

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 10 – Financial Management (Financial Operations)

I. Purpose. The purpose of this policy is to provide the general policy guidance for the financial management of the Northern Virginia Transportation Authority (NVTA). The objectives of these policies include:

- Establishing a framework for strong internal controls and adequate design of internal controls over all significant accounts and processes.
- Ensuring proper management approval and review of financial transactions.
- Achieving operational efficiencies through standardization of accounting and reporting practices.

II. General. The NVTA will organize and maintain its financial operations in a manner consistent with federal, state, and local laws and regulations as well as with proper business practices (e.g., Governmental Accounting Standards Board - GASB).

III. General Guidelines

A. Financial planning and budgeting shall be consistent with the following guidelines:

1. Consistency with Authority policies, strategic plan, project plans and expressed priorities.
2. Clarity with respect to any assumptions used in budget development.
3. Manage cash flow of tax revenues appropriated by the Commonwealth of Virginia for the purpose of regional transportation projects to reduce traffic congestion and improve air quality.
4. Allocating funds consistent with HB 2313.
5. The issuance of bonds will be in all respects for the benefit of the inhabitants of the nine member jurisdictions; the issuance of bonds are to further the purposes of the NVTA and the NVTA Act.
6. The NVTA operational budget is paid by the member jurisdictions and will contain: sufficient level of detail to enable a reasonably accurate projection of revenue and expenses; visibility of revenue and expenses (to include labor costs).
7. Planning and budgeting process that provides for Authority approval of annual budget plan at least two months prior to the start of a new fiscal year.
8. A detailed mid-year (fiscal year) budget review will be held by the Finance Committee, with recommended adjustments made to the Authority as needed.
9. Use of the prescribed accounting methods based on GASB guidance.

B. Maintenance of financial condition and ongoing monitoring will be consistent with the following guidelines:

1. The financial condition of the Authority shall be reviewed, as a minimum, by the Finance Committee and the NVTA on a quarterly basis.
2. Annually the Finance Committee and the Authority will review the annual audited Financial Statements.
3. Expenditures shall be consistent with the approved budget. The Executive Director may make minor operating budget adjustments (\$10,000 or less) between program areas at his/her discretion; however, major adjustments (>\$10,000) shall have the advance recommendation of the Finance Committee to the Authority or Authority approval.
4. As required in the NVTA Debt Policy number 9, the Authority will maintain a Working Capital Reserve (WCR) account equal to six months of the budgeted, annual, Regional NVTA Funds (70% Funds). Such funds may be used within a fiscal year to manage any mismatches in the actual receipt of revenue and the disbursement of funds for project construction to project implementing entities. The Executive Director will submit to the Authority a plan to restore the WCR to its minimum level over a period not to exceed 18 months.
5. As required in the NVTA Debt Policy number 9, the Authority will maintain an operating reserve sufficient to fund at least twenty percent (20%) of NVTA operating expenses. This reserve may be used at the discretion of the Executive Director to cover unanticipated expenditure increases in the budget. If used, the Executive Director will present a plan to the Authority for refilling the reserve during the next fiscal year budget process.

C. Financial records shall be maintained consistent with following guidelines:

1. Financial records will be retained in accordance with the NVTA Records Retention Policy number 6.
2. The Chart of Accounts shall be used and structured in a manner that is supportive of the NVTA operations in conformance with Generally Accepted Accounting Principles (GAAP) and an appropriate basis of accounting.
3. The Authority will maintain four (4) unique funds as the basis for the NVTA's accounting and reporting structure.
 - a. General Fund will be used to maintain and report the NVTA's operational budget. This Fund will include the annual contribution from the member jurisdictions as well as other general costs.
 - b. Special Revenue Fund for the thirty percent (30%) distribution will contain the 30% portion of the three NVTA tax revenues received. This fund will include the distributions to each of the member jurisdictions.
 - c. Special Revenue Fund for Regional Funds (70%) will include the 70% portion of the three NVTA tax revenues received. Project disbursements will be tracked in this fund by jurisdiction and/or agency.

- d. Debt Service Fund will contain all transactions related to the issuance of NVTA Bonds, line of credit, and repayment of those debts.

D. Bank and other financial accounts shall be organized and maintained consistent with following guidelines:

1. The Chief Financial Officer (CFO), upon approval and with signature authority of the Executive Director, opens and closes all bank and other financial accounts (e.g., checking, safe keeping, investment) in accordance with the Virginia Security for Public Deposits Act.
2. In accordance with the NVTA Procurement Policy number 12, the CFO and Executive Director have signature authority on all accounts. The CFO is authorized to sign checks up to \$15,000. Checks over \$15,000 must be countersigned by the Executive Director. In all cases, expenditures must be consistent with the approved budget or a separate approval by the Authority.
3. In accordance with the NVTA Procurement Policy number 12, specific prior approval of the Authority is needed for any expenditure that exceeds \$30,000.
4. In all cases, appropriate documentation will be maintained consistent with state records management requirements.
5. Bank and other corporate financial information (e.g., rules and regulations, account numbers) shall be retained, maintained, and updated as directed by the CFO.
6. No petty cash or other 'Cash on Hand' will be permitted.

E. Capital assets shall be accounted for along the following general guidelines and in accordance with the Capital Asset Accounting Policy number 17:

1. Depreciation account shall be maintained for office & technological equipment and furnishings valued above \$5,000 at the time of purchase or acquisition. Such assets shall be depreciated over their useful life, typically four (4) years for computer hardware and peripherals, five years (5) for office equipment and seven (7) years for office furnishings.
2. Disposal of the NVTA's assets acquired by sale, loan, or gift requires documented written approval by the CFO.
3. The Clerk of the Authority shall conduct an annual inventory of the NVTA assets including – computer hardware/peripherals, office equipment and furnishings for the annual audit. The clerk will initiate and maintain a tagging system and inventory for capital items.

F. The accounts of the Authority shall be audited consistent with the following guidance and in accordance with the Audit Policy number 11:

1. Accounts shall be audited annually by a certified public accountant qualified to audit municipal entities and authorities in Virginia.
2. As a minimum, the audit contract shall be re-bid at least every five (5) years. If the contract is renewed with the prior firm, the firm must designate a different audit manager.
3. The Finance Committee will review the audit and make appropriate recommendations to the Executive Director and the Authority.

G. Travel costs and expenses shall be consistent with the NVTAs Financial Policies including Procurement Policy number 12 and Administrative Policy number 14.

H. Credit (Purchase) card(s) may be used only for business-related expenses consistent with the Financial Management –Purchase Card Policy number 18.

1. All accounts shall be held in the name of the NVTAs and not based on personal credit. Any unauthorized charges will be the responsibility of the employee making the charge. The employee may be subject to disciplinary action including dismissal. Employee personal charges must be reimbursed immediately or the charge will be deducted from the employee's next pay check.

IV. Responsibilities.

A. Authority. The Authority is responsible for providing broad financial guidance and oversight, to include approval of budget parameters, annual program plans consistent with HB 2313 and the annual budget.

B. Finance Committee. As stated in the Authority Bylaws, the Finance Committee shall be responsible for advising the Authority on all financial matters and overseeing financial activities undertaken by the NVTAs professional staff, including:

1. Reviewing, commenting on, and recommending the annual budget presented by the Executive Director.
2. Reviewing, commenting on, and recommending any budget amendments presented by the Executive Director.
3. Overseeing the NVTAs financial policies (e.g., bond, investment, procurement) and making appropriate recommendations.
4. Monitoring contracts for incidental services, including incidental financial services, and recommending task orders.

5. Monitoring the NVTA's expenditures for compliance with policies and guidance of the NVTA.
6. Reviewing annual revenue estimates.
7. Approving the selection of an audit firm and audit work plan supporting the annual preparation of financial statements including meeting with the auditor before the audit begins and when it has concluded. This meeting can be in person or via a conference call.
8. Assisting with other financial activities as may be directed by the NVTA.

C. Chief Financial Officer Reporting to Executive Director.

1. Manages the Authority's finances on a day-to-day basis.
2. Executes the Authority-approved budget.
3. Develops financial mechanisms/procedures to ensure financial accountability and transparency.
4. Ensures that there are written procedures (financial operation policies) for the fiscal operation of the Authority.
5. Provides monthly financial management reports to the Executive Director, Finance Committee and Authority.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014