TO: Children & Families Commission of Fresno County

FROM: Emilia Reyes, Executive Director

SUBJECT: Procurement Policies and Procedures – Annual Review

RECOMMENDED ACTION:

Approve, for full Commission consideration, the reviewed Procurement Policies and Procedures.

BACKGROUND:

Procurement Policies and Procedures:
The Commission is required by ordinance to develop and adhere to procurement policies and procedures related to its purchasing of and/or contracting for goods and services that are consistent with applicable federal and state laws and regulations. During this year's review, the Commission staff and Legal Counsel agreed there were no necessary updates to the Procurement Policies and Procedures except for the addition of a *Table of Contents*.

Fiscal Impact: Action on this agenda item will have no fiscal impact.

CONCLUSION:

Annual review and updates to Commission's policies and procedures ensure efficiency, further transparency, cost effectiveness and internal controls. Upon approval, staff will present to the full Commission for review and approval during the October 24, 2018 Commission meeting.

Administrative and Programmatic Procurement Policies and Procedures Manual

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PURPOSE

The purpose of the Children and Families Commission of Fresno County (the Commission). Administrative and Programmatic Procurement Policies and Procedures Manual is to document the Commission's policies and procedures related to its purchasing of and/or contracting for goods and services. Fresno County Ordinance 99-009, Section 2.38.020, item (E) states "The Commission shall develop purchasing and contracting policies and procedures consistent with applicable Federal and State laws and regulations." The Commission is required by law to abide by section *130140(d)(4)(B)* of the Health and Safety Code, which requires county commissions to adopt, in a public hearing, contracting and procurement policies consistent with State law. This includes, but is not limited to, Government Code sections *54201-54205*, Public Contract Code sections *2000-2002, 3410* and *22150-22154*, and California Labor Code section 1771, *et seq*.

PROCUREMENT

A. Public Works Projects

In the event that the Commission desires to enter into a Public Works Contract, as defined in Public Contract Code section 1101, the Commission shall comply with those provisions described in Article 3.5 of the Public Contract Code (§20120 *et. seq*). The Commission shall be the final decision-maker with respect to all Public Works Contracts.

B. Informal and Formal Competitive Purchases for Goods and Services

1. **Thresholds & Executive Director Signing Authority**
   Purchases for goods and services for the operations of the Commission are authorized by the Executive Director and/or the Commission. The competitive procurement process shall be used to acquire goods and services based upon the following dollar thresholds:

For Purchases	Type of Procurement	Required # of Proposals/Quotes	Minimum Approval Required
$0.01 to $3,000.00	N/A – Routine Purchase	N/A	Executive Director or designee
$3,000.01 to $50,000.00	Informal	Three (3)	a. Executive Director approval up to $10,000.00 b. Full Commission approval $10,000.01 and greater
$50,000.01 and greater	Formal	No Minimum	Full Commission

Purchases $3,000.00 or less are considered routine (day-to-day) and do not require proposals or quotes. These purchases can be made by using a Commission credit card with the Executive Director's (or designee) approval so long as they meet the requirements otherwise described in this policy.

The Executive Director or designee shall have authority to execute contracts for amounts less than $10,000.01 without prior Commission approval. The Executive Director shall inform the Commission during the regular Commission meeting immediately following the execution of a contract within the Executive Director's signing authority of (i) the subject matter of the contract; (ii) the amount of the contract; and (iii) the contracting parties. Neither the Commission nor its staff shall piecemeal contracts in an effort to make the contract amounts fall below any particular monetary threshold.

2. **Informal Selection Process:**
The informal selection process allows the Commission staff to obtain a written price and scope of work via fax, e-mail, or other writing by at least three vendors for goods or services valued at $50,000.00 and below. The vendor that best fits the Commission's needs, using price, quality and the ability to provide deliverables within the Commission's timeframe as the primary factors shall be selected. If the Commission is unable to obtain at least three written quotations, staff shall document this fact and provide as much available information regarding why it could not obtain this number. The Commission reserves the right to use a formal procurement process for purchases $50,000.00 or less, especially if there is uncertainty about the types of goods or services the Commission is seeking to obtain. All agreements resulting from the informal selection process require Legal Counsel review and sign-off prior to execution.

3. **Formal Procurement Process for Administrative Goods or Services**
For formal procurements, the Commission will use a Request for Proposals (RFP) or a Request for Quotations (RFQ), as best determined by the Commission or staff, as the case may be. All contracts entered into as a result of the formal procurement process shall be approved by the Commission before they are executed by the Executive Director and a Commission officer. All agreements resulting from the formal procurement process for administrative goods or services require Legal Counsel review and sign-off prior to obtaining the signature from the Executive Director and the Commission Chair.

   (a) An RFP is used when the Commission cannot precisely set forth its needs. Rather than including specifications, the Commission shall provide vendors a statement of work and the vendors are then asked to propose solutions. The RFP will detail what items the vendors are to submit, the qualifications of the proposer, the cost of their proposals, how the Commission will evaluate the proposals, select the vendor, and develop the contract. The RFP award is based upon various factors, including the lowest price, expertise of the proposer, and technical superiority of the proposal as compared to the other proposals submitted to the Commission. Proposals in response to an RFP are subject to negotiation after they have been submitted to the Commission.

   (b) An RFQ is used when the Commission has determined precisely what goods and services it needs. Similar to an RFP, an RFQ award is not necessarily based upon the lowest price, but upon a service or good that best fits the requirements within a reasonable proximity to the other proposals submitted to the Commission. The terms contained in an RFQ are typically not negotiable.

4. **Formal Procurement Process for Programmatic Services**
For formal procurements, the Commission will use a RFP, RFQ, or Request for Applications (RFA) as best determined by the Commission or staff. All agreements resulting from the formal procurement process for programmatic services shall be approved by the Commission. All contracts require Legal Counsel review and sign-off prior to obtaining signature from the Executive Director and subsequently the Commission Chair.

   (a) The RFP is used when the Commission cannot precisely set forth its needs. Rather than including specifications, the Commission shall provide proposed grantees a statement of work and the proposed grantees are then asked to propose solutions. The RFP will detail what items the proposed grantees are to submit, the qualifications of the proposer, the cost of their proposals, how the Commission will evaluate the proposals, select the proposed grantee, and develop the contract. The RFP award is based upon various factors, including the lowest price, expertise of the proposer, and technical superiority of the proposal as compared to the other proposals submitted to the Commission. Proposals in response to an RFP are subject to negotiation after they have been submitted to the Commission.

(b) An RFA is a formal announcement by the Commission of an opportunity to apply for funds with specific strategies and parameters in order to achieve the Commission's strategic goals and outcomes. An RFA contains specific requirements regarding the application and evaluation processes, and how such funds shall be used. Proposals in response to an RFA are subject to negotiation after they have been submitted to the Commission.

(c) Intent to Partner (ITP): With respect to programmatic RFPs or RFAs, the Commission may select certain service providers by engaging in community-based planning efforts in which stakeholders come together for the purpose of identifying specific needs and the providers best able to meet those needs. Funds should not be awarded during these meetings. The natural bias toward competitive procurement should apply and any exceptions should adhere to the guidelines outlined in this procedure.

C. Public Notice

It is the Commission's policy to provide notice to the public of all formal procurement opportunities. Such notices shall be posted publicly to ensure competition. Public notice will be on the Commission's website, in a local or trade newspaper/periodical of general circulation, and when determined by staff to achieve the greatest response, posted via the internet on public online exchanges. Publication shall be no less than ten (10) calendar days prior to the procurement time and due date. The Commission may opt to create and maintain a vendor list for specific professional services so long as such vendor(s) have been selected through informal or formal selection process, as the case may be. Commission staff shall keep evidence of posting of such notices as part of the project.

D. Contacts During Procurement Period

As of the issue date of the RFP/RFQ/RFA and continuing through the public notification of the award, all F5FC staff and Commissioners are specifically directed not to hold any unscheduled meetings, conferences, or technical discussions regarding the RFP/RFQ/RFA with prospective service providers or vendors. "Off the record" contact can potentially taint the Commission's decision-making process.

Proposers may only contact the Commission as identified in the RFP/RFQ/RFA in response to any matter pertaining to that RFP/RFQ/RFA. Proposers are prohibited from directly contacting any other Commission staff member or Commissioner regarding any matter directly or indirectly related to the RFP/RFQ/RFA. Such prohibited contact may result in disqualification of the potential contractor's proposal.

Proposers are encouraged to review the Commission's Conflict of Interest Policy.

E. Limitations on Those Who May Submit Proposals

1. No Subcontractors or Consultants
No consultant or subcontractor that provides advice to the Commission for a project may submit a proposal for an RFP/RFQ/RFA for the same project.

2. No Conflicts of Interest

Pursuant to the Commission's Conflicts of Interest Policy and Conflicts of Interest Code no Commissioner or Commission staff may make, participate in making, or use their official position to influence the making of any governmental decision which may have a direct or indirect foreseeable material financial effect on the Commissioner or staff person. Therefore, no entity in which a Commissioner or staff person has a material financial interest may submit a proposal to the Commission.

Additionally, any Commissioner or designated staff running for elected office must immediately disclose and recuse themselves from any Commission matter or action involving a contributor (whether direct or in-kind) to the campaign of that Commissioner or Commission staff. Under no circumstances may Commission staff accept a campaign contribution (whether direct or in-kind) from a Commission contractor in which that staff member has direct or indirect oversight over that contractor's service, contract, or activities. Commissioners and Commission staff are strongly encouraged to seek guidance from the Commission's legal counsel if there are any questions regarding the requirements contained in this paragraph. The violation of this provision by Commission staff may result in disciplinary action.

3. Relatives

Under no circumstances, may a financial dependent of a F5FC Commissioner or staff respond to a F5FC RFP, RFQ, or RFA. Relatives (which shall include, but not be limited to, parents, adult children, siblings, aunts and uncles) of F5FC Commissioners or staff who are not dependents are discouraged from responding to F5FC RFPs/RFQs/RFAs. If a Commission staff person becomes aware that his or her relative has submitted or will submit a proposal, that staff person shall immediately disclose the existence of this relationship to the Executive Director and subsequently the Commission. Moreover, that staff person shall immediately be screened from the proposal process and such relationship shall be disclosed to the Commission prior to any approval by the Commission. If a Commissioner is aware that his or her relative has submitted or will submit a proposal, that Commissioner shall disclose the relationship at a public meeting and recuse himself or herself from any part of the decision-making process on that RFP/RFQ/RFA.

F. Disallowed Costs

The Commission shall not reimburse any potential contractors for any expenses that potential contractor incurs in the preparation of a proposal to the Commission. A potential contractor is solely responsible for his/her/its own costs regarding preparation of and submitting any proposal.

G. Time and Due Date

The amount of time proposers may prepare their responses to formal procurement opportunities shall be determined by the Commission but, if practicable, shall be no less than ten (10) calendar days after release of RFP/RFQ/RFA and shall provide sufficient time for proposers to prepare and submit their proposals. The Commission reserves the right to amend the proposal due date. Such changes shall be issued in writing in the form of an addendum to all prospective proposers who received the original request documents or posted on the website. The Commission shall time-stamp all proposals it receives, or if the RFP/RFQ/RFA allows for electronic submission, staff shall keep evidence of the date and time such electronic correspondence is received. THE COMMISSION IS NOT RESPONSIBLE IF IT DOES NOT RECEIVE A PROPOSER'S ELECTRONIC SUBMISSION.

H. Addendum of Procurement Opportunities

The Commission reserves the right to amend any RFP/RFQ/RFA. The Commission shall make a reasonable effort to provide all vendors who received an RFP/RFQ/RFA with written notice of such action. Any oral interpretations of contract specifications by any Commissioner or staff to the vendor regarding terms or conditions shall not be binding on the Commission.

I. Mistakes in Proposals Prior to Opening of Proposals

Mistakes in proposals detected prior to opening may be corrected by the proposer by withdrawing the original and submitting a corrected proposal to the Commission before the due date. If there is insufficient time prior to the due date and time to withdraw the original and submit a corrected proposal, the proposer or an authorized representative may correct the mistake on the face of the original proposal, provided that such revision occurs prior to the due date and time. A corrected proposal must follow the time and due date procedures in Section G above. The Commission will not accept corrections to proposals after the proposal time and due date.

J. Acceptance, Review, and Selection

Proposals shall be accepted without alteration or correction, except as authorized in this policy, and shall be evaluated based upon the requirements set forth in the RFP/RFQ/RFA, which may include certain criteria to determine acceptability such as inspection, testing, quality, workmanship, delivery, and suitability for a particular purpose. Those criteria that will affect the proposal's price and be considered in evaluation for award, shall be objectively measurable, such as discounts, transportation costs and total or life cycle costs.

The Commission shall assign a staff person to facilitate the creation of a selection committee and/or process to review the proposals. The contract file shall contain a written explanation of the selection decision.

The Executive Director, or designee, shall make a final recommendation to the Commission based on the results of the committee. The Executive Director, or designee, shall notify all proposers of the recommendation no less than ten (10) days before the Commission approves the award. Final approval of the award shall be made by the Commission.

All contracts and purchases shall be based strictly upon the face value of the proposals received. The Commission shall not factor in to its procurement selection any hidden rebates, discounts, and other price considerations not described in the proposals.

A formal award ~~letter~~ notification shall be issued to the selected vendor, specifying the amount awarded and indicating that funds will be released upon compliance of a signed contract establishing the terms and conditions of all parties. Non-selected vendors shall receive written notice of the Commission's action. Commission staff shall keep evidence of the sent award and non-selection letters as part of the project.

K. Notice of Cancellation or Rejection of Proposals

The Commission may, at its discretion, cancel or reject any or all proposals. In the event of such a cancellation or rejection, all proposers shall be notified in writing as soon as possible and the reason(s) shall be documented in the procurement file.

L. Determination of Non-Responsiveness

Failure of a proposer to promptly supply information requested by the Commission may be grounds for the Commission to determine that the proposer is non-responsive, in which case the proposal may be rejected.

M. Disclosure of Results

After the award by the Commission, all proposals received by the Commission shall be open to public inspection at the offices of the Commission during normal business hours. The Commission shall keep the non-selected proposals for a minimum of two (2) years after the completion of the project. **The Commission is subject to the California Public Records Act ("CPRA") and the proposer must assume that any proposal it submits to the Commission is subject to disclosure under the CPRA. The Commission assumes no responsibility for the confidentiality of any information provided in the proposals.**

N. Protests

1. **Formal Procurement or Commission Approved Informal Purchases:** Upon notice by F5FC of a proposed award, any proposer may file a formal written protest regarding a potential or recent procurement by the Commission. The protest shall be filed with the Executive Director no later than forty-eight hours before the day of the meeting at which the Commission is scheduled to (i) award the subject contract or (ii) approve or disapprove a purchase that requires approval pursuant to the informal selection process described in Section 2 above. The protest shall be in writing addressed to and filed with the Executive Director and contain the exact basis for the protest, and proof that the protester is a viable and responsible provider of the supplies, equipment or services sought. The protest should provide evidence that the award violated the Commission's procurement procedures or State law. Mere disagreement with the decision of the Commission or Executive Director shall not be the basis for a successful protest. Commission staff shall keep record, according to its record retention practices, of any and all protests made by proposers.

2. **Informal Procurement Under $10,000.01:** Upon notice by F5FC of a proposed award of a procurement not going before the Commission, any proposer may file a formal written protest regarding a potential procurement. The protest shall be filed with the Executive Director no later than forty-eight hours after the notice of award. The protest shall be in writing addressed to and filed with the Executive Director and contain the exact basis for the protest, and proof that the protester is a viable and responsible provider of the supplies, equipment or services sought. The protest should provide evidence that the award violated the Commission's procurement procedures or State law. Mere disagreement with decision of the Commission or Executive Director shall not be the basis for a successful protest. The Executive Director shall make a determination as to a protest to an informal procurement. A proposer may file an appeal of such determination with the Commission. Commission staff shall keep record, according to its record retention practices, of any and all protests made by proposers.

O. Exceptions to a Competitive Selection Process

All goods and services shall be procured by an informal or formal competitive selection process unless the Commission or the Executive Director determines that one of the circumstances described below is satisfied. The Commission shall document, in writing, the justification for using such an exception.

1. **Sole Source Procurement:** The Commission may procure materials or services that are available from only one source. In order for the Commission to justify a sole source procurement, one or more of the following factors must be present:

   a. The vendor capabilities and experiences are so unique (including the vendor's possession of patents or trademarked materials) that no other vendor may comparably meet the Commission's needs;

   b. Only one product is available to reasonably meet the Commission's needs; and

   c. Only one vendor has the ability to provide goods or services to the Commission within the Commission's required time frame.

2. **Emergency**: Emergency purchases may be made by the Executive Director or designee when the materials or services so purchased are necessary to continue Commission operations or services. Such emergency purchases shall be submitted to the Commission for ratification at its next regular meeting. The Commission expects the use of such emergency purchases to be seldom used.

3. **State or County Vendors**: The Commission may use a vendor under a leveraged purchase agreement without a competitive selection process if the leveraged purchase agreement itself was procured via a competitive selection and the vendor accepts the same terms as those contained in the leveraged purchase agreement.

P. Commission's Standard Policies Manual

All contractors and vendors contracting with the Commission must agree to comply with the policies in the Commission's standard policies manual, including, but not limited to, the following:

1. **Breastfeeding Friendly (BFF) Policy:** The Commission embraces the importance of supporting and encouraging mothers to breastfeed their babies for as long as possible and has adopted a Breastfeeding Friendly Policy to be in place in any agreement between the Commission and programs and services funded by the Commission.

   Prior to the disbursement of any funds, all Service Providers and vendors contracting with the Commission must agree to comply with the Commission's BFF Policy, which requires the display of the Commission's BFF logo in a highly visible location such as the lobby/reception area, front window or entrance of the agency's office or service location. By displaying the BFF logo, agencies promote awareness and support of California Civil Code - Section 43.3 - a mother's right to breastfeed in public.

2. **Faith-based Funding Policy:** The Commission embraces the value of an active partnership between families, Service Providers, civic leaders, the faith-based community, local business and the community at large, and honors and respects the diversity of our community.

   The Commission acknowledges the right of all individuals to participate in Commission funded programs without coercion or unsolicited exposure to faith. Therefore, the Commission will not fund/support religious activities and/or activities that appear to promote a particular religious belief over others by way of its funding practices.

Service Providers and program recipients are expected to comply with all the legal requirements and restrictions imposed upon government funded activities as articulated in the California Constitution and the Religion Clauses of the First Amendment to the United States Constitution.

3. **Supplanting Policy:** No Commission funds shall be used to supplant (take the place of or replace) state or local General Fund money for any purpose. This prohibition does not apply to federally or privately funded programs.

4. **Tobacco-Free Policy:** The Commission recognizes the importance of protecting the health and safety of children, families, employees, visitors and others, and has adopted a Tobacco-Free Policy requiring a tobacco-free provision be present in any agreement between the Commission and programs funded by the Commission.

   All programs requesting funding from the Commission must provide a written copy of an established tobacco-free policy prior to the disbursement of granted funds. The established tobacco-free policy must apply to all employees, contractors, service employees, visitors and others.

Q. Strategic Plan

All contractors must provide services in a manner consistent with the objectives in the Commission's ~~2013-2020~~current Strategic Plan. In order to carry out these objectives, the Commission may, from time to time and in its sole discretion, request that a contractor work with other Commission-affiliated service providers in order to integrate the services into other programs funded directly or indirectly by the Commission. All contractors must make reasonable efforts to comply with the Commission's request.

R. Funded Partner Manual: Programmatic Services

With respect to programmatic RFPs or RFAs, contractors must comply with all policies and procedures set forth in the Commission's Funded Partner Manual: Programmatic Services. The Commission may review and amend the Funded Partner Manual: Programmatic Services as the Commission considers necessary in its sole discretion.

S. Funded Partner Manual: Supportive Services

With respect to administrative RFPs or RFQs, contractors must comply with all policies and procedures set forth in the Commission's Funded Partner Manual: Supportive Services. The Commission may review and amend the Funded Partner Manual: Supportive Services as the Commission considers necessary in its sole discretion.

FIRST 5 FRESNO COUNTY
ADMINISTERED BY CHILDREN & FAMILIES COMMISSION OF FRESNO COUNTY

FINANCE AND PROGRAM REVIEW COMMITTEE
October 15, 2018 – 11:00 a.m.

2405 Tulare Street
Fresno, CA 93721

AGENDA ITEM NO. 6

TO: Children & Families Commission of Fresno County

FROM: Emilia Reyes, Executive Director

SUBJECT: Accounting Policies and Procedures – Annual Review

RECOMMENDED ACTION:

Approve, for full Commission consideration, the reviewed Accounting Policies and Procedures.

BACKGROUND:

Accounting Policies and Procedures:
The Commission's Accounting Policies and Procedures ensure internal procedures align with First 5 Association Financial Management Guide, Governmental Accounting Standards Board (GASB), and industry standards. Accounting policies provide high-level guidance and focus attention on critical executive responsibilities associated with accounting for the Commission. The following updates are presented for your review and approval:

- Various updates of staff titles and positions
- The addition of pertinent reference of the Compensation Policy
- The addition and description of a Strategic Reserve Fund section as recommended by the Commission to guard against any future Proposition 10 revenue shortfalls.

Fiscal Impact: Action on this agenda item will have no fiscal impact.

CONCLUSION:

Annual review and updates to Commission's policies and procedures ensure efficiency, further transparency, cost effectiveness and internal controls. Upon approval, staff will present to the full Commission for review and approval during the October 24, 2018 Commission meeting.

Accounting Policies and Procedures Manual

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1. GENERAL

A. Purpose

The purpose of the Accounting Policies and Procedures Manual is to provide documented procedures related to fiscal policies, accounting principles, internal controls, operating procedures and reporting requirements for the Children & Families Commission of Fresno County (the Commission) also known as First 5 Fresno County (F5FC).

Use of this manual will assist Commission staff by:

- Describing methods for processing accounting information
- Documenting the accounting process so that execution of procedures is not completely dependent upon one individual
- Providing a training device and reference material for staff
- Providing a source of information to help eliminate uncertainties and confusion
- Ensuring consistent application of accounting policies and procedures
- Describing the principles, procedures and forms to be used to process and generate financial reports prepared in accordance with generally accepted accounting principles and governmental accounting standards

B. Authority

The California Children and Families First Act of 1998 (Proposition 10) created the California Children and Families Commission. Through the creation of the State Commission, 58 County Commissions were established.

Fresno County Ordinance Number 99-009 established the Fresno County Children and Families Commission pursuant to the provisions of the Health and Safety Code, Section 130140. Section 2.38.020, item G, of the Fresno County Ordinance states, "The Commission shall comply with Government Finance Officers Association (GFOA) financial management guidelines and Governmental Accounting Standards Board (GASB) accounting requirement standards."

C. Role of Fresno County Auditor-Controller/Treasurer-Tax Collector

The Fresno County Auditor-Controller/Treasurer-Tax Collector (FCACTT) provides maintenance of the Commission Trust Fund held by the County for the Commission. The FCACTT role to the Commission is that of a trustee nature. The Commission retains final authority over the Commission Trust Funds and access to these funds, upon proper authorization, shall be performed by the FCACTT in a timely and efficient manner.

D. Lighthouse for Children, Inc

Lighthouse for Children, Inc. (LFC) is a California 501(c)(3) non-profit public benefit corporation created by the Commission as a Qualified Active Low Income Community Business (QALICB) to take advantage of a New Market Tax Credit financing structure used to build a facility within a low-income community in Fresno County as the Commission is not eligible to be the QALICB. LFC is considered a component unit of the Commission for financial reporting purposes and, as such, is included in the Commission's annual financial report as a discretely presented component unit.

As a component unit of the Commission, LFC has a financial and operational relationship with the Commission which meets the reporting entity definition criteria of GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statements No. 39 and No. 61, and thus is included in the financial statements of the Commission. Although a legally separate entity, LFC is reported in financial statements using the discrete presentation method because it does not provide services exclusively or almost exclusively to the Commission and to emphasize that it is a legally separate organization.

Lighthouse for Children, Inc. must follow the policies and procedures as outlined in the this manual unless otherwise noted in the sections below.

E. Manual Revisions

The Commission is responsible for updating the manual as needed, at minimum on an annual basis, and ensuring that revised policies are appropriately considered at a public meeting by the Commission.

F. Glossary of Terms

A glossary of terms can be found in Appendix A of this document. ~~Throughout the entirety of the document the Business Director can be used interchangeably with the Senior Business Officer. In the case the Business Director is not present, the Senior Business Officer assumes the responsibilities of that role.~~

2. ACCOUNTING POLICIES

Accounting policies provide high-level guidance and focus attention on critical executive responsibilities associated with accounting. The following accounting policies assist the Commission in making decisions necessary for the daily operations of the agency:

- Accounting is conducted in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), and in accordance with the guidance in Governmental Accounting, Auditing, and Financial Reporting (GAAFR) published by the Government Finance Office Association (GFOA)
- Accounting transactions are recorded in a manner to facilitate **outcome-based accountability**
- Accounting procedures and records ensure expenditures are made only for the purposes authorized by the California Children and Families Act of 1998 (as amended), and in accordance with the Commission's approved 2013-2020 Strategic Plan.
- Accounting procedures are adopted and followed to safeguard financial resources

A. General Accounting Procedures

The following general accounting procedures are the major elements that define and drive the accounting system:

1. Generally Accepted Accounting Principles
2. Fund Accounting
3. Modified Accrual Basis of Accounting
4. Account Classification
5. Program Accounting
6. Cost Allocation

7. Budgetary Accounting
8. Internal Control

1. Generally Accepted Accounting Principles (GAAP)

In order to maintain public trust, the Commission's operations, reporting, accounting policies, practices, and systems conform to Generally Accepted Accounting Principles (GAAP).

2. Fund Accounting

Government accounting systems are organized and operated on a fund basis to provide strong accountability for the use of public funds.

Fund accounting focuses on the inflow and use of current financial resources, whereas private sector accounting focuses on profit and net worth. Fund accounting includes three broad classifications of funds. Governmental funds typically are used to account for tax-supported activities. Proprietary funds are used to account for a government's business type activities like a water department or an airport. Fiduciary funds are used to account for resources that are held by the government as a trustee or agent for parities outside the government. Fiduciary funds cannot be used to support the government's own programs.

One type of governmental fund is the general fund. The general fund is the chief operating fund of most governments and is used by the Commission. Another type of governmental fund is a special revenue fund. A special revenue fund accounts for the proceeds of a specific revenue source that is restricted by law or administrative action to be expended only on a specified purpose(s). Special revenue fund accounting is commonly used when revenue sources are exclusively designated for a specific purpose.

3. Accounting Methods

A. Modified Accrual Basis of Accounting
There are three bases of accounting: cash accounting, accrual accounting, and modified accrual accounting. Commissions are recommended, by the First 5 Association Fiscal Management Guide, to use the modified accrual method of accounting because it more effectively recognizes increases and decreases in financial resources.

The modified accrual basis of accounting is a method of accounting in which expenditures are recorded at the time liabilities are incurred and revenues are recorded when received in cash or are considered available for use.

B. Accrual Basis of Accounting
LFC utilizes the accrual basis of accounting. The accrual basis of accounting is a method of accounting in which expenditures and revenues are recorded at the time they are incurred, not necessarily when they involve cash.

4. Account Classification (Chart of Accounts)

The Commission engages in a wide range of financial activities. An account classification system called a chart of accounts is used to record and organize this financial activity. The chart of accounts provides the organizing framework for budgeting and substantially enhances reporting capabilities.

The chart of accounts includes all accounts in the general ledger – assets, liabilities, fund balance, revenues, and expenditures. Asset, liability, and fund balance accounts reflect the financial resources of the Commission and are referred to as balance sheet accounts.

5. Program Accounting

Account classification creates a structure to account for assets, liabilities, fund balance, revenues, and expenditures. In addition, the Commission often needs information on programs. **A program is a set of specific activities taken on by the Commission to accomplish a particular purpose and funding source**. A program may have more than one revenue source, and may require expenses from multiple accounts.

Because of the Commission's legal mandate for **outcome-based accountability** and the program evaluation requirements associated with the grant funds, the Commission has employed program accounting. In order to capture all costs to their appropriate funding, outcomes, and results areas the Commission has developed program accounting in their internal accounting system. Program costs are captured based on funding mechanism and focus areas. The Commission has also employed a data reporting system that provides result area-based expenses.

6. Cost (Expense) Allocation

Most accounting for the Commission's activities is accomplished directly by processing transactions. Transactions are coded and charged to designated fund accounts and programs. However, certain situations require special allocation steps to accurately account and report the cost of Commission activities.

To provide clarity, the Commission has adopted a policy defining administrative costs. Therefore, cost items that comport to the Commission's definition of administrative costs are charged directly to an administrative area in the accounting system. Cost allocation is used when costs need to be estimated and apportioned among different programs or organizational units. Examples of costs that may need to be allocated include office rent, telephone, and personnel costs.

Once it is determined that costs need to be allocated or apportioned, an allocation formula is created to obtain a reasonable estimate. At least once every two years the Commission conducts a time study of all staff positions in order to properly compute expenses. The time study shows the percentage of each staff position's time that is spent on each Commission program and on internal administrative activities.

7. Budgetary Accounting

The budget is consistent with GAAP and governmental accounting standards. The budget is a commitment for the allocation of available resources for the upcoming budget period. The budget is shaped by the goals and objectives contained in the Commission's approved Strategic Plan and the financial direction set in the long-term financial plan.

An annual budget authorizes and provides the following:

a. Basis for control of the financial operations of the Commission

b. Estimates revenues made on a modified accrual basis, as anticipated to be earned for that budget year
c. Estimates carryover fund balance made on a modified accrual basis, as anticipated to be on hand at the close of the fiscal year
d. Estimates appropriation requirements made on a modified accrual basis
e. These aforementioned estimates reflect expenditures and encumbrances for all obligations to be incurred during the budget year

The Commission will adopt the proposed budget at least one month prior to the beginning of the next budget period. In the adopted budget, the operating expenditures must not exceed the operating resources (forecasted revenues and reserves). That is, the total of all appropriations for the budget year may not exceed the total of estimated revenues for the budget year, plus the estimated unencumbered carryover fund balance from the current year.

8. Internal Control

Commission staff administers and monitors the adopted budget during the year to establish budgetary control. Specific steps are taken to establish that control.

Initially, the budget is aligned with the modified accrual accounting system. The budget includes estimated allocations to the various program components that support the Commission's goals. The program accounting structure is aligned with the programs in the budget. Revenue and expenditure line items in the budget are aligned with the chart of accounts to effectively compare "actual" revenues and expenditures with "budgeted" revenues and expenditures.

Secondly, a component of budgetary accounting is encumbrance accounting. An encumbrance system is needed to control the expenditure side of the budget. Encumbrances represent the estimated amount of future expenditures that will result when unperformed work within a contract terms. Essentially the encumbrance reserves a portion of a budget. When the work outlined in a contract is performed, expenditures will be recorded in the accounting system (and the encumbrance will be reversed). Until the expenditure is recorded, encumbrances are used so the Commission does not over commit funds.

Thirdly, staff uses the budget document as a guide for expenditures throughout the budget period so that actual expenditures do not exceed the total adopted budget. Monthly reporting is used to identify budgeted and actual amounts and fund balance, ensure resources are used for the appropriate purposes, and ensure resources are not expended too quickly.

Lastly, during the year, amendments are made to the original budget as circumstances change. The Commission must approve any appropriation transfers when it is necessary to move appropriations between expenditure objects. Objects are defined as Salaries and Benefits, Services and Supplies, and Program Contracts. The Executive Director or designee of the Commission may approve appropriation transfers between line item accounts within an expenditure object. The Commission may increase appropriations during the fiscal year on a 2/3-majority vote by Commissioners present at a regularly scheduled meeting of the Commission. The appropriation amounts must be matched by realized revenue or carryover, or additional anticipated revenue, in excess of amounts anticipated in the budget. Mid-year budget increases are made by resolution of the Commission. Records of the original budget and all amendments are maintained. At year-end both the "original" budget and "final amended" budget amounts are reported in the annual audit.

3. ACCOUNTING PROCEDURES AND PROCESSES

The accounting system consists of records and procedures which recognize, record, classify, summarize, and report information on the Commission's financial position and results of operations. The major elements used in presenting financial information in governmental accounting are assets, liabilities, fund balance and/or equity, revenues, and expenditures.

The accounting procedures and processes below describe the methods used in accounting for the Commission's financial transactions. The goal of the accounting process is to produce financial reports that accurately summarize the financial position of the organization at a certain point in time and its revenues and expenditures for the fiscal period.

A. Revenue

A. Proposition 10 Revenue

Revenue received for the operation of the Commission is initiated and submitted from the California State Children and Families Commission on a monthly basis, based on Proposition 10 funds collected by the California State Board of Equalization. The revenue allocated and transferred to the Commission is based on the percentage of Fresno County live births to California State live births. The funds are remitted directly to the Fresno County Treasury where they are placed in the Children and Families Trust Fund.

The State submits a Disbursement to Counties by Month Report which reflects funds collected for the month and distributed to counties based on their percentage of live births to the total State live births. The revenue remitted by the State is reviewed and documented by Commission staff each month to determine the reasonableness of the revenue.

B. Other Revenue

The Commission may receive other revenue not otherwise related to its Proposition 10 funding allocation from such sources as the State Commission, other state departments, the federal government, and private foundations. These funds may be restricted in how they are used and require special accounting information to track and report periodically. The use of these revenues must have Commission approval and a formal grant or funding agreement including a budget or plan establishing restrictions and parameters of the funding agreement in place, which shall include a budget or plan establishing restrictions and parameters on the use of the funds.

B. Cash

The Commission is responsible for several cash accounts. These accounts include the following:

1. <u>Commission Trust Account</u>

   The Commission Trust Account (trust account) is maintained by the County Auditor-Controller/Treasurer-Tax Collector for the Commission. Monies are transferred to the cash accounts described below for the operations of the Commission.

Since the County has established that funds in the trust account are not operational funds, there is a need to have some excess funds in the Operations/Program Accounts. The County only allows two non-operational transfers per 30-day period, and the transfers must be 10 days apart between withdrawals. Commission management and the Commission's Secretary/Treasurer will establish the amount of funds to be held by a bank.

The Commission will transfer sufficient monies to the Operations/Program Accounts as needed for operations. There is no limit on the number or amounts of operations transfers within a 30-day period. Fresno County will be notified of the need to transfer funds by Commission management based upon projecting future cash flow requirements.

A transfer of funds requires the Executive Director to approve the transfer request. The transfer request must be in writing to the Fresno County Treasurer's Office in order for the transfer to take place. The authorized signer for transfers is the Commission's Executive Director. Transfer amounts for non-operational funds cannot exceed the amount allowed by Fresno County.

Transfers may be made by check sent directly to the authorized bank or wire transfer only to the Operations/Program Accounts.

Each month, the County submits a Monthly General Ledger Trial Balance Report and a Monthly Transaction Register to the Commission, which documents the activity for the month and the cash balance in the trust account.

2. <u>Operating Checking Account</u>

The operating checking account is maintained to process transactions for the general operations of the Commission.

The account requires two authorized individuals designated by the Commission on payments over $500.00.

Account signers are the Executive Director and designee. Wire transfers must be authorized in writing by the Executive Director or designee.

The Executive Director has been delegated the authority to authorize payments for all recurring budgeted costs [no dollar limit] and up to $3,000.00 for non-recurring operating costs. All checks over $500.00 require a second staff approval.

Splitting payments to avoid the approval limit is contrary to Commission policy and is not allowed. Payments authorized by anyone other than the primary designee will be presented to the primary designee for review and the primary designee will initial their subsequent review and approval of the expenditure. The primary designees are designated as the Executive Director and the management staff (or designee).

3. <u>Program Checking Account</u>

This account will segregate the funds necessary for financing current activity of programs/grants.

The account will require two approvals on the account and will be as follows:

Authorized individuals shall be the Executive Director and designee. Wire transfers must be authorized in writing by the Executive Director or designee.

Splitting payments to avoid the approval limit is contrary to Commission policy and is not allowed. Payments authorized by anyone other than the primary designee will be presented to the primary designee for review and the primary designee will initial their subsequent review and approval of the expenditure. The primary designees are designated as the Executive Director and the management staff (or designee).

Program funds are requested from the trust fund on an as-needed basis. A formal letter on the Commission's letterhead is submitted to the County Auditor-Controller/Treasurer-Tax Collector from the Commission when funds are needed and is authorized by the Commission's Executive Director. A ~~Business Department~~staff designee verifies funds have been transferred to the appropriate bank accounts.

4. Petty Cash Fund

The Commission maintains a petty cash fund for minor business expenses and replenished as needed in an amount not to exceed $200.00. A custodian is assigned the responsibility of maintaining this fund. Reconciliation by the ~~Business Assistant~~ Project Specialist independent of the custodian function is performed on a quarterly basis. The petty cash fund is not used for change funds. The process for petty cash is as follows:

1. Petty cash funds are secured in a locked petty cash box with the custodian.
2. Petty cash for a minor business expense is requested from the custodian.
3. The custodian completes a petty cash voucher with the date, amount disbursed, details of expense, account to debit the expense and name of the person to whom the petty cash was paid.
4. The voucher is stapled to the receipt and stored in the locked petty cash box.
5. The expense is recorded in a spreadsheet that updates the running cash balance.
6. At the end of every quarter, the locked box is given to the ~~Business Assistant~~ Project Specialist to perform a reconciliation between the balance in the spreadsheet and cash balance in the petty cash box.
7. Journal entries are then recorded by the ~~Business Assistant~~Project Specialist for each expense by applying a debit to the expense account and a credit to the petty cash account.
8. Receipts and vouchers are attached to the journal entry batch and filed in the journal entry file.

5. Accounts Receivable

An accounts receivable process is maintained to identify and bill all amounts due on a timely basis. The process will identify overdue receivables and provide timely collection notices. The process is as follows:

1. Services and/or goods will be billed by a ~~Business Department~~staff designee.
2. The invoice generated will be recorded - a debit to accounts receivable in the amount of the invoice and a credit to the revenue - in the accounts receivable module of the Commission's accounting software.

3. After the bill is issued, the timing of the outstanding bill will be tracked so that the receivable can be aged.
4. Follow-up correspondence will be sent to the vendor/~~Service Provider~~ Funded Partner if payment is not received by the due date listed on the invoice.
5. When the vendor/ Funded Partner ~~Service Provider~~ remits payment on the invoice, the payment will be recorded in the accounting system by the original ~~Business Department~~ staff designee and submitted to a separate ~~Business Department~~ designee to make to deposit.
6. Once the deposit is made, a third ~~Business Department~~ designee received the deposit slip and records it in the accounts receivable module, by debiting cash and crediting accounts receivable.
7. The ~~Business~~ Project Director checks that the deposit is accurately recorded and the ~~Business Staff~~staff designee posts the receivable to the General Ledger.

6. Investments

The Commission has developed an Investment Policy that is updated annually by Commission staff and appropriately considered at a public meeting by the Commission.

C. Bank Reconciliation

Bank reconciliation is performed on a monthly basis for all cash accounts. The following describes the procedures related to the bank reconciliation process:

1. The bank statement is received in the mail and forwarded, unopened to the ~~Business Director or~~ Deputy Director or Project Director, whom is separate from the payment process, who reviews and forwards to the ~~Senior Business Officer~~ Project Director or designee.
2. The ~~Senior Business Officer~~ Project Director then prepares the bank reconciliation and upon completion forwards to the Executive Director.
3. The Executive Director initials the bank reconciliation verifying the review and returns the bank reconciliation to the ~~Senior Business Officer~~ Project Director.
4. ~~Business Department s~~Staff prepare~~s~~ the monthly journal entries based on the bank reconciliation. All journal entries must be accompanied with proper supporting documentation and filed appropriately.

D. Payment Approval Authorizations

The Executive Director is authorized to approve payments of $10,000 or less as outlined in the Commission's Procurement Policies and Procedures Manual. Payments for amounts over $10,000.00 require Commission approval.

As stated above, manual checks valued at more than $500.00 require two signatures. Authorized designees are detailed by account.

The Executive Director, Deputy Director, ~~Program & Evaluation Director~~Project Director, not associated with the payment process, and the Commission's Vice-Chair are the payment authorizers. In the absence of the Executive Director, the Commission's Vice-Chair acts in lieu of the Executive Director as a payment authorizer. The Commission requires payment authorizers to be updated upon the end of a Commissioner's term and updated to reflect incoming Commission members.

E. Fidelity Bond Insurance

The Commission is required to maintain fidelity bond insurance. The Commission has authorized the fidelity bond to cover all sums of the Commission's Trust Fund that are removed from the County Treasury. Currently the insurance amount maintained by the Commission is $5,000,000.

F. Policy of Cash Funds

The funds may be invested by management in investments allowed by State Law and approved by the Commission. Funds held by the banks must be collateralized with acceptable securities with a value of 110% or more for funds in excess of FDIC limits. Please refer to the Commissions' Investment Policy for further details.

G. Capital Assets

Capital assets include such items as land, structures and improvements, and furniture and equipment owned by the Commission. Under the modified accrual basis of accounting, the Commission charges capital asset purchases as expenditures. The following are safeguards to control capital assets:

- All capital assets having a value of more than a specified dollar amount and a useful life of one year or more are monitored through inventory controls
- Commission approval of all capital asset purchases, depending on dollar amounts is required
- Pertinent data on capital assets (including description, cost, source of funds, and data acquired) is recorded as soon as capital assets are acquired and data is available
- All items are tagged with a pre-numbered identification sticker
- Performance of annual physical inventories
- Maintenance of a listing of expendable equipment (assets that do not meet the specified dollar amount to be classified as a capital asset, but require control) that could easily be misappropriated, as well as periodic inventory of this equipment
- Recording of donated capital assets at fair market value as of date of donation
- Insurance requirements for fixed assets are reviewed on an annual basis to ensure coverage is adequate

The Commission has developed a Capital and Depreciation Policy that provides further detail. The policy is reviewed for updates annually by Commission staff.

H. Purchasing/Receiving

The Fresno County Ordinance 99-009, Section 2.38.020; Item (~~E~~I) states: "The Commission shall develop purchasing and contracting policies and procedures consistent with applicable federal and state laws and regulations."

The Commission has developed a Procurement Policy and Procedures Manual that are updated annually by Commission staff and considered at a public meeting by the Commission. The competitive bidding process is used in acquiring goods and services based on certain dollar thresholds.

I. Public Relations Purchases

Expenditures submitted to the Commission for Public/Community Relations expenses must be made in accordance with the funding source requirements, consistent with good business practice, and adhere to the Commission's Procurement Policies and Procedures, Accounting Policies and Procedures, and Conflict of Interest Policy as appropriate.

Where funds are received for research, grants or special projects, additional documentation must be maintained as required by the entity providing the funds. In the administration of restricted funds, the Commission must maintain adequate documentation to be able to demonstrate that the expenditures are made in a manner consistent with the restrictive conditions.

In accordance with this section, allowable Commission expenditures may include, but are not limited to:

1. Membership and participation in the activities of community groups, including but not limited to service clubs and community-wide organizations of leading citizens in early learning, child development, education, business and/or government which serve the needs of young children and their families and promote the engagement of the Commission within the community.

2. Commission programs/activities that promote and support optimal early childhood development, strengthening of the Commission's public relations; and/or donor cultivation and stewardship. Such activities may include, but are not limited to community receptions, cost of meetings, speaker fees, public ceremonies, commission and committee meetings.

3. Hospitality expenses including the provision for meals, catered events, promotional materials and other related expenses that are necessary to conduct official Commission business with external partners. Eligible costs associated with travel for guests of the Commission will adhere to the Commission's Travel Policies and Procedures.

4. Promotional materials distributed to promote the name and brand of the Commission.

5. Flower/Plant purchases, with non-restricted funds, for official Commission functions such as community receptions, ceremonies, seminars, and other Commission events.

No reimbursement shall be allowed for the following expenses:

- Employee birthday, baby shower, wedding, wedding anniversary, etc.
- Clothing rental
- Political contributions
- Tobacco and alcohol purchases
- Daily reimbursement of lunches
- Amounts that are unreasonable given the circumstances in which the expenses were incurred and/or the benefit they provided to the Commission
- Membership or participation in organizations that discriminate based on race, color, religion, national origin, ancestry, age, gender, sexual orientation, marital status, veteran status, or disability

For the allowable expenditures described above, a Payment Authorization Form indicating the Public Relations Purchase must be approved by the Executive Director or designee. The Executive Director or designee approving the authorization is responsible to ascertain the necessity and reasonableness of the authorization and that adequate documentation is attached to support the authorization. The Executive Director or designee may not approve authorizations payable to their supervisor; Commission Chair approval is required.

The following justification information is required to be documented upon request for payment authorization of public relations purchases:

- **Purpose** - Be specific regarding the purpose for the expenditure. Generic statements such as "promotes positive relations", "community relations" or "employee relations" are not acceptable.
- **Relationship** - Names of the persons including their employer and occupation or title demonstrating the business relationship to the Commission.
- **Receipts** - Original receipts are required that include the amount, date, place and description of the expenditure. In cases where receipts cannot be obtained or have been lost, a statement to that effect should be made and attached to the authorization.
- **Highest Position Responsible for Payment** - The highest-ranking Commission staff in attendance at a business-related activity is deemed to be responsible for making the payment to the vendor and he/she will subsequently seek approval to be reimbursed if needed with approval from their immediate supervisor.

J. Electronic Funds Transfer (EFT) – Automated Clearing House (ACH) Payments

The Commission utilizes Electronic Funds Transfer (EFT) – Automated Clearing House (ACH) payments in lieu of issuing checks and mailing remittance. A check will be issued if no method of EFT exists, upon Executive Director's approval

EFT is a system of transferring money from one bank account directly to another without paper money changing hands.

ACH payment is the method of electronic remittance to individuals or entities that are made electronically within the banking system. ACH payments have many benefits. They eliminate the need to print and mail checks, ensure payees receive payments by a specific date, provide an efficient, cost effective, and payee-friendly means of making payments, are environmentally friendly due to the reduced use of paper, postage, office supplies, processing time, and storage space, and provide payees with an option to receive payment quickly.

The Commission will make all vendor payments through ACH. Vendors must submit an EFT Authorization Form to the Commission. The form is located on the Commission's website.

It is the responsibility of the vendor to ensure the ACH information submitted to the Commission is accurate and complete. Failure to maintain accurate and complete information may result in delayed payments.

K. Credit Cards

At times the use of payment via credit card may be deemed necessary for reoccurring payments when ACH payment is not available. Credit cards are not intended for purchases that can otherwise be paid by issuing an EFT/ACH or check payment. Instead they are intended to be used for vendors that do not accept these forms of payments, small purchases, travel and emergency purchases.

A credit card will only be provided to the Commission's Executive Director, Deputy Director and ~~Business~~ Project Director to provide a level of purchasing flexibility to conduct Commission business. Executive, Deputy and ~~Business~~ Project Directors utilizing agency credit cards will be solely responsible for the safeguarding of the credit card and account number, as well as complying with this manual, internal procedures, ~~-~~and the Commission's Procurement Policies and Procedures Manual regarding purchasing, maintaining documentation, providing receipts and reconciling the bill on a monthly basis. The Executive, Deputy and ~~Business~~ Project Directors will work with ~~the Business Department~~staff to assure procedures are properly followed. Once the monthly credit card statement is reconciled, the statement and all purchases must be reviewed and signed by the Commission Chair or designee.

If either the Executive, Deputy and ~~Business~~ Project Directors terminates employment with the Commission, the credit card must be surrendered to ~~Business~~ the ~~Department staff~~ Commission immediately for cancellation.

L. Accounts Payable/Cash Disbursements

Invoices received for goods and services are properly approved by the Executive Director or designee and forwarded to the ~~Business Department~~staff designee for payment processing. The following table outlines the procedures for processing accounts payable and the associated four methods of cash disbursement:

1.	The invoice is received and F5FC staff reviews the invoices and approves that the goods and services have been performed. The invoice is signed, dated, and the appropriate expense line is documented. Then the invoice is forwarded ~~to the Business Specialist or Business Assistant~~for processing.
2.	The ~~Business~~ Project Specialist ~~or Business Assistant~~ reviews the invoice for accuracy and matches the invoice to the check request form and any receiving documentation. The ~~Business~~ Project Specialist ~~or Business Assistant~~ enters the invoice into the accounting system and prepares the Cash Requirement Report for payment and forwards the invoice to the ~~Senior Business Officer~~ Project Director responsible.
3.	The ~~Senior Business Officer~~Project Director reviews all invoices for completeness and accuracy. The reviewed invoices are submitted to the Executive Director and/or designee with all invoices and supporting documentation for approval.
4.	The Executive Director or designee reviews the Cash Requirement Report and approves payments in the Commission's accounting system. The Executive Director or designee prepares an Approval Invoice Report for ~~the~~ both ~~second~~ to sign~~ature from designee~~. The Executive Director initials all invoices for approval. ~~The Approved Invoice Report is then forwarded to the Business Director. The Business Director releases all payments and prints confirmation reports.~~
5.	The Approved Invoice Report is then forwarded to the Project Director. The Project Director releases all payments and prints confirmation reports.

EFT/ACH and Wire Transfers	Online (Bank Draft)	Credit Card	Check

~~5.~~6	The ~~Senior Business Officer~~ Project Director or designated staff creates and exports ACH files from the accounting database system~~.~~ ~~The file must be~~ in the proper ACH format. The ACH file is imported and transmitted directly to the bank.	The ~~Business~~ Project Director or designated staff processes payment online.	The ~~Business~~ Project Director or designated staff processes payment over the phone or online.	The ~~Business~~ Project Director prints out checks and forwards to Executive Director and/or designee for signatures.
~~6.~~7	Transaction is confirmed with the bank and the ACH Batch Summary Report is printed and filed in the ACH bidder.	Receipt is printed and filed in the vendor file.	Receipt is printed and filed in the vendor payment file.	The Executive Director forwards the signed checks to the ~~Business Assistant~~Project Specialist to prepare each check for mailing.
~~7.~~8	~~The Senior Business Officer e-mails p~~Payment notifications are emailed to vendors~~ of payment transaction~~. Paid Invoices are filed~~ by the Business Assistant~~.	Paid invoices are filed.~~ by the Business Assistant.~~	Paid invoices are filed.~~ by the Business Assistant.~~	Paid invoices and check stubs are filed.~~ by the Business Assistant.~~

M. Payroll

The Commission utilizes a contracted payroll service to process payroll. Payroll is processed every two weeks. Physical control over personnel records is limited.

Following are procedures related to the payroll function:

~~1. All employees are required to document their time through timesheets. This will ensure regular, vacation, sick, or any other type of pay is appropriately documented.~~

~~2.~~1. Payroll increases are required to be approved by the Commission, then documented in memo format and submitted to the Executive Director for approval. Changes to the Executive Director's payroll is authorized by the Commission.

~~3.~~2. The ~~Administrative~~ Project Manager~~Officer~~, who maintains personnel files, will place the original payroll increase memo in the personnel file.

~~4. Supervisors and Executive Director or designee approves each timesheet prior to authorization for the payroll.~~

3. Time is~~sheets are verified and~~ entered in to the payroll system and payroll is processed by the ~~Administrative~~ Project Manager~~Officer~~.

~~5.~~ Paid time off (PTO) accrual is then~~ and submitted~~ reconciled for accuracy~~to~~ by the ~~Business~~ Project Specialist~~ to reconcile personal time off (PTO) accrual.~~.

~~6. Payroll is processed and released by the Senior Business Officer.~~

~~7.~~4. Pay stubs~~roll is~~ are delivered by the payroll service and payroll direct deposit is issued every other Friday. The ~~Business~~ Project Specialist, who is independent of the preparation and authorization of the payroll, distributes payroll remittances.

~~8.~~5. Payroll reports prepared by the payroll service are reviewed by the ~~Business~~ Project Director for any unusual items.

~~9.~~6. The ~~Business~~ Project Director prepares and posts journal entries for all payroll liabilities to be reflected in the accounting system.

N. Salaries and Benefits Policy

The Commission has developed, and appropriately considered at a public meeting, a Compensation Policy to state procedures and policies for establishing salaries. Details regarding employee benefits are outlined in the Commission's Employee Handbook.

~~N.~~O. Compensated Absences

Compensated absences are absences for which employees will be paid such as paid time off (PTO). A liability for compensated absences for services already rendered and that are not contingent on a specific event shall be accrued as employees earn the rights to the benefits. The compensated absence liability shall be calculated based on the pay or salary rates in effect at the balance sheet date.

~~O.~~P. Accounting for Leases

Leases entered into by the Commission are classified as capital leases or operating leases. Leases, which represent substantially all the benefits and risks incident to ownership of the property such as a capital lease, are accounted for as the acquisition of an asset and the incurrence of an obligation. Other types of leases shall be classified as operating leases. The following are guidelines to determine if a lease is considered a capital lease or an operating lease:

1. Capital Leases

   A lease which meets any one of the following criteria shall be accounted for as a capital lease:

   a. The lease transfers ownership of the property to the lessee by the end of the lease term
   b. The lease contains an option to purchase the leased property at a bargain price
   c. The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property
   d. The present value of rental and other minimum lease payment equals or exceeds 90% of the fair value of the leased property

   The amount recorded as an asset and an obligation under a capital lease is the lower of the present value of the rental and other minimum lease payments or the fair value of the leased property. Periodic lease expenditures are considered payments of the lease obligation and as interest expense (principal and interest).

2. Operating Leases

   If a lease is not considered a capital lease based on the criteria stated above, then it is classified as an operating lease. Payments for operating leases are recognized as expenditures when payment is made.

~~P.~~Q. Travel/Expense Reimbursements

Commissioners and staff are authorized to receive reimbursement for travel and business expenses incurred while attending official functions, as long as the expenses are reasonable, prudent, and appropriate for the business of the Commission. Travel expense reimbursements by Commission staff and Commission members shall be properly authorized. Authorization for travel is approved by the Executive Director for all employees. The Commission approves travel for Commissioners through the budget process. When possible, the Executive Director shall notify the Commission prior to incurring out of County travel-related expenses. In the event such notice is not possible, the Deputy Director shall sign off on the travel and then report to the Commission at the next regularly scheduled meeting. Further travel-related expense details can be found in the Commission's Travel Policy and Procedures Manual that is maintained and updated annually as needed by Commission staff.

~~Q.~~R. Debt

The General Long-Term Debt Account Group is used to record liabilities of governmental funds. These liabilities may be long-term debt such as bonds and notes or long-term liabilities such as capital leases, claims and judgments, personal and major medical leave, and pension costs.

General fixed assets acquired via capital lease agreements shall be capitalized in the General Fixed Asset Account Group as discussed above. Additionally, a liability in the same amount shall be recorded simultaneously in the General Long-Term Debt Account Group.

~~R.~~S. Journal Entries

Journal entries may be performed in order to bring an account to the correct balance and to record monthly activity. An adjusting Journal Entry is prepared for these types of changes. A monthly Journal Entry is prepared to record the monthly activity.

~~Business Department s~~Staff prepares the adjusting Journal Entry and the monthly Journal Entry and enters the journal entry into the accounting system on an as needed basis. Journal entries are filed upon entry into the accounting system.

4. CONTRACT ADMINISTRATION

The purpose of this section is to set forth recommended contracting and contract administration guidelines for the Commission. The guidelines are based on best practices in public procurement. Best practice in governmental contracting requires a selection process that is based on the open and fair identification and selection of vendors qualified to render a particular service, taking into consideration both technical qualifications and price.

A. Procedures

1. Provider Selection

The Commission has developed Procurement Policies and Procedures ~~Procurement Purchasing Policy and Procedures Manual that is reviewed and updated annually if needed by the Executive Director and/or the Commission. The policies are~~ based on best practices in public procurement which clearly identifies and describes the different methods of the procurement and contracting process. The policies are reviewed and updated annually, if needed, by the Executive Director and/or the Commission. Details can be found within the Manual. ~~Commission's Procurement Policies and Procedures Manual~~.

B. Contractor Payments

1. Advance Payments

Any provider seeking the release of funds prior to the commencement of work under the contract may make such a request in writing on company letterhead, specifying the reason(s) advance funds are needed.

Advance funds are contingent upon the Commission's availability of cash flow. Approval is based on the nature of each project and contingent upon the ~~Service Provider's~~Funded Partner's performance in meeting contractual requirements.

A cash advance may not exceed 50 percent of the maximum amount allowed in the fiscal year. Additional funds will not be released until 75 percent of the previously released funds has been expended and reported. The final quarter advance will only be two-thirds of the advance amount. The last month of each fiscal year is on a reimbursement basis only.

If, at the end of the contract period (i.e. fiscal year), the Funded Partner ~~Service Provider~~ has not utilized any portion of the funds advanced, the Funded Partner ~~Service Provider~~ shall return that amount to the Commission. If the amount is not returned, the Commission will withhold funds from the subsequent year's contract (if applicable). The Commission will make every attempt to negotiate a solution before pursuing litigation.

2. Progress Payments

Funded Partners ~~Providers~~ formally request reimbursement for services by submitting an invoice via the Commission's online programmatic database, ~~(~~Persimmony~~)~~. Funded Partners ~~Services Providers~~ are required to upload, with the invoice, an expenditure report comparing actual expenditures to the project budget.

Payments of invoices are contingent upon compliance with all contractual requirements, including the achievement of performance standards and the timely submission of program and fiscal reports. Contract Managers verify satisfactory progress has been made toward project objectives, as determined by the Commission's performance monitoring and reporting system and verify all reported expenditures are allowable under the terms of the contract.

The ~~release of funds is approved by both the~~ Contract Manager ~~and Business Department designee. The Business Department designee~~ verifies that all reported expenditures are allowable under the terms of the contract and approves the release of funds.

Contractor reimbursement process as follows:

a. A program progress report (Persimmony data), as defined in contract (which could be monthly, quarterly, or semi-annually), is required to be submitted by each Funded Partner ~~Service Provider~~ by certain dates specified in the contract.
b. The request for reimbursement (financial report) documents the Funded Partner~~service provider~~'s outlays for the period, by budget line item, and also includes any disbursement amounts received and any reimbursements due (documentation is required by each Funded Partner ~~Service Provider~~ to support the expenditures referenced on the financial status report).
c. The Contract Manager reviews the Funded Partner's ~~Service Provider's~~ request for reimbursement (financial report) to verify the accuracy of the report. ~~with support from the Finance Officer as necessary.~~

d. The Contract Manager;
   1. Verifies that satisfactory progress has been made toward project objectives.
   2. Approves the request for reimbursement.
   3. Prints the approved financial report and ~~forwards to the Business Officer to review~~ the reimbursement summary for review.
   4. The ~~Business Officer forwards the~~ approved financial report is then forwarded through the process outlined in the Accounts Payable/Cash Disbursements section of this manual.

~~e. The Senior Business Officer prepares a Cash Requirement Report from the accounting system and forwards along with supporting documentation to the Executive Director and designee.~~

~~f. Executive Director or designee reviews Cash Requirement Report and approves payments in the Commission's accounting system. Executive Director or designee prepares an Approval Invoice Report for the second signature from designee. The Executive Director initials all invoices for approval. The Approval Invoice Report is then forwarded to the Business Director for release of payment.~~

~~g. Business Director creates and exports ACH files from the accounting database system. The file must be in the proper ACH format. The ACH file is imported and transmitted directly to the bank.~~

~~h. Transaction is confirmed with the bank and ACH Batch Summary Report is printed and filed in the ACH binder.~~

~~i. The Senior Business Officer or designee e-mails notification to Funded Partner Service Provider of payment transaction and files the original document (financial report) and payment documentation in the accounting files.~~

C. Budget Modifications

Budget modifications are required prior to any line items (Personnel, Operating Expenses, Professional Services, Evaluation, Capital, Equipment, and Indirect) exceeding $5,000 for contracts that are over $250,000 and 10% of any line item for contracts under $250,000. Changes within sub-line items (Salaries, Benefits, Payroll Taxes, Operational Expenses, Travel/Training, Misc. Charges, and Program Expenses) do not require a budget revision.

Budget modification requests are considered as follows:

- Submission of a Contract Amendment Request (CAR) form through the fiscal module of the Persimmony ~~fiscal~~ database prior to the ~~submittal~~ submission deadline (Deadlines ~~are updated annually~~may be found on the Commission's website)
- Reasonable and necessary movement of funds throughout the budget excluding the increase/decrease of the Personnel category that would require additional rationale
- Submission of a revised Scope of Work ~~(~~, if necessary~~)~~
- Requests are submitted prior to expenses incurred allowing the Commission to determine its appropriateness and minimizing any disallowed costs to the ~~Service Provider~~Funded Partner

Budget modifications are reviewed by the Contract Manager ~~with support from the Business Officer~~ and approved by the Executive Director or designee, based on appropriate justification.

D. Authority

The Executive Director has been delegated the authority by the Commission to execute program contracts and amendments to those contracts as long as there are no material changes in the scope of work or dollar amounts does not exceed $5,000. The Executive Director has been delegated the authority by the Commission to execute operating contracts that are administrative in nature and affect the day to day operations of the Commission (no dollar limit).

5. FINANCIAL REPORTING

The goal of the accounting process is to produce financial reports, which accurately summarize the financial position of the organization at a particular point in time and provide information related to the revenues and expenditures for the reporting period.

A. Legal Requirements

California law requires that the State and local county Commissions adhere to specific reporting requirements (California Code Health and Safety Code Sections 130100-130155). The following are statutory requirements for financial reporting:

- Counties are to have a process to track and monitor administrative costs with periodic reports to the Commission (quarterly in many counties) (Section 130140(d)(5)) and 130151(b)(2).
- Policies are needed to assess and communicate the financial condition of the Commission (Section 130151(b)(6))
- Commissions are to track evaluation expenditures and document results of expenditures (Section 130151(b)(7))
- County Commission Reporting. On or before October 15 of each year, the State Commission and each county Commission shall conduct an audit of, and issue a written report on, the implementation and performance of their respective functions during the preceding fiscal year. At a minimum, this report shall include which funds were expended, the progress toward and the achievement of program goals and objectives, and the measurement of specific outcomes through appropriate indicators (Section 130150).
- The County Commission shall conduct at least one public hearing prior to adopting any annual audit and report (Section 130140 (G))
- Each County Commission shall make copies of its annual audits and reports available to members of the general public on request and at no cost (Section 130150 (d))
- The audits and reports of each county Commission shall be transmitted to the State Commission and the State Controller's Office by November 1 (Section 130150 (a))
- County Commission Reporting of State Commission Information. The State Commission shall make copies of each of its annual audits and reports available to members of the general public on request and at no cost. The State Commission shall furnish each county Commission with copies of those documents in a number sufficient for local distribution by the county Commission to members of the general public on request and at no cost (Section 130150 (c)).
- The County Commission shall conduct at least one public hearing on each annual report by the State Commission prepared pursuant to subdivision (b) of Section 130150 (Section 130140 (H))

B. Procedures

Annual financial statements are prepared in accordance with GAAP. Likewise, annual financial statements are independently audited in accordance with generally accepted government auditing standards (GAGAS).

To supply appropriate individuals with the right information, at the proper time and in the correct format, the Commission reports their financial information on a monthly and annual basis. Specifically, management will take step to achieve the following goals for external and internal reports:

- *Content* – financial reports balance competing demands for completeness and conciseness
- *Timeliness* – information is received soon enough to take effective action
- *Currency* – the information communicated is current
- *Accuracy* – the information is reliable
- *Access* – the information is accessible to those who need it

1. <u>External Reporting</u>

External reporting refers to the annual public distribution of "general-purpose" financial statements designed to meet the basic financial information needs of a variety of potential users, including taxpayers and citizens, oversight and legislative bodies, and investors and creditors. The goal of external reporting is to provide the information needed by interested parties to gain a fair understanding of the government's financial position and results of operations. External reports are developed in conformity with GAAP. GAAP requirements are designed to provide all primary users of general-purpose external financial reports with the reliable information needed to assess an entity's finances.

a. Audit - *Audit Requirements*

All Commissions are required to conduct an independent audit of the basic financial statements. The audit requirements refer to an external review required by an independent audit firm to determine that the financial statements fairly present the financial position of the agency being audited in accordance with GAAP. Auditors make this determination based on a review and testing of financial data maintained by the Commission.

Particular audit requirements include: internal controls, management letter, single audit, and acceptance of annual financial audit by the Commission.

b. Expanded Audit

In addition to the standard financial audit, the Commission is also required to go through an expanded audit per state code section 130151 (1 through 8).

The Commission contracts with that same auditor to complete the financial and expanded audits, and both are presented and submitted as one package. The Commission views the expanded and financial audit as one audit with two components: 1) the financial audit, which is monitored by First 5 California, and 2) the compliance audit, which is monitored by the State Controller's Office (SCO).

The expanded audit covers the following items:

- Contracting and procurement policies: a policy consistent with state law and adopted in a public meeting and a legal representation letter shall be in place. A new legal representation letter is required annually even if the policy did not change.
- Administrative costs: administration costs shall be defined and a cap shall be established at a public meeting. Costs shall be monitored.
- County ordinance creating county Commission: policies and procedures ensure compliance with the county ordinance. The auditor reviews the Commission's strategic plan.
- Long-range financial plans: the plans have been formally adopted by the commission in a public hearing.
- Financial condition of the Commission: policies and practices for reporting financial condition are in place.
- Amount spent on program evaluation and related results: a policy regarding evaluation is available to the auditor. The auditor verifies that the amount spent on evaluation complies with the policy and that evaluation data was collected.
- Salaries and benefits: policies and procedures for establishing employee salaries and benefits are in place.
- When audit findings have been reported in prior years, the current audit report must include a schedule of prior audit findings.

Per expanded audit requirements, the Commission has adopted a conflict of interest policy for commission members that is consistent with applicable state law. The policy ensures the Commission complies with all applicable state and local conflict of interest statutes and regulations. The Conflict of Interest Policy is reviewed and updated every two years by Commission staff. The policy is in compliance as followed:

- The conflict of interest policy was adopted in a public meeting (minutes of the meeting are available for auditors)
- Obtain a letter from legal representative that states that Commission's policy is consistent with applicable state and local laws and regulations on an annual basis
- Conflict-of-interest policy is available to auditors
- Minutes documenting appropriate abstentions for contract award actions are available
- Review Form 700 (economic interest) filings

2. <u>Internal Reporting</u>

This section does not represent reporting in accordance with GAAP, but rather reporting in accordance with budgeting processes. As was noted earlier, external financial reports that follow GAAP generally have a different look and focus than the internal reports. Internal reporting is designed to accomplish two goals:

a. Allow management to monitor compliance with legal and contractual provisions applicable to the management of public funds
b. Provides management and the Commission with the information on current performance data that it needs to make future financial plans

To fulfill this goal the ~~Finance Officer~~Project Director prepares a monthly financial report and submits the report to the Executive Director for review. Upon the Executive Director's approval, a final financial report is prepared for submission and approval at the Commission meeting.

C. Administrative Costs

Under the First 5 Fresno County (F5FC) current Strategic Plan, the role of the Commission staff is broader than just that of contract development and oversight, and includes support of programmatic services on many levels and running internal programs. The definition of administrative costs simplifies program administration in the way program services will be delivered under the strategic plan.

1. Defining Administrative, Program, and Evaluation Costs

As a result, the Commission has adopted a written policy that defines administrative costs and sets a 10% limit for administrative costs. Below are definitions for the three cost categories ~~that~~ of which the Commission allocates costs ~~to~~.

a. Administrative Costs- Costs incurred for administrative functions defined (below) by the local Commission in support of funded programs and its operations. Administrative costs are general in nature. This principle distinguishes between those costs that specifically and directly benefit a business unit, program, or evaluation activity from those that do not. Administrative costs support the Commission's basic mission rather than specific program goals. This principle distinguishes between the nature of costs that provide direct value to achieving specific program goals and objectives from those that do not.

Administrative functions performed are the following: general accounting/financial reporting; local annual reporting activities; financial planning; Commission/Association meetings and travel; human resources services; legal services and consulting; audit; strategic planning; financial and cash management; procurement and purchasing; property management; payroll and personnel management; developing and operating systems and procedures, including information systems, required for administrative functions; and oversight and monitoring of administrative functions. Only these administrative functions are to be charged as administrative costs.

b. Program Costs- Costs incurred by the Commission readily assignable to a program or ~~service provider~~Funded Partner (other than for evaluation activities) and/or in the execution of direct service provision. Even though they are often associated with general organizational management, two types of costs that are typically classified as administrative costs, preparing program-level budgets program scopes of work, and negotiating MOU's and other program-level agreements, are classified as program cost. Costs of such activities as information systems development and operation, travel, and evaluation are charged to program costs or administration costs, according to whether the underlying functions which they support are classified as programmatic or administrative. Program functions include direct services, program outreach and education, program and community agency technical assistance and support, and program database management.

c. Evaluation Costs- Costs incurred by the Commission in the required evaluation of funded programs based upon their accountability framework and data collection and evaluation for required reporting to state and local stakeholders. Evaluation functions include evaluation technical assistance, evaluation database, and travel and training related to evaluation.

2. Organizing Procedures and Accountability Mechanisms

To ensure accountability, Commission staff abides by the following guidelines:

a. Establish cost elements for each of three categories: administrative, program, and evaluation.
b. Conduct analysis to determine and document an upper percentage limit for administrative costs.
c. Establish within the accounting and reporting system a methodology for tracking and reporting on program, administrative, and evaluation costs.
d. Maintain auditable records to ensure compliance with the administrative cost policy.
e. Provide annual reports on administrative and evaluation costs that go to the public (budgets and annual financial reports).

D. Fund Balance

The Fund Balance includes funds committed for multi-year initiatives and programs. Proper reporting of fund balance provides an opportunity for the Commission to report how it has committed funds over a period of years.

The total fund balance represents the value of the funds available to the Commission. Fund balance is broken down into five components, nonspendable, restricted, committed, assigned, and unassigned. Each component is defined below.

1. Nonspendable Fund Balance

The nonspendable fund balance is defined as only an approximate measure of liquidity. One reason is that some of the assets reported in governmental funds may be inherently nonspendable from the vantage point of the current period:

a. Assets that will never convert to cash (e.g. prepaid items and inventories of supplies)
b. Assets that will not convert to cash soon enough to affect the current period (e.g., the long-term portion of loans receivable and non-financial assets held for resale, such as foreclosure properties)
c. Resources that must be maintained intact pursuant to legal or contractual requirements (e.g. principal of an endowment or the capital of a revolving loan fund)

The key defining concept of nonspendable funds is that it is the legal obligation for the Commission, based on an executed contractual agreement. Examples of nonspendable funds include, but are not limited to:

a. Future payments due to providers of services to children and families
b. Future payments due on professional services contracts
c. Future payments due under lease arrangements

In all cases, amounts can only be classified as nonspendable if (a) there is a fully executed written contract or purchase order detailing obligations, (b) the payment obligation is not due in the current period, and (c) it is probable or expected that future expenditures will be made in accordance with the contract terms. The latter provision means that if it is likely that a contract will be amended or terminated before all scheduled payments are made, the encumbrance must be limited to the total amount of payments that are expected to actually be incurred (if less than the full contract value).

2. Restricted Fund Balance

The restricted fund balance is defined as amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation. The restricted fund balance describes the portion of the fund balance that reflects resources that are subject to externally enforceable legal restrictions. Funds that have been received by the Commission from sources other than the county pro rate share of Proposition 10 revenues and that contain restrictions imposed by the funding source regarding how the money can be used, by definition, are committed to the purpose designated by the funding source. Examples that fall into this category include but are not limited to:

a. Money received from the State Commission for specific programs or initiatives, such as school readiness, or quality child care funds, that must be used exclusively for the purpose designated by the State Commission
b. Grants received from private foundations that contain restrictions in the grant agreement regarding how the funds may be used

3. Committed Fund Balance

The committed fund balance is described as the portion of the fund balance that represents resources constrained by limitations that the government imposes upon itself at its highest level of decision making (the Commission) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation would need to occur no later than the close of the reporting period.

This category covers situations in which the Commission has explicitly authorized and directed staff to enter into an agreement with a specified agency, but the contract has not actually been executed. In order to be categorized as committed, funds must meet the following requirements:

a. Formal action to approve the grant(s) and contract(s) must have been taken by the Commission and reflected in the public meeting minutes.
b. The grant(s) and contract(s) must not have been executed yet, thereby avoiding any double-counting. These funds have to be executed within a one-year period. After the one-year period funds will be designated to the unassigned fund.
c. Funding that has been set aside for previously executed legally enforceable contracts but not yet spent, including multi-year contracts, if such contracts have been approved by the Commission and if cancellation of such contracts would require Commission approval.

4. Assigned Fund Balance

The assigned fund balance is the portion of the fund balance that reflects the Commission's intended use of resources. Such intent would have to be established by either the Commission or by a body thereof (e.g., finance committee).

There are two essential differences between committed fund balance and assigned fund balance. First, committed fund balance requires action by the Commission, whereas assigned fund balance allows the authority to be delegated to some other body. Second, formal action is necessary to impose, remove, or modify a constraint reflected in committed fund balance, whereas less formality is necessary in the case of assigned fund balance. Funds are appropriately included in this component if they fall under one of four types:

a. Funds to operate a specific program or project in the current or future fiscal years that have not yet been committed or authorized for definite contracts, where all the following criteria are met:

    - A written plan has been developed describing the program or project and the time period covered by the plan
    - The plan contains a detailed budget or expenditure plan showing the amount of funds expected to be expended and the nature of the expenditures for each fiscal year covered by the plan
    - The Commission has formally approved the plan and budget in a public meeting, as documented in the meeting minutes
    - The Commission certifies that it intends, to the best of its ability, to expend the funds in accordance with the plan and budget

b. Funds that have been set aside for long-term program sustainability, where all of the following criteria are met:

    - A long-range financial plan has been prepared that shows the specific dollar amounts that must be reserved for program sustainability in each of the early years of the plan, the timing for when sustainability funds will start to be drawn down, and the nature of the expenditures that are envisioned in each year covered by the plan
    - The Commission has formally approved the long-range financial plan in a public meeting, as documented in the meeting minutes
    - The Commission certifies that it intends, to the best of its ability, to manage the sustainability fund in accordance with the provisions of the long-range financial plan
    - The Commission has adopted its annual budget consistent with the assumptions and plans

c. Funds that are established to handle unexpected debts that are outside the range of the Commission's operating budget. The funds are to protect the Commission against any possible losses in the event of an emergency situation. Details of the fund are outlined in the Contingency Fund Policy section within this policy.

d. Funds designated specifically to fill any gaps of existing and future capital projects. The account is established to accumulate resources on an annual basis from year end de-obligations. Use of funds must be approved by the Commission.

5. Unassigned Fund Balance

The unassigned fund balance represents funds that can be spent at the discretion of the Commission. This category includes the remainder of the fund balance: funds that either have not yet been allocated for a specific purpose or have been identified in only a general manner where the Commission has significant flexibility in changing the amount or nature of the designation.

E. Contingency Fund Policy

1. Definition and Purpose of Contingency Fund

In an effort to be proactive, the Commission sets aside a fund to handle unexpected debts that are outside of the Commission's operating budget. The funds are to protect the Commission against any possible losses in the event of an emergency situation. To ensure the Contingency Fund reflects the Commission's administrative costs as well as facility management costs associated with the Lighthouse for Children (LFC) facility, of which the Commission is the Master Lease Tenant, funds are set aside to allow for a quicker and more effective recovery from an operational setback. The probability of a significant business disruption is small; however, having a Contingency Fund may save the Commission from potential failure to recover in the event that a risk materializes.

2. Contingency Fund Target Level

The Contingency Fund shall remain at $1,000,000 (one million dollars) as approved by the Commission. The balance of the fund represents approximately four (4) to six (6) months of both the Commission's operational budget and the operation costs of the LFC facility. If a change to the fund amount is warranted, for example due to a significant change in these budgets, Commission staff would be required to seek approval from the Commission during the formal budget modification process.

3. Conditions for Use of Contingency Fund

Use of funds will be determined by circumstance and level of severity with the following criteria. Please note this list is non-exhaustive.

Table 1 – Contingency Fund: Conditions for Use

Moderate	Severe
• State and local legislation affecting revenue or requiring compliance • Lawsuits against F5FC or LFC • Unexpected default or a decline in State and local revenues	• Unanticipated major repairs or replacement of an asset used in the daily operations of the building or service to the staff • Acts of terrorism against the building or other infrastructure causing a financial hardship • Natural disasters • Expenditures arising from a claim or judgment that is otherwise not covered by insurance

The Contingency Fund shall be reported in the Committed Fund Balance in the agency's budget at the beginning of each fiscal year. The fund may not be used to address anticipated Proposition 10 revenue shortfalls. Imbalances of this nature are generally addressed through a formal budget modification process. Appropriations for program service expenses are independent of the Contingency ~~f~~Fund as they are considered relevant to the Strategic Reserve Fund~~budgeted during the preceding fiscal year~~.

If a need arises for the potential drawing of funds allocated to the Contingency Fund outside of the above-mentioned guidelines, Commission staff shall present the request to the Commission for consideration and approval at a regularly scheduled meeting.

4. Authority of Contingency Fund Use

For unanticipated circumstances considered moderate, as described in Table 1, staff must seek approval from the Commission prior to use of the Contingency Fund.

For unanticipated circumstances considered severe, as described in Table 1, and that require immediate redress, the Executive Director or designee shall exercise full discretion of its appropriation in order to mitigate substantial loss of productivity. The Executive Director must report to the Commission, at the next regular meeting following the use of funds, with full explanation on how the portion of the Contingency Fund was used or is being used.

For any method employed, the process of appropriating the Contingency Fund will adhere to the guidelines within this manual to minimize risk while striving to safeguard the Commission's assets.

5. Contingency Fund Replenishment

In the event the Contingency Fund or a portion thereof is used, Commission staff will aim to restore the fund to the recommended amount, mentioned above, by the closure of the fiscal year, only if there are enough cost savings available for replenishment without impacting other budgetary commitments. If restoration cannot be accomplished within such time without severe hardship to the Commission, staff will prepare a financial plan to restore the Contingency Fund in the subsequent fiscal years until the target level is met.

F. Strategic Reserve Fund

1. Definition and Purpose of Strategic Reserve Fund

The Commission sets aside a fund to guard against any future immediate and unanticipated Proposition 10 revenue deficits or shortfalls. Funds are set aside to allow for a quicker and more effective recovery from programmatic setbacks. The probability of a significant business disruption is small; however, having a Strategic Reserve Fund may save the Commission from potential failure to recover in the event that a deficit materializes.

2. Fund Target Level

The Strategic Reserve Fund shall remain at $2,000,000 (two million dollars) as approved by the Commission. If a change to the fund amount is warranted, for example due to a significant change in these budgets, Commission staff would be required to seek approval from the Commission during the formal budget modification process.

3. Conditions and Authority of Strategic Reserve Fund Use

Use of funds will be determined by the Commission based on circumstance and level of severity. The Strategic Reserve Fund shall be reported in the Committed Fund Balance in the agency's budget at the beginning of each fiscal year.

If a need arises for the potential drawing of funds allocated to the Strategic Reserve Fund, Commission staff shall present the request to the Commission for consideration and approval at a regularly scheduled meeting.

The process of appropriating the Strategic Reserve Fund will adhere to the guidelines within this manual to minimize risk while striving to safeguard the Commission's liabilities.

4. Strategic Reserve Fund Replenishment

In the event the Strategic Reserve Fund or a portion thereof is used, Commission staff will aim to restore the fund to the recommended amount, mentioned above, by the closure of the fiscal year, only if there are enough cost savings available for replenishment without impacting other budgetary commitments. If restoration cannot be accomplished within such time without severe hardship to the Commission, staff will prepare a financial plan to restore the Strategic Reserve Fund in the subsequent fiscal years until the target level is met.

~~F.~~G. Record Retention

Financial records are required to be retained a minimum of five years after the annual audit and are subject to inspection, monitoring, copying and audit by the Bureau of State Audits.

APPENDIX A

Glossary of Terms

Accounting Procedures
The day-to-day operation of a particular system so that accounting information will be reflected in the accounting records in a consistent, proper and orderly manner.

Accounting System
All the records, formal and informal, together with the procedures related to the assembling, classifying, recording and reporting of information concerning the financial operations and conditions of a fiscal entity.

Accrual Basis of Accounting
Transactions are recorded when they occur regardless of when cash is paid or received. The Commission uses a modified form of accrual accounting (see Modified Accrual Basis) for Governmental funds. The accrual basis of accounting is used for the preparation of annual government-wide financial statements (governmental activities are defined later).

Administrative Costs
Costs incurred for a common or joint purpose that benefits more than one cost objective, supports the general management and administration of the Commission, and/or those costs not readily assignable to a specifically benefited cost objective.

Advance Payment
Any payment made to a contractor before work has been performed or goods have been delivered.

Appropriation
A statutory authorization granted by the legislative body to an agency allowing it to incur obligations and make expenditures for specific purposes within a specified period of time and generally for a maximum dollar amount.

Assigned
Amounts that are intended by the Commission to be used for specific purposes, but are neither restricted nor limited, shall be reported as assigned fund balance. Intent may be expressed by the Commission itself or a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policy established by the Commission. This would include ANY activity reported in a fund other than the general fund that is not otherwise restricted more narrowly by the above definitions.

Automated Clearing House (ACH)
ACH payment is the method of electronic remittance to individuals or entities that are made electronically within the banking system.

Balance Sheet
The financial statement disclosing the assets, liabilities and equity of the governmental funds (which includes general funds and special revenue funds). Governments are also required to disclose assets, liabilities and equity on a “government-wide entity” basis, using accrual accounting. This is known as the Statement of Net Assets.

Budget
A plan of proposed expenditures and the means of financing them with respect to a specific period of time.

Cash
Currency, checks, postal and express money orders, and banker’s drafts on deposit.

Capital Assets
Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets historically were also referred to as fixed assets, but that terminology is no longer used in practice.

Cash Basis of Accounting
Basis of accounting that recognizes transactions or events when related cash amounts are received or disbursed.

Chart of Accounts
A numeral listing of all assets, liability, fund balance/equity, revenue and expenditure accounts used to record accounting transactions.

Committed
Includes amounts that are committed for specific purposes by formal action of the Commission. Amounts classified as “committed” are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the Commission removes or changes the limitation by taking the same form of action it employed to previously impose the limitation.

Compensated Absences
A liability for future personal, major medical and other leave benefits accrued by an employee and for which the employee may be paid upon termination of employment.

Contingency
A provision to cover an unexpected expense, future event or circumstance that is possible but cannot be predicted with complete certainty.

Contract
A legally binding agreement between two parties for the provision of goods or services.

Electronic Funds Transfer (EFT)
EFT is a system of transferring money from one bank account directly to another without paper money changing hands.

Encumbrances
Contractual obligations to make future payments. Encumbrances represent the estimated amount of future expenditures that will result when, for example, purchase orders are placed and contracts are signed. Since the amount of an appropriation cannot be legally exceeded, the placing of purchase orders and the signing of contracts are critical events in controlling the Commissions’ funds. The financial resources of a fund are said to be encumbered when a transaction is executed that requires performance on the part of another party before the Commission becomes liable to perform its part of the transaction (make payment to the entity).

Evaluation Costs
Costs incurred by the Commission in the evaluation of funded programs, in accordance with their accountability framework, and data collection and evaluation for required reporting to state and local stakeholders.

Expenditures
Take place when a vendor or contractor performs on a contract or a purchase order, as well as when goods or services are received. An expenditure and a corresponding liability or cash disbursement will be recorded at the time goods or services are received or at the time funds are granted to an authorized recipient.

Fiduciary Funds
Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the Commission's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Fixed Assets
Assets of a long-term nature which are intended to be held or used. These include land, buildings, improvements, machinery, furniture and other equipment.

Fund Balance
The value of the funds available to the Commission. Fund balance is the difference between fund assets and fund liabilities of governmental funds.

GAAP
Abbreviation for "Generally Accepted Accounting Principles," which are conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The Governmental Accounting Standards Board (GASB) is responsible for setting GAAP for state and local governments.

Governmental Accounting Standards Board (GASB)
Ultimate authoritative accounting and financial reporting stand-setting body for state and local governments. The GASB was established in June 1984.

Governmental Accounting
The activity of analyzing, recording, summarizing, reporting and interpreting the financial transactions of governmental units and agencies.

Governmental Funds
Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

Internal Control
The methods and measures adopted within a fund or agency to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

Long-term Financial Plan
A plan that assesses the long-term financial implications of current and proposed policies, programs, and assumptions and develops appropriate strategies to achieve its goals. A financial plan illustrates the likely financial outcomes of particular courses of actions or factors affecting the environment in which the government operates. A financial plan is not a forecast of what is certain to happen but rather a device to highlight significant issues or problems that must be addressed if goals are to be achieved.

Modified Accrual Basis of Accounting
The basis of accounting adapted to government fund accounting where revenues are recognized when received in cash or when resources are considered available (except for material or available revenues which shall be accrued to reflect properly the taxes levied and the revenues earned – not applicable to county Commissions). Expenditures are recognized when the related fund liability is incurred.

Non-Spendable
Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This would include inventory, prepaids, and non-current receivables.

Program Costs
Costs incurred by the Commission readily assignable to a program, grantee, or ~~service provider~~Funded Partner (other than post-contract program evaluation activities) and/or in the execution of direct service provision.

Progress Payments
Partial payments related to steps or phases toward the completion of the required services under a contract.

Progress Reports
A report on contract performance or fiscal compliance made at specific interval during the term of a contract.

Proprietary Funds
Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

Purchase Order
A document that authorizes the delivery of specified merchandise or the rendering of certain services.

Reserve Fund Balance
The portion of a government funds' balance that is not available for appropriation (i.e., not available for the following period's budget). Legal restrictions or even third-party entities may impose a limitation on the use of funds or resources that may not be available for spending.

Restricted
Reflects the same definition as restricted net assets: constraints placed on the use of amounts are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. This would generally include amounts in bonded capital projects funds, debt service funds, and cafeteria and center program funds funded with federal program dollars.

Statement of Activities
A government-wide presentation of its activities by function or program using the accrual basis of accounting. The statement presents revenues, expenditures, and a reconciliation of net assets.

Statement of Net Assets
The government-wide presentation of assets, liabilities and equity of governmental activities which includes all funds. It is the government-wide balance sheet. The Statement of Net Assets is presented on an accrual basis.

Statute
A law enacted by the legislature.

Unassigned
Includes any remaining amounts after applying the above definitions. Planned spending in the subsequent year's budget would be included here and can no longer be described as "designated" unless formally committed or assigned.

FIRST 5 FRESNO COUNTY
ADMINISTERED BY CHILDREN & FAMILIES COMMISSION OF FRESNO COUNTY

FINANCE AND PROGRAM REVIEW COMMITTEE
October 15, 2018 – 11:00 a.m.

2405 Tulare Street
Fresno, CA 93721

AGENDA ITEM NO. 7

TO: Children & Families Commission of Fresno County

FROM: Emilia Reyes, Executive Director

SUBJECT: Travel Policies and Procedures – Annual Review

RECOMMENDED ACTION:

Approve, for full Commission consideration, the reviewed Travel Policies and Procedures.

BACKGROUND:

Travel Policies and Procedures:
The Commission's Travel Policies and Procedures ensures official travel taken on behalf of the Commission is accomplished in a manner that meets business needs and minimize the cost to the Commission. The following updates are presented for review and approval:

- Designate staff responsibilities

Fiscal Impact: Action on this agenda item will have no fiscal impact.

CONCLUSION:

Annual review and updates to Commission's policies and procedures ensure efficiency, further transparency, cost effectiveness and internal controls. Upon approval, staff will present to the full Commission for review and approval during the October 24, 2018 Commission meeting.

TRAVEL POLICY AND PROCEDURES MANUAL

R1018(1)

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1. **Purpose**

Official travel taken on behalf of the Children and Families Commission of Fresno County ("the Commission) must be accomplished in a manner that meets business needs and minimizes the cost to the Commission, while also adhering to generally accepted accounting principles (GAAP) on government travel.

2. **Policy**

All official Commission travel shall be properly authorized, reported, and reimbursed in accordance with this document. Commission travelers are expected to exercise good judgment in the use of public funds. Personal travel is not to be charged to, or partially funded by, the Commission.

3. **Scope & Authority**

This policy applies to all official Commission travel, regardless of funding sources, and includes special rules for non-employees, and board members (Commissioners). These procedures apply to all Children & Families Commission of Fresno County employees authorized to travel on Commission business. The Executive Director of the Commission or designee is authorized to issue interpretations and take other actions appropriate to implement provisions of these procedures.

4. **Definitions**

For the purposes of these procedures, the following definitions will apply:

A. Headquarters:
The place where the employee spends the largest portion of regular workdays or the place where the employee returns on completion of special assignments. For all employees, the headquarters will be the Commission office.

B. Residence:
A place of primary dwelling shall be designated for each employee. The primary dwelling shall be defined as the actual dwelling place of the employee.

C. Travel Expenses:
Expenses that are ordinary and necessary to accomplish official business purposes of a trip. Travel expenses include:

1. Subsistence Expenses:
Subsistence expenses include charges for meals, lodging and charges for personal expenses incurred while on travel status.
2. Business Expenses:
Business expenses consist of charges for business phone calls and communications, supply purchases and all other charges necessary to complete official business.

D. Employee:
Employees include full-time and part-time Commission employees.

E. Meal and Incidental Expense (M&IE):
M&IE and prorated M&IE are allowed when the traveler is in travel status and the travel is of a nature which requires overnight lodging. The M&IE amount is to cover the cost of meals and necessary incidental expenses including tips, laundry expenses, etc.

5. Authorization to Travel

A. All official Commission travel must have prior approval. Out of state travel requests must be requested 60 days prior to the first day of travel and local travel requests must be requested 15 business days prior to travel date. In rare circumstances the Executive Director can waive the 60 or 15 day notice.

B. All travel requests must be submitted using the Conference/Training Travel Request Form. The form is used to request attendance for a conference or training and outline details of travel. The completed form must be submitted to ~~the~~ designated staff~~traveler's Department Assistant~~ to create a cost estimate. Once the cost estimate is complete, the form is forwarded to the ~~Business Department~~ designee(s) responsible for budget monitoring to review and affirm that the estimate is within budget constraints. The Form is then forwarded for approval by the traveler's supervisor and final approval by the Executive Director or designee.

C. Travel requests for the Executive Director will be approved by the Commission Chair.

6. Payment of Travel (Travel Expense Claim Procedure)

A. Prepaid expenses for employees must be charged directly to the Commission whenever possible. These prepaid expenses are required to be documented in the Travel Expense Form upon completion of travel.

B. Original supporting receipts must be attached to the Conference/Training Travel Request Form and submitted to ~~the traveler's Department's Assistant~~ the designee responsible for budget monitoring within five working days of the date the expenses were incurred. The ~~Assistant~~ designated staff will complete a Travel Expense Form and submit to the traveler, who will then forward to their supervisor for approval. For final approval, the Executive Director or designee will review and sign off. Original supporting receipts submitted beyond the five days will not be reimbursed unless there are extraordinary circumstances that justify the late submission.

C. All expense claims shall be properly itemized, accompanied by the original supporting receipts and approved by the traveler's supervisor with an original signature. The supervisor approving the claim is responsible for determining the necessity and reasonableness of the travel claim and that adequate documentation is attached to support the claim. The Executive Director or designee may disallow unreasonable or excessive travel expense claims.

D. No travel expense reimbursement shall be paid unless submitted on a Travel Expense Form.

E. Travel expense claims from the Executive Director will be approved by the Commission Chair and reported at the next regular Commission meeting.

F. In order to meet Internal Revenue Service (IRS) requirements, the Travel Expense Form must include:

1. The inclusive dates for each trip and the times of departure and return.

2. The purpose or objective of each trip.

3. The headquarters' address and the primary dwelling address.

4. Certification that the travel expenses were incurred in accordance with Commission policies and on official business of the Commission. In the Conference/Training Travel Request Form, the traveler must explain how the training or conference supports their role within the Commission and how it aligns with the Commission's Strategic Plan.

5. An itemized list of expenditures such as transportation, lodging and/or meals.

6. The destination, location or area of the travel. Use the name and address of each destination. General destinations such as "Fresno and vicinity" are not acceptable.

G. In the case where receipts cannot be obtained or have been lost, a statement, in memoranda form, to that effect should be made and attached to the Travel Expense Form.

H. Travel advances must be noted and deducted from subsequent reimbursements. (See section 11 regarding travel advances.)

7. **Per diem subsistence allowance**

In computing the per diem subsistence allowance for authorized travel, the following maximum reimbursements will be allowed in any 24-hour period or any fractional part thereof (longer than 12 hours of travel), for expenses incurred out of county during the normal work location:

A. Meals and Incidental Expenses (M&IE): The following table shows the general breakdown of breakfast, lunch, and dinner components of the maximum daily reimbursement (per diem) rates for meals and incidental expenses while on travel. **The M&IE rates differ by travel location, departure and actual return time. View the per diem rate of your primary destination in order to determine which M&IE rates applies.** Refer to the current fiscal year Domestic Per Diem Rates issued by the U.S. General Services Administration (GSA) Department for guidance on deducting these amounts from per diem reimbursement claims.

The appropriate M&IE for a day is the rate prescribed for the community in which the traveler is receiving the training or conference. On the day of return, a traveler is entitled to the M&IE applicable for the preceding day. On the day of departure and return, the traveler receives a prorated M&IE based upon scheduled departure and actual return times as follows:

Day of Departure			
Departure Time	Before 9:00 AM	Before 2:00 PM	Before 11:00 PM
M&IE	Full Day	Lunch & Dinner	Dinner

Day of Return			
Return Time	12:00 PM (Noon)	Before 5:00 PM	After 5:01 PM
M&IE	Breakfast	Breakfast & Lunch	Full Day

In circumstances where the traveler is required by the airline to report to the terminal more than two hours prior to departure, the traveler is to state on the travel expense claim the additional time required by the airline and the traveler's actual check in time. This additional time (beyond two hours) is added to the departure time in the above table to allow the traveler an M&IE as may be appropriate. For example, if the airline required the traveler to report three hours before flight time, the "Before 9:00 AM" departure time would be adjusted to "Before 10:00 AM."

B. Meals provided to travelers. Occasionally, a traveler is provided with a meal while at a conference, training seminar, etc., or as part of a lodging package. When a traveler is provided with a meal in these or similar circumstances, the traveler is not eligible for the related M&IE allowance.

8. **Transportation Expenses**

Travelers are responsible to coordinate transportation arrangements with ~~their Department's Assistant~~ the designated staff responsible. Travelers are expected to make every effort to obtain the most economical rates, use the most economical mode of transportation, and use the most usually traveled route consistent with the purpose of the trip.

Transportation expenses consist of the charges for commercial airline fares; vehicle rental; private car mileage allowances; overnight and day parking for cars; bridge and road tolls; taxi, bus, streetcar, train, rapid transit fares; and all other charges essential to the transport to and from the Commission's official headquarters. Reimbursement will be made only for the approved method of transportation that is in the best interest of the Commission, considering both the direct expense as well as the traveler's time.

A. Transportation by Automobile

Reasonable charges for necessary parking, as well as charges for ferries, bridges, tunnels, or toll roads while on official travel or away from regular duties, may be claimed.

1. Privately Owned Automobiles. Employees are required to conform to public policy regarding fiscal responsibility. Travelers must submit proof of liability coverage for their privately-owned automobile prior to the date of travel if this mode of travel is deemed as the most reasonable. The minimum prescribed liability insurance coverage under this policy is:
   - $15,000 for personal injury to, or death of, one person
   - $30,000 for injury to, or death of, two or more persons in one accident
   - $5,000 for property damage

2. Travelers will be reimbursed the maximum current rate that is approved by the IRS. Mileage reimbursement is intended to cover the cost of routine repairs, tires, gasoline, and other automobile expense items due to use for Commission business. Mileage shall ordinarily be computed between the traveler's work station and the common destination or airline terminal. Expense claims between the traveler's residence and the Commission's headquarters will not be allowed. However, mileage expenses shall be allowed between the traveler's residence and/or headquarters whichever is less to the destination or common airline terminal, if business travel for the Commission originates or terminates during a regularly scheduled day off. When a traveler is authorized to drive a private vehicle to or from a common airline terminal, mileage may be reimbursed as follows:
   - One round trip, including parking for the duration of the trip; or
   - Two round trips, including short-term parking expenses, when an employee is driven to the airport or picked-up from the airport.

3. Travelers are responsible to coordinate travel arrangements with the designated staff responsible ~~their Department's Assistant~~. Vehicle rentals may be used when renting, in a specific situation, is considered more advantageous to the Commission than the use of taxis or other means of transportation. ~~The Business Department~~ Commission Staff is responsible for obtaining the best available rate through corporate accounts that meets the requirements of the trip. The travel will be reimbursed for actual and necessary costs of such rental. No reimbursement will be made if a traveler authorizes additional drivers without prior approval of the Executive Director or designee.

4. Receipts are required to be submitted for vehicle rental.

5. A cost-efficient economy or compact rental car shall be the category used by travelers. Justification will be required for larger vehicles.

B. Transportation by Aircraft

1. Travelers are responsible to coordinate travel arrangements with ~~their Department's Assistant~~the designated staff responsible to obtain the best possible rate.

2. Travelers will be reimbursed the actual cost for use of a commercial airline.

3. Indirect or Interrupted Itineraries. Travelers are responsible for any additional expenses resulting from the use of an indirect route or stops along the way for personal reasons. Reimbursement is limited to the actual costs incurred or to the

costs that would have been incurred using the normally traveled route and dates, whichever is less. Any excess of personal travel time will be charged to the traveler's accrued Paid Time Off hours.

4. Use of Ground Transportation in Lieu of Air Travel. A traveler may choose to use ground transportation for personal reasons even if air travel is the appropriate mode of transportation. In that case, reimbursement may not exceed the amount for airfare the Commission would have paid if air travel had been used, plus the normal cost of ground transportation to and from airports. The cost of meals, lodging, tolls, ferries, and parking while in transit via ground transportation may be reimbursed if the total amount reimbursed does not exceed the cost of airfare that would have been paid plus cost of potential ground transportation to and from at the air terminal.

5. Extended Travel to Save Costs. Additional expenses associated with extended travel in order to save costs (e.g., Saturday night stay for domestic travel), may be reimbursed when the cost of airfare would be less than that of the cost of airfare had the traveler not extended the trip. Such expenses, which include lodging, car rental, and M&IE, shall not exceed the amount the Commission would have to paid, had the traveler not extended the trip.

C. No reimbursement will be made for the following transportation expenses:

- Expenses arising from travel between the traveler's residence and Commission headquarters
- Personal travel to and from hotel lodging (i.e. shopping, restaurants, etc.)
- Traffic/parking tickets or fines
- Expenses for spouses traveling with the traveler
- First class airfares
- Motorcycle transportation costs

9. Lodging Expenses

Travelers are responsible for coordinating lodging arrangements with the designated staff responsible ~~their Department's Assistant~~. Reasonable lodging expenses supported by a receipt are reimbursable. Lodging rates should be comparable to those arising from the use of good, moderately priced establishments catering to the general public. Actual lodging expenses will be allowed when documented by an itemized receipt that indicates how the expense was paid. Credit card receipts are not acceptable as many charges could be included that are not reimbursable lodging expenses.

A. An incidental allowance of $5.00 per day may be claimed for each complete 24-hour period while on travel status. This allowance is designed to cover incidental expenses including, but not limited to laundry, dry cleaning, personal phone calls, and fees and tips for waiters and baggage handlers. Receipts are not required for incidentals. It is not designed to include cab fares and business telephone calls for which reimbursement may be claimed. Details regarding incidentals should be defaulted to guidelines on the GSA website.

B. Business related meals must follow the Accounting Policies and Procedures Manual ("the Accounting Policies") and cannot be claimed on a Travel Expense Claim Form. If permissible per the Accounting Policies, a Payment Authorization Form must be used for this type of claim.

C. No reimbursement will be made for valet services or liquor/bar bills.

10. Miscellaneous Travel Expenses

A. Miscellaneous travel expenses are reimbursable when they are ordinary and necessary to accomplish the official business purpose of a trip. The Travel Expense Form must include an explanation of why such expenditures are being claimed and at minimum have verbal authorization from the traveler's supervisor and/or the Executive Director or designee.

B. Allowable miscellaneous expenses include the following:

Business office expenses such as word processing services; equipment rentals; fax and computer expenses; copy services; overnight delivery/postage; purchase of materials and supplies, when normal purchasing procedures cannot be followed; internet charges; books, supplies, DVD, and materials that pertain to the Commission's mission.

11. Travel Advances

A Payment Authorization Form and written request must be completed and approved by the traveler's supervisor and the Executive Director or designee. The completed form and documentation must be submitted to the ~~Business Department~~Project Director responsible for operations no later than 10 days prior to the training. Cash advances will be issued within 10 days of when an expense is to be paid or incurred in order to satisfy IRS regulations. The amount requested shall not exceed seventy-five percent of the reasonable estimated out-of-pocket expenses needed for the trip.

Travel advances issued must be deducted when the Travel Expense Form is submitted for the intended trip. Travel advances in excess of itemized expenses must be repaid to the Commission within a reasonable time not to exceed 30 days from the end of the trip. No new travel advances or expense reimbursements will be issued to an individual who has an outstanding travel advance more than 30 days old. The travel advance must be repaid to the Commission immediately when a trip is cancelled or postponed.

Since a traveler should have only one outstanding cash advance at a time per trip, each advance should be accounted for before another advance is granted. The traveler must submit a Travel Expense Form even if he or she is not owed any additional reimbursement, in order to document the business purpose for which the advance was issued.

12. Commissioners

Except for those specifically covered in statute, each day that a Commissioner is in travel status, the member is entitled to reimbursement for travel expenses to the same extent, in the same manner, and under the same conditions as provided to employees.

Commissioners are also entitled to receive reimbursement for attending monthly meetings and/or special events on behalf of the Commission as outlined in this policy.

13. **Travel Expenses for Non-Employees**

The Commission will reimburse non-employees, for business related travel and expenses made on behalf of the Commission. Prior written approval from Executive Director is required.

Non-employees traveling or incurring business related expenses for the Commission are required to comply with this policy and payment will be made in accordance with the procedures outlined above. Travel expenses properly substantiated, documented and reported on the Travel Expense Form will not be reported by the Commission to the IRS as income. A non-employee's signature is not required on the Travel Expense Form provided some accompanying correspondence or email is attached outlining the expenses that have been incurred and requesting reimbursement. A signed W-9 form should be attached if the person is a U.S. citizen and is being paid by the Commission for the first time. Amounts, exceeding the substantiated business expenses that are not accounted for within a reasonable period of time, are reportable to the IRS on Form 1099.

14. **Commission Travel Claim Review Responsibilities**

Prior to reimbursement for time in travel status, the Commission's ~~Business Department~~staff responsible for operations will review all travel claims in order to:

- Ensure compliance with the Commission's and all other appropriate policies
- Ensure that per diem rates are adhered to
- Ensure that supporting documentation matches the travel claim request
- Ensure that all claims have been properly approved with an original signature
- Ensure that all travel advances are timely and properly deducted or reimbursed by/to the Commission

Failure to comply with this policy will result in follow up with the traveler which may cause a delay in processing the reimbursement. An attempt will be made to communicate any discrepancies to the traveler or the travel claim will be returned to the claimant for completion. If discrepancies cannot be resolved, it may result in discipline.

FIRST 5 FRESNO COUNTY
ADMINISTERED BY CHILDREN & FAMILIES COMMISSION OF FRESNO COUNTY

FINANCE AND PROGRAM REVIEW COMMITTEE
October 15, 2018 – 11:00 a.m.

2405 Tulare Street
Fresno, CA 93721

AGENDA ITEM NO. 8

TO: Children & Families Commission of Fresno County

FROM: Emilia Reyes, Executive Director

SUBJECT: Investment Policy – Annual Review

RECOMMENDED ACTION:

Approve, for full Commission consideration, the reviewed Investment Policy.

BACKGROUND:

Investment Policy:
The Commission's Investment Policy provide the framework for investment decision-making for the future of the Commission. The Commission, in collaboration with PFM Asset Management LLC, the Commission's investment firm, review and update the Investment Policy to ensure internal procedures align with the First 5 Association Financial Management Guide, Governmental Accounting Standards Board (GASB), and industry standards. This year it was agreed there were no material updates to be made to the Policy.

Fiscal Impact: Action on this agenda item will have no fiscal impact.

CONCLUSION:

Annual review and updates to Commission's policies and procedures ensure efficiency, further transparency, cost effectiveness and internal controls. Upon approval, staff will present to the full Commission for review and approval during the October 24, 2018 Commission meeting.

Investment Policy

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1. Purpose

This investment policy provides the framework for decision-making in the investment approach for the future of the Children & Families Commission of Fresno County ("'the Commission").

2. Policy

The investment policies and practices of the Commission are based on state law and prudent money management. All funds will be invested in accordance with the Commission's Investment Policy and Section 53600 et seq. of the California Government Code. The Commission will invest its funds in a manner that will attain a rate of return consistent with safety and liquidity considerations.

3. Scope

This Investment Policy applies to all funds of the Commission. These funds are accounted for in the Commission's annual audited financial report.

4. Prudence

All persons authorized to make investment decisions on behalf of the Commission are considered trustees and therefore fiduciaries who are subject to the prudent investor standard established by state law, Title 5, Section 53600.3

This standard shall be applied in the context of managing an overall portfolio. Commissioners, the Executive Director and/or designee, and Commission staff acting, in accordance with the Commission's written Accounting Policies and Procedures Manual and Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

5. Objectives

The primary objectives, in priority order, of the Commission's investment activities shall be:

a) Safety: Safety of principal is the foremost objective of the investment program. Investments of the Commission shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Investments may be made in securities of high quality to avoid credit risk and loss of principal. Investments susceptible to wide price fluctuations due to market volatility shall be avoided.

b) Liquidity: The Commission's investment portfolio will remain sufficiently liquid to enable the Commission to meet any operating requirements that might be reasonably anticipated or respond to opportunities for investments arising from changing market conditions.

c) Return on Investments: The Commission's investment portfolio shall be designed with the objective of attaining a market rate of return throughout economic cycles commensurate with the Commission's investment risk constraints and cash flow considerations.

6. Delegation of Authority

The Commission's Bylaws state the authority to manage the Commission's investment program is assigned as follows: Management responsibility of the investment program is herby delegated to the Commissioners of the Commission. The Commissioners have delegated management of the investment program to the Executive Director and/or designee who shall maintain written procedures for the operation of the investment program consistent with this Investment Policy.

The Commission may delegate its investment decision making and execution authority to an investment advisor. The advisor shall follow the policy statement and such other written instructions as are provided. (See Investment Policy Adoptions # 19.0)

7. Ethics and Conflicts of Interest

Commissioners, Executive Director and/or designee, and Commission staff involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

8. Borrowing for Purposes of Making Investments

The Commission is prohibited from the practice of borrowing for the sole purpose of making investments.

9. Authorized Financial Dealers and Institutions

To provide for the optimum yield in the Commission's portfolio, the Commission's procedures are designed to encourage competitive bidding on transactions from an approved list of broker/dealers.

The Executive Director and/or designee, or the Commission's investment advisor, shall maintain a list of authorized broker/dealers and financial institutions that are approved for investment purposes. This list will be developed after a comprehensive credit and capitalization analysis indicates the firm is adequately financed to conduct business with public entities. It is the policy of the Commission to purchase securities only from those authorized institutions or firms.

10. Authorized & Suitable Investments

a) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

b) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

c) Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state or any local agency or by a department, Commission, agency or authority of the state or any local agency. Obligations eligible for investment under this subdivision shall be rated in a category of "AA" or better, or the equivalent, by a nationally recognized statistical rating organization (NRSRO).

d) Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California. Obligations eligible for investment under this subdivision shall be rated in a category of "AA" or better, or the equivalent, by an NRSRO.

e) Repurchase Agreements used solely as short-term investments not to exceed 30 days.

The Commission may enter into Repurchase Agreements with primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in VII. 1 and 2 will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the Commission's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each Repurchase Agreement must equal or exceed, 102 percent of the total dollar value of the money invested by the Commission for the term of the investment. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed at least weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

Market value must be calculated each time there is a substitution of collateral.

The Commission or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

The Commission will have properly executed a Public Securities Association (PSA) agreement with each counter party with which it enters into Repurchase Agreements.

f) Banker's Acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of the Commission's investment portfolio. No more than 10 percent of the Commission's investment portfolio may be invested in the Banker's Acceptances of any one commercial bank.

g) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by an NRSRO. The entity that issues the commercial paper shall meet all the conditions in either paragraph (a) or paragraph (b) below:

   i. The entity meets the following criteria:
      1. Is organized and operating in the United States as a general corporation.
      2. Has total assets in excess of five hundred million dollars ($500,000,000).

3. Has debt other than commercial paper, if any, that is rated in a category of "A, its equivalent or higher, by an NRSRO.

ii. The entity meets the following criteria:

1. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
2. Has program-wide credit enhancements including, but not limited to, over-collateralization, letters of credit, or surety bond.
3. Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than ten (10) percent of the outstanding paper of an issuing corporation.

Purchases of commercial paper may not exceed 25 percent of the Commission's investment portfolio.

h) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Medium-term corporate notes shall be rated in a rating category of "A", or its equivalent, or better by an NRSRO.

Purchase of medium-term corporate notes may not exceed 30 percent of the Commission's investment portfolio.

i) Federal Deposit Insurance Corporation (FDIC) insured or fully collateralized time certificates of deposit in financial institutions located in California, including U.S. branches of foreign banks licensed to do business in California. All time deposits must be collateralized in accordance with California Government Code section 53630 et seq, either at 150% by promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under section (m) or at 110% by eligible marketable securities listed in subsections (a) through (l) and (n) and (o). The Commission, at its discretion and by majority vote of the Commission of Directors, on a quarterly basis, may waive the collateralization requirements for any portion of the deposit that is covered by federal insurance.

j) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated in a rating category of "A" or better, or the equivalent, by an NRSRO.

The Commissioners, Executive Director and/or designee, or other officials of the Commission having legal custody of the Commission's money are prohibited from investing the Commission's funds, or funds in the custody of the Commission, in negotiable certificates of deposit issued by a state or federal credit union if a member of the Commission or any person with investment decision making authority Executive Director and/or designee that is a part of Commission staff serves on the board of Commissioners, or any committee appointed by the Commission, or the credit committee, or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

Purchase of negotiable certificates of deposit may not exceed 30 percent of the Commission's investment portfolio.

k) State of California's Local Agency Investment Fund (LAIF): Investment in LAIF may not exceed the maximum set by the Local Investment Advisory Board. LAIF shall be reviewed periodically.

l) The Fresno County Treasury Pool.

m) Insured savings account or bank money market account. In accordance with California Government Code Section 53635.2 to be eligible to receive local agency deposits a financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation.

n) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest-ranking letter or numerical rating provided by not less than two NRSROs or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds and with assets under management in excess of $500,000,000.

The purchase price of shares shall not exceed 15 percent of the investment portfolio of the Commission.

o) Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Eligible securities must be rated in a rating category of "AA" or higher, or the equivalent by an NRSRO, and the issuer of the security shall be rated in a rating category of "A" or higher, or the equivalent, rating for its debt as provided by an NRSRO. No more than 20 percent of the Commission's surplus funds may be invested in this type of security.

p) Shares of beneficial interest issued by a joint powers authority organized pursuant to California Government Code Section 6509.7 that invests in the securities and obligations authorized in California Government Code 53601 subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria: (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission; (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in California Government Code 53601 subdivisions (a) to (q), inclusive; (3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000). This investment must be rated AAA, or the equivalent as provided for by an NRSRO.

q) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or better, or the equivalent, by an NRSRO and shall not exceed 30 percent of the Commission's moneys that may be invested pursuant to this section.

Credit criteria and maximum percentages listed in this section refer to the credit of the issuing organization at the time the security is purchased. The Commission may from time to time be invested in a security whose rating is downgraded. In the event a rating drops below the minimum allowed rating category for that given investment type, the investment advisor shall notify the Executive Director and/or designee and recommend a plan of action. The Executive Director and/or designee shall immediately notify the Commission Chair or Treasurer of both the downgrade and the investment advisor's recommendation.

11. Ineligible Investments

The Commission shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity.

12. External Investment Managers

The Commission may contract with external investment managers to provide investment management services. These managers may be hired to actively invest funds not needed for liquidity. The Commission's benchmark is the Merrill Lynch 1-5-year U. S. Treasury Note Index.

External investment managers are required to provide timely reports to ensure that the manager's actions comply with the requirements of the law and this Investment Policy.

The manager's performance shall be reviewed against the agreed upon benchmarks.

13. Diversification

The investments of the Commission shall be diversified by security type and institution.

14. Maximum Maturity

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled to permit the Commission to meet all projected obligations.

The maximum maturity will be no more than five (5) years from purchase date to maturity date.

15. Safekeeping and Custody

The assets of the Commission shall be secured through the third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Collateralized securities such as repurchase agreements shall be purchased using the delivery vs. payment procedure.

16. Internal Control

The investments shall be subject to an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with the Commission's Investment Policy.

17. Performance Standards

Performance of the investments of the Commission will be reflected in financial reports from the investment manager's quarterly reports.

The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout economic cycles, commensurate with investment risk constraints and cash flow needs.

18. Market Yield/ Benchmark

The Commission's investment strategy is active. Given this strategy, the benchmark used to compare returns will be the Merrill Lynch 1-5-year U. S. Treasury note.

19. Reporting

The Commission's contracted investment advisor is required to provide timely reports to the Commission that provide a clear picture of the status of the current investment portfolio. The investment report shall include comments on the fixed income and equity markets and economic conditions, discussions regarding restriction on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies.

The Executive Director and/or designee will provide an investment report to the Commission at minimum on an annual basis. The report shall include the following information for each individual investment:

- Description of investment instrument
- Issuer name
- Yield on cost
- Purchase date
- Maturity date
- Purchase price
- Par Value
- Current market value and the source of the valuation

The report also shall (i) state compliance of the portfolio to the Investment Policy Statement, or manner in which the portfolio is not in compliance, (ii) include a description of any of the Commission's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement denoting the ability of the Commission to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

20. Investment Policy Adaptations

The Executive Director and/or designee may annually render to the Commission the Investment Policy, which the Commission must consider at a public meeting. Any changes to the policy shall also be considered by the Commission at a public meeting.

21. Trading and Sales of Investments

Permitted investments may be purchased with the intent of holding them until maturity. However, in an effort to increase the total return of the portfolio (and subject always to the investing objectives of this Policy), Permitted investments may be sold prior to their maturities when economic circumstances warrant a sale of the securities to enhance the Commission's overall portfolio yield. If any investment manager recommends the sale of a Permitted Investment for the Commission that will result in a loss, the contracted investment manager shall seek approval from the Executive Director and/or designee provide analysis and projection date of recovering the loss.

FIRST 5 FRESNO COUNTY
ADMINISTERED BY CHILDREN & FAMILIES COMMISSION OF FRESNO COUNTY

FINANCE AND PROGRAM REVIEW COMMITTEE
October 15, 2018 – 11:00 a.m.

2405 Tulare Street
Fresno, CA 93721

AGENDA ITEM NO. 9

TO: Children & Families Commission of Fresno County

FROM: Emilia Reyes, Executive Director

SUBJECT: Conflict of Interest Policy – Annual Review

RECOMMENDED ACTION:

Approve, for full Commission consideration, the reviewed Conflict of Interest Policy.

BACKGROUND:

Conflict of Interest Policy:
On a biannual basis the Commission reviews and updates the Conflict of Interest Policy. The Commission staff and Legal Counsel felt there were no necessary updates to be made to the Conflict of Interest Policy this year.

Fiscal Impact: Action on this agenda item will have no fiscal impact.

CONCLUSION:

Annual review and updates to Commission's policies and procedures ensure efficiency, further transparency, cost effectiveness and internal controls. Upon approval, staff will present to the full Commission for review and approval during the October 24, 2018 Commission meeting.

CONFLICT-OF-INTEREST POLICY
CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
(FIRST 5 FRESNO COUNTY)

Article 1
Purpose

The purpose of this Conflict-of-interest Policy (this "Policy") is to ensure public confidence in the integrity of the decision-making processes of the Children and Families Commission of Fresno County (the “Commission” or "First 5") and its appointed Commissioners,

(a) while encouraging experienced and competent persons to seek and accept a seat on the Commission;

(b) while facilitating interchange between the community and the Commission;

(c) by establishing clear rules of conduct respecting conflicts-of-interest applicable to all Commissioners; and

(d) by minimizing the possibility of conflicts arising between the private interests and public duties of Commissioners and providing for the resolution of such conflicts in the public interest should they arise.

The California Children and Families Act of 1998 (Health and Safety Code Section 130100 *et seq.*) requires the establishment of a commission in each county for the purposes of promoting, supporting, and improving the early development of children from the pre-natal stage to five years of age. These purposes are accomplished through the establishment, institution, and coordination of appropriate standards, resources, and integrated and comprehensive programs emphasizing community awareness, education, nurturing, child care, social services, health care and research.

Health & Safety Code section 130140(a) requires that the commission in each county be comprised of (i) a member of the County Board of Supervisors; (ii) the County health office; and (iii) the person responsible for management of the following County functions: Children's services, public health services, behavior health services, social services, and tobacco and other substance abuse prevention and treatment services. The remaining members of the Commission shall be representatives from the following categories: Recipients of project services included in the County strategic plan, educators specializing in early childhood development, local child care resource or referral agencies or local child care coordinating groups, local organizations focusing on prevention or early intervention for families at risk, community-based organizations that have the goal of promoting nurturing and early childhood development, local school districts, and local medical, pediatric, or obstetric associations or societies.

Because the California Children and Families Act of 1998 requires that Commission members be from agencies that may receive public funds, the Commission seeks to ensure that its purposes are not compromised by even the appearance of a conflict-of-interest by its commissioners and staff.

Article 2
Applicable Laws

The following laws and regulations guide First 5 commissioners and staff on how to prevent or minimize the risk of an actual or potential conflict-of-interest as well as the appearance of a conflict-of-interest:

(a) Government Code Section 1090 *et seq.*

Section 1090 addresses conflicts of interest in the contract making process. This section prohibits public agency board members and commissioners, officers and employees from being financially interested in contracts made by them in their official capacities, or by their respective boards or commissions. This prohibition extends to votes made by boards or commissions irrespective of whether or not the interested public agency board or commission member abstained from voting on the matter, disclosed the interest, or avoided discussions regarding the interest. A contract made in violation of Section 1090 is void even if a court finds no intentional wrongdoing by the financially interested member.

There are certain limited exceptions that will permit financially interested commissioners to recuse themselves and allow the Commission to enter into the contract. Government Code section 1091.3 is specifically applicable to the Commission. Section 1091.3 exempts the Commission from Government Code section 1090 unless both of the following are circumstances are present:

(i) The contract or grant directly relates to services to be provided by any member of a county children and families commission or the entity the member represents or financially benefits the member or the entity he or she represents; and

(ii) The member fails to recuse himself or herself from making, participating in making, or in any way attempting to use his or her official position to influence a decision on the grant or grants.

(b) Political Reform Act (Government Code § 87100 *et seq.*)

The Political Reform Act addresses financial conflicts of interest (i.e. conflicts of interest arising from economic interests). Under the Political Reform Act, no public official at any level of state or local government may make, participate in making or in any way attempt to use his or her official position to influence a governmental decision in which he or she knows or has reason to know that he or she has a financial interest.

Generally, a public official has a conflict-of-interest with respect to a particular governmental decision if it is sufficiently likely that the outcome of the decision will have a direct, and in some cases an indirect, impact on the public official’s economic interests. The Commission's attention is directed to the California Fair Political Practices Commission's eight-step checklist to assist a public official in determining whether or not he or she has a financial conflict-of-interest.

(c) Incompatible Offices (Government Code § 1126)

First 5 commissioners and staff are prohibited from engaging in any employment, activity, or enterprise for compensation which is inconsistent, incompatible, in conflict with, or inimical to, his or her duties as a local agency officer or employee or with the duties, functions, or responsibilities of his or her appointing power or the agency by which he or she is employed.

(d) Assembly Bill No. 1234

Assembly Bill No. 1234 requires, among other things, that all local agencies that provide compensation, salary, or stipends to, or reimburse the expenses of, members of a legislative body must provide ethics training to local agency officials by January 1, 2007 and every two (2) years thereafter.

(e) Conflict-of-Interest Code; Statement of Economic Interests

By July 1 of each even-numbered year, the Commission must review and adopt a Conflict-of-Interest Code in accordance to the Political Reform Act. If a change in the code is necessitated by changed circumstances, the Commission must submit an amended Conflict-of-interest Code to the Clerk of the Fresno County Board of Supervisors.

Upon review of the code, if no change in the code is required, the Commission shall submit a written statement to that effect to the Clerk of the Fresno County Board of Supervisors by October 1 of the same year.

All “Designated Employees,” which are persons who make or participate in the making of decisions that may have a foreseeable material effect on financial interests, must complete a Form 700, Statement of Economic Interests form (the “Statement”), pursuant to and under the rules provided in the California State Fair Political Practices Commission’s Regulation 18730.

For purposes of this policy, “designated employees” are the duly appointed members of the Commission, the Executive Director of the Commission, and any other Commission employee with independent decision-making authority.

Article 3
The Commission’s Policy

The Commission has adopted the following rules and requirements, which will serve to assure adherence to the purpose of this Policy.

(a) Each member of the Commission and staff shall individually determine whether or not he or she has a conflict-of-interest with respect to any action before the Commission. The Commissioners and staff are encouraged to contact Commission counsel regarding such matters.

(b) If a member of the Commission has determined that he or she has a conflict-of-interest, and such conflict does not violate the provisions contained in Government Code Section

1090 *et seq*., that Commission member must disclose and recue him or herself from the matter giving rise to the conflict.

(c) Commission members shall not make, participate in making, or use their official position to influence the making of any governmental decision which may have a direct or indirect foreseeable material financial effect (distinguishable from its effect on the public generally) on:

> (i) Any business entity in which the member has a direct or indirect investment worth one thousand dollars ($1000) or more;
>
> (ii) Any real property in which the member has a direct or indirect interest worth one thousand dollars ($1000) or more;
>
> (iii) Any source of income, other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating two hundred fifty dollars ($250) or more in value provided to, received by or promised to the member within twelve months prior to the time when the decision is made; or
>
> (iv) Any business entity in which the member is a director, officer, partner, trustee, employee, or holds any position of management. No member shall be prevented from making or participating in the making of any decision to the extent his or her participation is legally required for the decision to be made. The fact that a vote of a member who is on the voting body is needed to break a tie does not make his or her participation legally required.

(d) Commissioners and Commission staff are prohibited from engaging in any employment, activity, or enterprise for compensation which is inconsistent, incompatible, in conflict with, or inimical to, their duties as a commissioner or Commission staff or with their duties, functions, or responsibilities of the appointing power or the agency by which he or she is employed.

(e) Every two (2) years, members of the Commission and certain staff, as determined by the Executive Director, must participate in AB 1234 ethics training.

(f) All *newly appointed* commissioners shall complete the Statement within 30 days of appointment to the Commission. *All* commissioners shall complete the Statement annually no later than April 1 of each year. All *commissioners leaving their seats on the commission* shall file a Statement no later than thirty (30) days after leaving office.

(g) By October 1 of every even numbered year, the Commission must review any Conflict-of-interest Code adopted pursuant to the Political Reform Act. If changes to the Conflict-of-interest Code are necessary due to changes in circumstance an amended code must be submitted to the Clerk of the Fresno County Board of Supervisors. If no changes are required, a written statement to that effect must be made to the Clerk of the Fresno County Board of Supervisors by October 1 of the same year.