



FINANCIAL POLICIES AND PROCEDURES

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 APPROVED BY: CWEA Board of Directors

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1. Background & Objectives

California Water Environment Association (“CWEA”) is a California nonprofit public benefit corporation exempt under Section 501(c)(3) of the Internal Revenue Code. CWEA conducts some of its activities through geographically defined local sections (the “Local Sections”) whose common mission is to provide education to members of the water environment community. Each Local Section is part of CWEA and does not have separate legal or tax status. As specified in California Corporations Code, CWEA’s Board of Directors (“CWEA Board”) bears the ultimate responsibility for all activities and affairs of CWEA, including Local Section activities and affairs. All Local Section activities shall be consistent with the policies and procedures of CWEA.

All 17 CWEA Local Sections operate under one CWEA federal tax ID and are accountable as one entity to ensure that all funds received and all disbursements made are consistent with the letter and spirit of the CWEA mission for which it was granted its 501(c)3 tax exempt status.

CWEA's mission: To enhance the education and effectiveness of California's wastewater professionals through training, certification, dissemination of technical information and promotion of sound policies to benefit society through protection and enhancement of the water environment.

The California Nonprofit Integrity Act of 2004 requires nonprofit corporations with gross revenues in excess of \$2 million to prepare annual consolidated financial statements audited by an independent certified public accountant (CPA). The statements must use generally accepted accounting principles. The independent CPA must follow generally accepted auditing standards.

The policy and procedures that follow are in keeping with the IRS requirements of a 501(c)3 tax exempt organization, the legal requirements of California Corporations Code, as well as reporting and audit standards that comply with the California Nonprofit Integrity Act of 2004.

Financial Policy Objectives

The CWEA Board of Directors intends that this policy will:

- Promote consistency and operational efficiency to support prudent use of CWEA's resources, and mitigate significant organizational risk.
- Meet fiduciary responsibilities to protect board, local section volunteers, staff, members, and the association by setting and meeting adequate internal fiscal controls.
- Bring controls current/consistent with CWEA internal fiscal control procedures.
- Affirm that Local sections retain accountability for program development, producing and executing budgets, and execution of expenditure authorization once the LS budget is approved by the CWEA Board.
- Improve Volunteer experience with respect to Local Section financial management (i.e. reduced time, effort).
- Reduce CWEA Board and staff time spent on managing and overseeing CWEA financial reporting.
- Improve the timeliness and thoroughness of financial reporting.
- Fulfill Auditors' & IRS requirements.
- Improve member experience. Build towards a future that allows for improved member transaction experience at the local section level.
- Contain provisions that are enforceable.

2. Roles

2.1. Board of Directors

The CWEA Board of Directors has ultimate fiduciary oversight responsibility over all organizational financial activity. This includes all financial activity for each of the 17 local sections. The Board discharges this duty by developing policies and procedures that ensure proper internal fiscal controls consistent with the CWEA mission.

2.2. CWEA Treasurer and Operations Committee of the Board

The CWEA Board Treasurer chairs the Operations Committee, which is composed of members designated by the Board of Directors. The Operations Committee has the responsibility of overseeing the execution of the Board approved annual budget (including overseeing the execution of all 17 local sections budgets). The Operations Committee does this by performing regular reviews of the organization's financial activity and reporting.

2.3. Executive Director

The Executive Director has the responsibility for administering policies set by the Board and ensuring compliance with procedures that have been approved by the Board of Directors.

2.4. Board Liaison

The President of the Board of Directors designates a Board member to serve as the liaison between each local section and the Board of Directors. The Local Section Board Liaison has the responsibility of enhancing communication between the local section and the CWEA Board.

2.5. Local Section Board

The local section Board is responsible for developing and executing the annual LS program, presenting an annual budget to the CWEA Board for approval, and authorizing expenditures once the LS budget is approved by the CWEA Board.

3. Policy

- 3.1. Local sections are required to follow and enforce the financial policies and procedures of CWEA.
- 3.2. The CWEA accounting system follows general accepted accounting policies (GAAP).
- 3.3. The fiscal year for CWEA, as determined by CWEA's Board, is July 1 through June 30 and applies to all local sections as well.
- 3.4. Local sections must be self-supporting with respect to income and expenses.
- 3.5. Local section boards are responsible to ensure all required financial management and reporting is handled timely and consistently.
- 3.6. The CWEA Board will make available CWEA staff resources to handle local section bookkeeping duties at no charge to a local section.
- 3.7. Only the Executive Director or President of the CWEA Board will be responsible for selecting financial institutions that meet the needs of the organization, including local sections.
- 3.8. Local section banking services, including merchant services, must be coordinated with CWEA staff.
- 3.9. Local sections are limited to one bank account. The CWEA Board recognizes that at the date of the 1/28/2017 revision there are local sections that have more than the one bank account and will not be required to reduce to one at this time.
- 3.10. There shall be no separate bank accounts for committees of local sections.
- 3.11. The CWEA Executive Director and the Chief Financial Officer must be included as signatories on all local section banking accounts.

- 3.12. Local sections must not enter into any type of debt. This includes any Letter of Credit that may be associated with a local section checking account's overdraft services.
- 3.13. Local sections must not apply for nor use local section credit cards for the purchase of goods or services.
- 3.14. Upon the dissolution of a local section, all assets of the local section shall be transferred to CWEA for its unrestricted use.

4. Procedures

4.1. Bank Accounts & Internal Fiscal Controls

4.1.1. Bank Selection

- Only the Executive Director will be responsible for selecting financial institutions that meet the needs of the organization.
- The use of PayPal accounts shall not be permitted. Any local sections with existing PayPal accounts must disclose its existence to the CWEA Finance Manager and work together to develop additional monthly reports that will be required as a result.

4.1.2. Number of Bank Accounts

- It is the intention of the Board to eventually limit the number of bank accounts that a local section can have to one. The reason for the limit of one account per section is to reduce the total number of accounts organization wide for which oversight duty by the CWEA Board is required.
- Existing (at January 2017) accounts above the one account limit will not be required to change at this time. The CWEA Board does encourage a voluntary consolidation to adhere to the spirit of this limit but will not require it at this time.
- CD accounts with maturity dates coming up after January 2017 will not be renewed, rather deposited into the local section bank account.

4.1.3. Signing Authority

- A maximum of 2 local section officers plus the CWEA Executive Director and CWEA CFO must be authorized signers on any bank account.
- The individual responsible for reconciling the bank statements must not be an authorized signer on the bank account.
- The LS must ensure authorized account signatories are current to reflect any changes in LS Board officers or other changes that may impact the bank account.
- The LS must notify the CWEA CFO and/or CWEA Executive Director no later than 10 business days of any changes to authorized signatories to the LS bank account and ensure the CWEA Executive

Director and CWEA CFO remain authorized signatories on the account at all times.

4.1.4. Check Signing Internal Fiscal Control & Documentation

- Checks above \$500 require two signatures.
- Individual reconciling the bank statements must not sign checks or make disbursements.
- A completed check request form is advised for all checks; however, a check request form is only required for all checks above \$50.00. The check request form must clearly state the purpose of the expense.
- All disbursements regardless of dollar amount require receipts and in applicable instances contracts or agreements as backup documentation to the disbursement.
- Checks for cash advances are not permitted.
- Blank checks must never be signed in advance.

4.1.5. Online access

- When the LS account is at a bank selected by the ED that provides the features and functionality that also allows for proper internal controls, the CFO is authorized to set up individuals with “view only” online access that also includes the ability to download statements and transactions.
- Local sections currently with online access to the account(s) will need to work together with CWEA staff to change banks to ED-approved bank to retain online access by June 30, 2018.

4.1.6. Debit Cards – Permitted when a local section migrates its bank account to an institution selected by the ED that provides the specific features and controls (e.g. universal daily limits) for added protections and ease of administration. Note that timing of migration will be considered in context of program of work but not to exceed 2 years following the request.

- Cash withdrawals are prohibited.
- Limit one debit card per local section, which cannot be issued in the name of the individual who reconciles the bank account.
- Use of the card for disbursements in excess of \$500 must have double authorization (can be obtained by e-mail). Receipts, invoices, contracts/agreements and any other applicable backup documentation will need to be obtained and submitted with monthly financial reports.
- The local section President will notify the CWEA CFO via e-mail no later than 24 hours following turnover of cardholder. CFO will notify the bank to terminate card authorization.

- Use (accidental or intentional) of the debit card for personal use can result in the termination of the card.

4.1.7. Credit Cards – Obtaining credit cards for use by a local section for expenditures is prohibited.

4.1.8. Merchant Accounts – A local section needs approval from ED for specific merchant provider. The ability to accept credit cards as methods of payment is permitted when a local section migrates their bank account to an institution (selected by the ED) that provides the specific features and controls for added protections and ease of administration. Note that timing of migration will be considered in context of program of work. Staff anticipates that this option will be available to LS within the next 2 years, and that LS may request this service once it is available. As previously noted above, PayPal accounts are prohibited.

4.1.9. Bank Statements – Bank statements are required to be mailed directly to the CWEA Headquarter office in Oakland directly from the banking institution. The statement shall include check images. CWEA staff will distribute, via e-mail, copies to Local Section treasurers in a timely fashion.

4.1.10. Check Images – Images of cleared checks are required to accompany the bank statement.

4.1.11. Petty cash – This practice is not encouraged by the Board, however if a local section has specific circumstances for the use of a petty cash fund the local section may request approval in writing to the CWEA CFO. If approved, the CWEA local section and the CWEA CFO will work together on limits, reporting requirements and replenishment procedures. Petty cash will not exceed \$500.

4.2. Reporting Requirements

4.2.1. Budget

- Local sections shall submit an annual budget request by April 30th for the upcoming fiscal year for review and approval by the CWEA Board of Directors.
- The budget shall be submitted via an excel template provided by the Executive Director, or staff designated by the Executive Director.
- Once the local section Board has approved the draft annual program of work and budget, the completed excel file must be submitted to CWEA staff electronically via e-mail with the excel file attached.
- CWEA staff will then compile all local section budgets and submit to the Operations Committee and the CWEA Board for review and approval.

- The budget request must include estimated beginning cash balance, income by source, expenses by source and the forecasted ending balance.
- The budget request must also include narrative information regarding the planned program of work associated with the budget request. This information can simply be included in the body of the e-mail or in a separate document and should include anything the local section would like the CWEA Board to know about the proposed program of work for its consideration during the review and approval process.
- Disbursements for products or services outside the original scope of programs submitted in the annual local section budget approved by the CWEA Board, and that would result in the local section overspending its approved budget, require a written notification by the local section to the Executive Director. The ED will then facilitate the most efficient next opportunity (e.g. Executive Committee, Operations Committee) for communicating this change to the CWEA Board. Under no circumstances shall a local section spend more on products or services than it has annual revenue or cash balance to cover.

4.2.2. Monthly Reporting

- Local Sections must complete and submit detailed monthly financial reports on the template provided by the Executive Director, or staff designated by the Executive Director. The reports shall be submitted as an electronic version of the template application (i.e. Excel file) **by the end of the following month** that include:
 - copy of bank reconciliation statement for each account
 - copy of budget variance report
 - copy of check register listing check date, payee, amount and purpose
 - written description for all cash received listing date, amount, name of payer and purpose
 - copies of invoices for goods and services
 - list of attendees for meals or other events such as entertainment, and the business purpose of the event.
 - list for all gifts and door prize recipients
 - copy of any signed contract or agreement
 - check request forms - best practice is to include a check request for all disbursements but only required for expenses greater than \$50.
- The monthly financial report requires the review and approval of the local section president. If the local section president agrees, for convenience, this approval can be via copy on the e-mail of the monthly submission to CWEA staff. Submission of the monthly

reports (excel template) by the local section treasurer or other designated officer responsible for the production of the reports, will include the president and another officer via copy on the e-mail submission to CWEA staff. The cc on the e-mail will constitute approval of the reports.

4.2.3. Situational Reporting

- The Local Section must make an oral report of any and all financial problems, liabilities, and/or deficits that might impact the Association's finances to the Executive Director, or staff designated by the Executive Director, as soon as possible.
- The Local Section must make an oral report of the issuance of any payment in excess of \$5,000 to the Executive Director, or staff designated by the Executive Director, within 24 hours or in advance of the disbursement.
- The Local Section must submit a written report of name(s), e-mail addresses and phone numbers of person(s) responsible for making deposits; writing checks and making payments; receiving copies of bank statements; reconciling and keeping records to the Executive Director, or staff designated by the Executive Director, within 10 business days following any change (e.g. installation of officers).

4.2.4. Asset Listing

- Annually, the local section must provide a list of assets (e.g. laptop, tablet, projector etc.) for any asset with an initial value greater than \$500.
- The asset listing will include the following:
 - Description
 - Date of purchase
 - Purchase amount
 - Current location

4.2.5. Other Requirements

- The CWEA Board of Directors reserves the right to request documentation and backup information from the local section as it determines necessary to discharge its fiduciary oversight responsibility.

4.3. CWEA Staff Bookkeeping Support for Local Sections

4.3.1. Overview

- CWEA staff may perform, at no cost to the local section, many of the bookkeeping functions outlined in procedures of this policy as a service to Local Sections, provided the CWEA Board of Directors

continues to approve the resources in the annual budget process similar to its support in FY 2016/17.

- This support is being provided in recognition of the time it currently takes for volunteers to perform this role and the increasing pressures and constraints placed on the time a volunteer has to commit to CWEA. In many cases this will allow valuable volunteer time to go directly to mission related educational and training events.
- The local section retains responsibility for all annual proposed program of work and associated budget development, as well as the duty of management of actual revenue and expense to budget. The CWEA staff role is simply to make disbursements on behalf of the local section and as requested by the local section and compile timely monthly financial reports on behalf of the local section.
- The local section will still have a separate bank account.

4.3.2. How It Works

- The local section continues to retain the position of Treasurer as a seat on its Board.
- The local section Treasurer is the individual to whom the CWEA Finance Manager will send monthly dues ACH notifications.
- The local section Treasurer makes all other deposits on behalf of the local section for local events, etc. The local section Board will establish prudent fiscal controls to ensure the accuracy of the deposits as well as to ensure that appropriate documentation of any additional deposits are sent to the CWEA Finance Manager within 5 business days of the deposit.
- In order to meet internal fiscal control procedures and ensure the accuracy of the local section bank account reconciliation, only CWEA Staff will execute disbursements from the local section account once a local section authorized check request with proper documentation is received.
- Reimbursements for individuals as well as disbursements to vendors:
 - a local section Board member will generate a check request and e-mail it directly to the CWEA Finance Manager along with proper receipts and or other required documentation (e.g. venue contracts). All requests made by anyone other than the local section Treasurer and President must include a cc to the Local Section Treasurer and President.
 - CWEA staff will process the reimbursement requests as soon as possible but no later than the normal 10 business day check run cycle, unless otherwise specified on the check request form and in that case staff will handle in expedited fashion.
 - For efficiency and for protection of volunteers, as well as to reduce volunteer out-of-pocket expenses, local sections are

encouraged to request payment to vendors directly wherever possible instead of volunteers paying a vendor personally and then requesting reimbursement.

- By the end of the month following the reporting month, CWEA sends a monthly financial report, budget variance report and bank statement via email to the local section Treasurer and President. Note that the reports can only be complete if the Treasurer sends to CWEA timely deposit documentation otherwise staff will indicate what has not been received.

4.3.3. Opt-In

- Once a local section Board has decided and voted to take advantage of bookkeeping support services, the local section Treasurer must provide a written request, via e-mail, to the CWEA Chief Financial Officer. If additional information is needed by the local section to make the decision of this transition the CWEA Chief Financial Officer or designated staff will be available.

4.3.4. Opt-Out

- Any local section which has used CWEA staff bookkeeping service has the option of terminating that support under the following conditions:
 - The Local Section has been enrolled in the staff bookkeeping service for a period of no less than two years.
 - The Local Section Board of Directors must send a written request to the CWEA Executive Director with minutes documenting a majority vote of the Local Section Board for the transition back to Local Section bookkeeping.
 - The Local Section opt out status will have a trial period of one year, revocable by the CWEA Operations Committee if the Local Section does not meet the financial reporting performance criteria set forth in this policy, including but not limited to the following:
 - » Any check issued without check request on record, or without required signature(s)/authorizations.
 - » Any invalid or missing receipts without written documentation signed by Local Section President and recorded in section minutes.
- After the Executive Director receives the Local Section request to opt out of the staff bookkeeping support, the request shall be reviewed and voted on by the CWEA Operations Committee. If approved, staff shall coordinate with the Local Section treasurer to develop a timeline to transition bookkeeping responsibility to the Local Section. If the Operations Committee denies the request to opt

out, the Local Section may appeal the decision to the CWEA Executive Committee, whose decision is final.

4.4. Compliance

4.4.1. Overview

- The Executive Director, or staff designated by the Executive Director, will prepare a monthly report showing local section compliance with the financial reporting requirements.
- The report will be distributed to the Operations Committee.
- Local section monthly reports are due the last day of the month following the financial activity (example: December financial activities are due January 31).
- Any Local Section that does not submit its monthly report when due, or has significant deficiencies in its monthly report, is out of compliance per this policy which will trigger a sequence of follow-up communications and actions outlined below.

4.4.2. Overdue monthly reports:

- One month overdue:
 - Staff designated by the Executive Director shall send the local section treasurer, CWEA Treasurer, and local section Board liaison a reminder that the report is overdue.
 - The CWEA Treasurer will remind the local section President and local section Treasurer of the reporting requirements and repercussions of non-compliance.
- Two months overdue:
 - Staff designated by the Executive Director shall notify the CWEA treasurer and Local Section board liaison of any local sections that are two months overdue.
 - The CWEA Treasurer will notify the local section officers and directors of the overdue status. The notification will include a reminder of financial reporting requirements, repercussions of non-compliance, and a timeline for transitioning to CWEA staff administration of the local section's bookkeeping if the financial reporting is not provided.
- Three months overdue:
 - Staff designated by the Executive Director shall notify the CWEA Treasurer and local section board liaison of any local sections that are three months overdue.
 - The CWEA Treasurer will notify the local section officers and directors that the local section is required to transition to CWEA staff administration of the local section's bookkeeping.
 - CWEA staff will begin process to implement bookkeeping support for the identified local section.

4.4.3. Intermittent monthly reporting compliance: Each month a local section financial report is overdue causes additional CWEA staff and volunteer time to rectify the

situation. Staff designated by the Executive Director will track the total number of months financial reporting is overdue within a given fiscal year. When the cumulative number of months financial reporting is overdue exceeds ten (10) months, the local section will be required to transition to CWEA staff administration of the local section's bookkeeping. (For example, if January financial reporting is overdue two (2) months and February financial reporting is overdue one (1) month, the cumulative number of months financial reporting is late is three (3) months.)

- Financial Reporting is eight (8) cumulative months overdue:
 - Staff designated by the Executive Director shall notify the CWEA treasurer and Local Section board liaison of any local sections with eight (8) cumulative months of overdue financial reporting in the fiscal year.
 - The CWEA Treasurer will remind the local section President and local section Treasurer of the reporting requirements and repercussions of non-compliance.
- Financial Reporting is nine (9) cumulative months overdue:
 - Staff designated by the Executive Director shall notify the CWEA treasurer and Local Section board liaison of any local sections with nine (9) cumulative months of overdue financial reporting in the fiscal year.
 - The CWEA Treasurer will notify the local section officers and directors of the overdue status. The notification will include a reminder of financial reporting requirements, repercussions of non-compliance, and a timeline for transitioning to CWEA staff administration of the local section's bookkeeping if the financial reporting is not provided.
- Financial Reporting is ten (10) cumulative months overdue:
 - Staff designated by the Executive Director shall notify the CWEA treasurer and Local Section board liaison of any local sections with ten (10) cumulative months of overdue financial reporting in the fiscal year.
 - The CWEA Treasurer will notify the local section officers and directors that the local section is required to transition to CWEA staff administration of the local section's bookkeeping.
 - CWEA staff will begin process to implement bookkeeping support for the identified local section.
- Exceptional circumstances: The CWEA Operations Committee, or the CWEA Board of Directors, may take into consideration exceptional circumstances to defer implementation of compliance follow up procedures when a local section does not submit reports as required.