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Utah Department of Transportation

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Utah League of Cities and Towns

Lorene Kamalu
Utah Association of Counties

Ari Bruening
Envision Utah

Evan Curtis
State Planning Coordinator

Andrew Gruber
Executive Director

WFRC Budget Committee August 13, 2020

AGENDA

There will be a meeting of the Budget Committee on **Thursday August 13, 2020 at 10:00am via Zoom:**

Join Zoom Meeting <https://us02web.zoom.us/j/86071837171>

Meeting ID: 860 7183 7171

One tap mobile [+16699009128](tel:+16699009128),86071837171#

The agenda for the meeting will be as follows:

1. Welcome and Introductions
2. **ACTION:** Approval of Minutes of May 14, 2020
3. Public Comment
4. **ACTION:** Review of the WFRC Fraud Risk Assessment and approve updates to WFRC Accounting and Administrative Policy
5. **Discussion on Financial Projections**
6. **Executive Director Report**
7. **Other Business**
8. **Adjournment**
Next meeting: October 8, 2020

Informational materials can be located on WFRC's website at www.wfrc.org

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WFRC BUDGET COMMITTEE

Minutes

May 14, 2020, 10:00 am

A meeting was held on Thursday, May 14, 2020, via remote connection, due to the safety restrictions put in place by the Utah Governor's Office, in response to COVID-19 concerns, in Salt Lake City, Utah. The following were present:

2020 BUDGET COMMITTEE	IN ATTENDANCE
DAVIS COUNTY	
Commissioner Bob Stevenson	Yes
MORGAN COUNTY	
Councilmember Tina Cannon	Yes
SALT LAKE COUNTY	
Councilmember Michael Jensen	Yes
Mayor Jeff Silvestrini	Yes
TOOELE COUNTY	
Commissioner Shawn Milne	Yes
WEBER COUNTY	
Mayor Mike Caldwell	Yes
BOX ELDER COUNTY	
Commissioner Jeff Scott	Yes
Others in Attendance	
Andrew Gruber	WFRC
Wayne Bennion	WFRC
Ned Hacker	WFRC
Loveit Baumgardner	WFRC
Andrea Pearson	WFRC

1. Welcome and Introductions [00:00:55]

Commissioner Shawn Milne, Chair, called the meeting to order. Introductions were completed via roll call.

2. ACTION: Minutes of March 12, 2020 [00:02:49]

Commissioner Milne brought attention to the next item on the agenda, taking action for approval of the March 12 minutes. Mayor Jeff Silvestrini made a motion to approve the minutes of March 12 as written. Mayor Mike Caldwell seconded the motion and the vote was unanimous in the affirmative.

3. Public Comment [00:03:53]

Commissioner Milne opened the meeting for public comments. There were none.

4. ACTION: Approval of WFRC draft FY21 Goals, Budget and Unified Planning Work Program (UPWP) [00:04:13]

Andrew Gruber, WFRC stated that WFRC staff, in coordination with the WFRC Budget Committee, has identified agency goals and prepared a budget and Unified Planning Work Program (UPWP) that outline the objectives and activities that WFRC plans to undertake in fiscal year 2021.

The WFRC Council reviewed these three items on March 26, 2020 and recommended to make them available for review by the public and by the County Councils of Governments (COGs). There have been no comments received from members of the COGs, nor the public, on any of the items. The goals, budget and UPWP presented here for approval are the same as the draft previously provided and reviewed by the Council in March.

[00:06:25] The COVID19 pandemic and associated economic downturn create uncertainties in budgeting, for WFRC and all its member entities. These uncertainties warrant a cautious approach to WFRC's budget and expenditures. Therefore, while the proposed budget for FY21 has not been modified from the budget that was considered in March, WFRC has instituted and will continue to institute cost-saving measures. In other words, while the budget acts as a legal limit on the level of expenditure, it does not *require* expenditures at the level in the budget, and WFRC is taking steps to hold expenditures flat or bring them down given the current circumstances. This includes delaying or cancelling new consultant or other contracts and utilizing WFRC staff to the greatest extent possible to complete essential work; freezing any new hires; potentially delaying or cancelling COLA or merit increases; limiting travel and training costs; and generally reducing or deferring expenditures. WFRC's budgetary focus is to continue to provide excellent service to our communities and region and maintain stability for our existing staff. As in the past, WFRC's budget situation will continue to be closely monitored and discussed with the WFRC Budget Committee.

[00:27:40] Mayor Mike Caldwell made a motion to recommend that the Council approve the final Goals, Budget and UPWP for fiscal year 2021. Councilmember Michael Jensen seconded the motion and the vote was unanimous in the affirmative.

5. Executive Director's Report [00:29:20]

Andrew Gruber, WFRC, reminded the committee about the upcoming Council meeting on Thursday, May 28, 2020 and discussed the proposed agenda.

6. Other Business [00:37:53]

The next meeting of the Budget Committee is tentatively set for August 13, 2020. WFRC staff will confirm if the meeting will be held or cancelled as the date comes closer. Commissioner Jeff Scott expressed his appreciation and thanks to Loveit Baumgardner for remaining as the Chief Financial Officer for WFRC during the hiring freeze that is in place at present. Commissioner Milne asked if there were any other business items to discuss. There were none.

7. Adjournment [00:41:35]

Commissioner Milne then requested a motion to adjourn the meeting. Commissioner Jeff Scott made a motion to adjourn and the motion was seconded by Mayor Jeff Silvestrini. The vote was unanimous in the affirmative. The meeting adjourned at 10:43 am.

FOR BUDGET COMMITTEE REVIEW

DATE: August 13, 2020
AGENDA ITEM: 4a
SUBJECT: **ACTION:** Review of the Fraud Risk Assessment and approve updates to WFRF Accounting and Administrative policy
PREPARED BY: Loveit Baumgardner

BACKGROUND:

New this year, WFRF – and all other Utah local governments with a fiscal year ending on June 30 – was required to conduct a Fraud Risk Assessment before June 30, 2020. We performed this self-assessment and emailed the results to the WFRF Council on June 30. At the August WFRF Budget Committee and Council meetings, we will review the results of that self-assessment and recommend one modification to our policies.

The Fraud Risk Assessment is a scored questionnaire generated by the Office of the Utah State Auditor designed to evaluate existing policies, procedures, and personnel and determine a risk level to the entity for potential fraud. The score an entity receives on the basis of this self-assessment does not mean that fraud actually does or does not exist within the organization. **Based on that assessment, overall WFRF is in the “low risk” category with a score of 335.** The Fraud Risk Assessment and the email that was provided previously to the Council is included with the meeting material.

One of the measures an entity can take to guard against potential fraud is the establishment of an Audit Committee. That committee provides oversight of the entity’s finances and accounting processes. The WFRF Budget Committee has traditionally filled this role for the Council. Staff regularly consults with and reports to the Budget Committee and relies on the Committee’s input. It is appropriate to clarify and codify that the Budget Committee also serves the function of overseeing the agency’s internal and external audit functions. Therefore, it is recommended that the Council’s Accounting and Administrative Policy be amended to further establish and define that role. Included here is a proposed revised policy.

EXHIBITS:

1. June 30 email to Council and Fraud Risk Assessment
2. Draft revised Accounting and Administrative Policy (redline version)

RECOMMENDATION AND MOTION:

The WFRF Budget Committee recommends and moves that the Council take action to amend the WFRF Accounting and Administrative Policy as presented.

CONTACT INFORMATION:

Loveit Baumgardner, (801) 913-1838, loveit@wfrf.org
Andrew Gruber, (801) 824-0055, agruber@wfrf.org



OFFICE OF THE
STATE AUDITOR

Questionnaire

Revised March 2020

Fraud Risk Assessment

INSTRUCTIONS:

- Reference the *Fraud Risk Assessment Implementation Guide* to determine which of the following recommended measures have been implemented.
- Indicate successful implementation by marking "Yes" on each of the questions below.
- Total the points of the questions marked "Yes" and put on the "Total Points Earned" line below.
- Using the points earned, circle the risk level on the "Risk Level" line below.

Total Points Earned: 335 Risk Level: Very Low Low Moderate High Very High
> 355 316-355 276-315 200-275 < 200

	Yes	Pts
1. Does the entity have adequate basic separation of duties or mitigating controls as outlined in the attached Basic Separation of Duties Questionnaire?	✓	200
2. Does the entity have written policies in the following areas:		
a. Conflict of interest?	✓	5
b. Procurement?	✓	5
c. Ethical behavior?	✓	5
d. Reporting fraud and abuse?	✓	5
e. Travel?	✓	5
f. Credit/Purchasing cards (where applicable)?	✓	5
g. Personal use of entity assets?	✓	5
h. IT and computer security?	✓	5
i. Cash receipting and deposits?	✓	5
3. Does the entity have a licensed or certified expert as part of its management team? (CPA, CGFM, CMA, CIA, CFE, CGAP, CPFO)	✓	20
a. Do any members of the management team have at least a bachelor's degree in accounting?	✓	10
4. Are employees and elected officials required to annually commit in writing to abide by a statement of ethical behavior?	✓	20
5. Have all of the board members completed the State Auditor online training at least once in the last four years?		20
6. Regardless of license or formal education, does at least one member of the management team receive at least 40 hours of formal training related to accounting, budgeting, or other financial areas each year?		20
7. Does the entity have or promote a fraud hotline?	✓	20
8. Does the entity have a formal internal audit function?		20
9. Does the entity have a formal audit committee?	✓	20

Certified By: Andrew Guber

Certified By: Lois H. Baumgardner

* MC = Mitigating Control

Basic Separation of Duties

See page 2 of this questionnaire for instructions and definitions.

	Yes	No	MC*	N/A
1. Does the entity have a board chair, clerk, and treasurer who are three separate people?	✓			
2. Are all the people who are able to receive cash or check payments different from all of the people who are able to make general ledger entries?	✓			
3. Are all the people who are able to collect cash or check payments different from all the people who are able to adjust customer accounts? If no customer accounts, check "N/A".	✓			
4. Are all the people who have access to blank checks different from those who are authorized signers?	✓			
5. Does someone other than the clerk and treasurer reconcile all bank accounts OR are original bank statements reviewed by a person other than the clerk to detect unauthorized disbursements?	✓			
6. Does someone other than the clerk review periodic reports of all general ledger accounts to identify unauthorized payments recorded in those accounts?	✓			
7. Are original credit/purchase card statements received directly from the card company by someone other than the card holder? If no credit/purchase cards, check "N/A".	✓			
8. Does someone other than the credit/purchase card holder ensure that all card purchases are supported with receipts or other supporting documentation? If no credit/purchase cards, check "N/A".	✓			
9. Does someone who is not a subordinate of the credit/purchase card holder review all card purchases for appropriateness (including the chief administrative officer and board members if they have a card)? If no credit/purchase cards, check "N/A".	✓			
10. Does the person who authorizes payment for goods or services, who is not the clerk, verify the receipt of goods or services?	✓			
11. Does someone authorize payroll payments who is separate from the person who prepares payroll payments? If no W-2 employees, check "N/A".	✓			
12. Does someone review all payroll payments who is separate from the person who prepares payroll payments? If no W-2 employees, check "N/A".	✓			

INFORMATION: WFRC's Fraud Risk Assessment

1 message

Andrea Pearson <apearson@wfrc.org>

Tue, Jun 30, 2020 at 8:34 AM

Bcc: Office <Office@wfrc.org>, Andrea Pearson <apearson@wfrc.org>, marka@washingtonterracecity.org, Len Arave <mayor@nslcity.org>, ron.bigelow@wvc-ut.gov, "Mendenhall, Erin" <erin.mendenhall@slcgov.com>, Carlos Braceras <cbraceras@utah.gov>, gbuxton@ogdencity.com, "Caldwell, Mike" <mikecaldwell@ogdencity.com>, Tina Cannon <tcannon@morgan-county.net>, cjchristensen@rideuta.com, Evan Curtis <ecurtis@utah.gov>, Rob Dahle <rdahle@cityofholladay.com>, Ari Bruening <ari@envisionutah.org>, Andrew Gruber <agruber@wfrc.org>, "Harvey, Jim H." <jharvey@co.weber.ut.us>, "Holbrook, Beth (Member of Board of Trustees)" <bholbrook@rideuta.com>, "Jenkins, Scott" <sjenkins@co.weber.ut.us>, "Michael H. Jensen" <mhjensen@slco.org>, Lorene Kamalu <lkamalu@co.davis.ut.us>, Randy Lewis <rlewis@bountifulutah.gov>, Shawn Milne <smilne.tooelecounty@gmail.com>, Dawn Ramsey <dramsey@sjc.utah.gov>, mikeschultz@le.utah.gov, Jeff Scott <jscott@boxeldercounty.org>, Mark Shepherd <mark.shepherd@clearfieldcity.org>, "Jeffrey L. Silvestrini" <jsilvestrini@millcreek.us>, Bob Stevenson <b Stevenson@daviscountyutah.gov>, dtimothy@bluffdale.com, Troy Walker <troy.walker@draper.ut.us>, jwilson@slco.org

Members of the Wasatch Front Regional Council:

Last week WFRC received notice from the Office of the Utah State Auditor that we -- and all other Utah local governments with a fiscal year ending on June 30 -- need to conduct a Fraud Risk Assessment and present it to the Council before the end of our current fiscal year, June 30, 2020. This assessment is a scored questionnaire designed to evaluate existing policies, procedures and personnel and determine a risk level to the entity for potential fraud. The score an entity receives on the basis of this assessment does not mean that fraud actually exists or doesn't exist within the organization.

In my opinion, as the agency's Chief Financial Officer, the best approach to reducing the risk of fraud is a combination of (1) a commitment to and a culture of ethical conduct within the organization that starts with a tone set by leadership, and (2) the development of and adherence to adequate policies that are governed by these high ethical standards. Therefore, of utmost importance at WFRC is the support of the Executive Director and the members of the Budget Committee in establishing and maintaining such policies. Beginning in 2017, WFRC went through an extensive review and update of all our accounting, administrative and personnel policies. As part of this update we included the best practices as defined by the Utah State Auditor's Office. The policies were reviewed by team members within the State Auditor's Office, WFRC's external independent auditors, outside legal counsel, some of our partner agencies, and of course WFRC staff and Budget Committee. These updated policies were then adopted by the full WFRC Council. WFRC's Accounting, Administrative and Personnel Policies incorporate statements of ethical behavior as defined in the Utah Public Officers' and Employees' Ethics Act (Title 67, Chapter 16) and employees are trained on what is expected of them in this regard. The policies also reflect all other applicable state and federal laws and regulations.

Attached with this memo is the internally scored Fraud Risk Assessment Questionnaire from the Utah State Auditor's Office. Overall WFRC is in the "low risk" category with a score of 335. I am providing the following line-by-line explanation of where we are now along with a few recommendations for improvement going forward (these numbers correspond to the Fraud Risk Assessment Questionnaire).

1. WFRC received the highest score possible on the issue of separation of duties, which the State Auditor identifies as the single most important policy to reduce the risk of fraud, and we agree. Although we are a small organization with a small staff we have ensured that those who have custody of assets are not the same as those who account for assets.
2. WFRC received the highest score possible on the list of written policies due to the extensive review and update of our policies from 2017 as well as continual review and updates when needed.
3. Although WFRC's current CFO is not a licensed CPA, there are two licensed CPAs on the Budget Committee that provide valuable expertise and oversight as part of the management and oversight structure for the WFRC financial functions. Within the next year WFRC will be hiring a new CFO. I recommend that a CPA license be a requirement of that new hire.

4. WFRC has always had employees sign a disclosure of potential conflicts of interest; however, new this year, the State Auditor's Office is recommending that each employee and officer of the Council sign an Ethical Behavior Pledge. Those completed forms are on file.
5. WFRC is in the process of determining the status of each Council member with regard to the State Auditor online training. Going forward I recommend that WFRC's Compliance Administrator maintain proof of the required training. Many of our Board members complete required training through their primary public body, e.g., a city or county, and not through WFRC.
6. It was anticipated that a new CFO would be hired in the last fiscal year as my replacement upon retirement. Due to Covid-19 and other circumstances this did not happen when expected. As my departure was expected sooner than will happen training was not planned for this year. It is recommended the new CFO receive at least 40 hours of formal training in accounting, budgeting or finance each year.
7. WFRC's personnel policy states that any employee who suspects or knows of any fraud, waste or abuse of resources must report such to any member of the Area Coordinator team, senior management, or the external independent auditor. WFRC has established an email "hotline" for any person that knows of or suspects fraud to report such. Further, any person making such a report is subject to whistleblower protections.
8. WFRC does not have a formal internal audit function. Although, as CFO, I routinely review all entries to our general ledger for accuracy, I am in most respects reviewing my own work. One mitigating control is that a copy of the general ledger is provided to the Executive Director for his review. Due to the small size of WFRC's accounting staff we do not have resources to create a separate internal audit function. One option is to contract with an outside entity to accomplish this.
9. The Council's Budget Committee acts as its audit committee. Each year they meet with the external independent auditor and discuss the results of the audit and any recommendations that arise from it. Certain members of the Budget Committee are interviewed individually by the independent audit team and asked to provide their input and perspective on the Council's financial statements, policies, procedures and accounting staff. I recommend that the Council take action to further define the duties of the Budget Committee in their role as the audit committee.

Although we would have preferred to have an in-depth discussion of this risk assessment with the Council, due to the very short window of time and the lack of another Council meeting prior to our fiscal year end, we are providing it to the Council in this format that meets the minimum presentation requirement. We are preparing for a full discussion of the material at the August 2020 Council meeting. In the meantime, we welcome any questions or comments.

Respectfully,

LB

Loveit Baumgardner

Chief Financial Officer



WASATCH FRONT REGIONAL COUNCIL

O 801-363-4250, ext 1102

C 801-913-1838

Thank you,



WASATCH FRONT REGIONAL COUNCIL

Andrea Pearson

Executive Assistant

Compliance Administrator

WASATCH FRONT REGIONAL COUNCIL /
WASATCH FRONT ECONOMIC DEVELOPMENT DISTRICT
ADMINISTRATIVE AND ACCOUNTING POLICY
08/27/20 (revised)

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1. DESIGNATION OF THE TREASURER AND CLERK

In compliance with Utah Code 17B-1-633 (1) and Utah Code 17B-1-631 (1) the Wasatch Front Regional Council/Wasatch Front Economic Development District (WFRC) designates the Budget Committee Chair as its Treasurer and the Council's Chief Financial Officer as its Clerk.

The duties of the Treasurer include:

- Sign checks after determining that sufficient funds are available.
- Maintain custody of all money
- Deposit and invest all money in accordance with the Utah State Money Management Act
- Receive all public funds and money payable to the Council.
- Keep an accurate, detailed account of all money received.
- Issue a receipt for money received.

In accordance with Utah State code 51-7-15, Money Management Administration, WFRC provides crime insurance for its Treasurer in an amount to satisfy the state requirement.

The duties of the Clerk include:

- Attend meetings and keep a record of the proceedings
- Maintain financial records
- Prepare checks after determining that the claim:
 - o Was authorized by the board or financial officer
 - o Does not over expend the budget
- Present a financial report to the board at least quarterly

The Treasurer and the Clerk may make appropriate delegations of duties as long as the principle of separation of duties is maintained AND the Treasurer and Clerk retain overall responsibility AND provide adequate oversight of the designated responsibilities

2. ETHICS

WFRC Council members and staff are subject to the Utah Public Officers' and Employees' Ethics Act (Title 67, Chapter 16). This Act prohibits: improper disclosure of private; protected or controlled information; use of official position to secure special compensation, gifts or privileges; engage in activities that would impair independent or good judgement; engage in any activity which is, or appears to be, in conflict with public duties; failure to comply with public disclosure or transparency and; destruction of public records and information.

3. BUDGET COMMITTEE SERVES AS AUDIT COMMITTEE

The WFRC Budget Committee shall function as the WFRC Audit Committee. The Committee members collectively should possess the knowledge in accounting, auditing, and financial reporting needed to understand and evaluate WFRC's financial statements, the external audit, and WFRC's internal audit activities. Accordingly, the Committee's members, collectively, should:

- 1) Possess the requisite knowledge necessary to understand technical and complex financial reporting issues.
- 2) Have the ability to communicate with auditors, public finance officers and the governing body.
- 3) Be knowledgeable about internal controls, financial statement audits and management/operational audits. If no Committee members have sufficient personal internal control or finance knowledge, the Committee may gain this knowledge via a financial expert (either volunteer or paid) advisor. The financial expert advisor will
 - a. Be independent of management
 - b. Be present for meetings
 - c. Not be a member of the Committee
 - d. Not vote on Committee actions

Duties and responsibilities

1) External Audit Focus

- a. Provide recommendations regarding the selection of the external auditor.
- b. Meet with the external auditor prior to commencement of the audit to, among other things, review the engagement letter.
- c. Review and discuss with the external auditor any risk assessment of the WFRC's fiscal operations developed as part of the auditor's responsibilities under governmental auditing standards for a financial statement audit and federal single audit standards, if applicable.
- d. Receive and review the draft annual audit report and accompanying draft management letter, including the external auditor's assessment of the entity's system of internal controls, and, working directly with the external auditor, assist the governing body in interpreting such documents.
- e. Make a recommendation to the governing body on accepting the annual audit report.
- f. Review every corrective action plan developed by Council management and assist the governing body in the implementation of such plans.

2) Internal Audit Focus

- a. Assist in the oversight of the internal audit function, to ensure that high risk areas and key control activities are periodically evaluated and tested.
- b. Review significant recommendations, findings, and results of internal audit activities.
- c. Monitor implementation of recommendations.

3) Administrative Matters

- a. Hold regularly scheduled meetings.
- b. Review and propose revisions to these Accounting and Administrative Policies and Procedures, as necessary.

Membership

The membership duties of the WFRC Audit Committee include the following:

- 1) Good Faith – Members of the Committee shall perform their duties in good faith, in a manner they reasonably believe to be in the best interests of the Committee and WFRC with such care as a generally prudent person in a similar position would use under similar circumstances.
- 2) Independence – An individual may not serve on an audit committee if he or she:
 - a. Is employed by WFRC (other than governing board members).
 - b. Currently provides, or within the prior two years, has provided, goods or services to WFRC.
 - c. Is a family member of an employee or officer.
 - d. Is the owner of or has a direct and material interest in a company providing goods or services to WFRC.
- 3) Confidentiality – During the exercise of duties and responsibilities, the Committee members may have access to confidential information. The Committee shall have an obligation to WFRC to maintain the confidentiality of such information.

Meetings and Notification

The WFRC Audit Committee shall meet a minimum of three times each year. An agenda of each meeting should be clearly determined in advance and the Audit Committee should receive supporting documents in advance, for reasonable review and consideration. Minutes of the meeting shall be kept and posted as required.

Reporting Requirements

The WFRC Audit Committee has the duty and responsibility to report its activities to the Council as needed, but not less than annually. The Committee shall cause to be developed and made publicly available minutes or a summary of minutes of meetings which clearly record the actions and recommendations of the Committee. The Audit Committee shall report on matters that it deems significant, which may include but are not limited to:

- 1) The scope and breadth of Committee activities so that the Council is kept informed of its work.
- 2) Review of the WFRC's draft annual audit report and accompanying management letter and their review of significant findings.
- 3) Suspected fraud, waste or abuse, or significant internal control findings and activities of the internal control function.
- 4) Indications of material or significant non-compliances with laws or WFRC policies and regulations.

4. BUDGET

WFRC receives its revenues from member contributions and various granting agencies that contract with WFRC for specified work programs. Each year WFRC staff prepares a budget and a Unified Planning Work Program (UPWP) for the next fiscal year that begins on July 1. The budget includes prior year actual expenditures, current year estimated expenditures and anticipated budgeted expenditures for the next fiscal year. The budget also provides details of the sources of funds, expenditures by function and expenditures by work program. The UPWP describes the anticipated work to be accomplished. The budget and UPWP are presented to Council at their regularly scheduled meeting held the 4th Thursday of March. Once the Council has reviewed the draft it is released to the member County Councils of Government for their review and comment. The draft budget is also posted on the WFRC website.

A final draft budget and UPWP are presented to the Council for approval at their regularly scheduled meeting held on the 4th Thursday of May. No less than ten days prior to this meeting the final draft budget is made available to the public. No less than 7 days prior to the Council meeting, notice is posted in at least one issue of a newspaper of general circulation and on the Utah Public Notice Website that a public hearing will be held before a call for a vote to approve the budget.

The budget may be amended during the year to include additional funds from grants or contracts for specific projects. These budget amendments are subject to the same notification and public hearing as is required during the initial adoption. The Council staff, with prior written approval from the Council Chair and the Budget Committee Chair, may move budgeted expenses from one budgeted line item to another without a public hearing or formal budget amendment as long as the adjustment does not increase total expenditures of the fund, create on-going additional payroll expenses or impact debt service. Any such changes shall be reported to the Council in the regularly provided financial reports.

5. ACCOUNTING

WFRC contracts with various granting agencies for specified projects. Once a project has been approved, the Chief Financial Officer (CFO) sets up the grant accounting framework and expenses can then be charged. The original signed contract is kept by the accounting department.

Each quarter the CFO prepares a report that compares year-to-date expenditures with the approved budget. This report, along with monthly check registers and balance sheets are provided to the Council prior to their regularly scheduled meetings.

All policies and procedure guidelines are designed to comply with federal and state accounting and administrative standards. The WFRC uses an outside auditing firm selected and directed by the Council for an annual audit of the Council's financial records. Copies of the annual audit are provided to the Council, Federal Clearinghouse, the Utah State Auditor's Office, and its funding agencies and to others upon request.

6. PROCUREMENT

The procurement policies are intended to ensure fair and equitable treatment for all persons who wish to do business with WFRC and to foster effective broad-based competition within the free enterprise system to ensure that WFRC will receive the best possible service or product at the lowest possible price. WFRC shall designate a Procurement Agent who shall be responsible for:

- 1) Ensuring that all procurement complies with federal and state regulations where applicable.
- 2) Ensuring that all procurement is allowed under the Council's approved budget.
- 3) Ensuring that all procurement complies with all terms and conditions of the grant for which the purchase is being made.
- 4) Overseeing the Small Purchase procedures.
- 5) Identifying and documenting single source procurements.
- 6) Soliciting bids, quotes and proposals for goods or services and preparing contracts for Executive Director's signature when needed.

There are generally four classes of procurement: small purchase less than \$5,000; purchases over \$5,000 but under \$25,000; single source; and competitive bid (over \$25,000).

Small Purchase – Purchases less than \$5,000 do not require bids or quotes however effort should be made to use assorted vendors who provide comparable merchandise/service at comparable prices. Purchases may not be artificially divided so as to constitute a small purchase. All small purchases must have a properly completed and approved purchase order prior to making the purchase. The purchase order may be signed by the Procurement Agent or his designee. A copy of the completed and signed purchase order is to be given to the accounting department. When possible WFRC should use providers who have contracted with the State of Utah in order to receive best prices and terms.

Purchases over \$5,000 and under \$25,000 – Purchases over \$5,000 and under \$25,000 will require three quotes that are to be documented. Requests for quotes shall include a description of the product or service and terms of the sale. Documentation shall include any written quotes and/or a completed quote form that includes the name of vendor, vendor contact name, vendor address and phone number, product/service description and total cost. Selection of a vendor will be made on the basis quality of the service or product and cost. All quotes and/or quote forms shall be attached to the signed purchase order and given to the accounting department.

Single Source – This may be used when there is only one provider available or there is a clear advantage to WFRC for using the single source. This may also be used to resolve an emergency situation. A purchase shall be deemed an emergency purchase if it is required to maintain health and safety and/or to avoid an interruption in work activity such as a mechanical, structural, plumbing, or equipment malfunction. All single source procurement decisions must be documented by the Procurement Agent and approved by the Executive Director.

Competitive bid – Goods or services with an annual aggregate total price of more than \$25,000 must be procured through a competitive bid process. An invitation to bid shall include a description of the goods or services and all terms and conditions that will apply. Public notice shall be placed in a general circulation publication not less than 15 days prior to close of bid solicitation.

A committee shall be identified to make the selection based on the requirements set forth in the invitation to bid. The sealed bids shall be opened publicly in the presence of one or more witnesses at the time and place designated in the invitation for bids. The names of the bidders, the amounts of the bids, and any other relevant information shall be recorded and available for public inspection. Bids shall be unconditionally accepted without alteration or correction. The bid shall be awarded to the lowest bidder who meets the requirements and criteria set forth in the invitation to bid. All bid documentation shall be given to the WFRC accounting department.

In lieu of WFRC initiating a competitive bid process, the Procurement Agent may use contractors from the WFRC or UDOT Consultant Pool who have been pre-qualified and selected using the competitive bid process. If this method is used no more than \$150,000 in services per contract may be awarded to any single provider. Written explanation must be documented in writing and provided to the WFRC accounting department.

INTERNAL CONTROL: The Procurement Agent is separate from the accounting process and is responsible for ensuring all purchases are authorized by WFRC budget and made using the policy set forth in this section.

7. PURCHASING CARDS

The WFRC may issue Purchasing Cards to selected employees. Those employees are responsible for ensuring that all purchases made using their card are properly pre-approved according to the Council's procurement policy (see above) or its approved travel policies contained within the WFRC Employee Handbook. The employee shall reconcile the statement for their card with receipts each month within 5 days of receiving the statement. Under no circumstances may the purchasing card be used for personal purchase. Upon termination any purchasing card shall be surrendered immediately along with any receipts, purchase orders and other documentation.

INTERNAL CONTROL: The statements and documentation are given to the Procurement Agent who reviews the material and provides approval. The accounting department reviews the statements and receipts for proper pre-approval before entering the expense into the Accounts Payable system. When the statement is selected for payment the material and the Accounts Payable check is given to the Executive Director and the Council Chairperson for their review and signature.

8. ACCOUNTS PAYABLE

Vendor invoices (accompanied by purchase orders and receiving documentation when necessary) are entered into the Accounts Payable system by the accounting department as they are received. Invoices are selected by the CFO for payment according to due date and cash availability. At no time shall checks or payments be disbursed that create an overdraft on the bank account. Invoices may be paid by check or electronic transfer. Prior to payment, printed checks or electronic transfers that are prepared by the accounting department are given, along with all supporting documentation, to the Executive Director or Deputy Director for review and approval. Once reviewed and approved by Executive Director or Deputy Director the checks or electronic transfers and supporting documentation are presented to the WFRC

Chairperson or WFRC Vice-Chairperson or Budget Committee Chairperson for review and approval. All checks or electronic transfers require two of the following approvals: WFRC Chairperson, WFRC Vice Chairperson, WFRC Budget Committee Chairperson, the Executive Director or the Deputy Director. At least one approval must be an elected official. The approved checks or electronic transfers are returned to the Administrative Assistant for mailing or processing. The invoices and supporting documentation along with check stubs or electronic transfer identification are filed alphabetically by vendor and kept together by fiscal year. This alphabetical file contains a record of all A/P disbursements.

Each month the CFO obtains a copy of the check and electronic transfer register that provides a record of all Accounts Payable disbursements and is used by the CFO to reconcile the bank account. The bank reconciliation and bank statement are provided to the Executive Director and the WFRC Chairperson for review each month.

INTERNAL CONTROL: Invoices are reviewed for approval prior to generating a check or electronic transfer. Checks are pre-numbered and accounted for (void checks are marked as such and filed with accounting working papers). The accounting software also generates a check number that must match the pre-printed check number. If the software generated numbers do not match up with the numbers on the pre-printed checks it would indicate a missing check or a check voided through the software and would trigger investigation. All disbursements are issued through the Accounts Payable software system and require two authorized approvals. The CFO reconciles the bank statement to the general ledger each month and provides a copy of the bank statement and reconciliation to the Executive Director, Treasurer and WFRC Chair for review and approval.

9. PAYROLL

Direct deposit payroll is prepared semi-monthly by an outside payroll processing vendor. Hours worked by hourly employees are gathered by the accounting department for payroll and reconciled monthly to timesheets that are signed by the employee and the employee's supervisor. Any salary changes are documented by a memo signed by the Executive Director and kept in the personnel files. The payroll journal is printed and reviewed by the CFO before being given to the Executive Director and the Chairperson or Vice-Chairperson for review and approval. The payroll processing vendor also generates an electronic transfer for payment of all payroll taxes and guarantees accuracy and timeliness. The payroll processing vendor also prepares and electronically files quarterly and year end payroll tax returns and W-2's, copies of which are delivered to WFRC for review.

INTERNAL CONTROL: Payroll is reviewed and approved by the CFO, Executive Director and the WFRC Chairperson. Salary amounts are documented and signed by the Executive Director. Hours reported for payroll are verified by timesheets signed by the employee and the employee's supervisor. A third party guarantees accuracy and timeliness of payroll tax payment (subject to WFRC's ability to meet cash requirements) and returns.

10. COST ALLOCATION

Labor costs represent the majority of total expenditures. Each employee keeps a timesheet that records

how much time is spent on each work item. All time worked is accounted for on the timesheets. These timesheets are signed by the employee and submitted to the appropriate supervisors monthly for review and signature and are then given to the accounting department for payroll cost allocation. A spreadsheet is prepared that totals gross salary and benefits and arrives at a cost per hour for each employee. Using the time sheets the accounting department allocates the cost per hour per employee to the various work programs in the general ledger.

When a cost can be determined to benefit a specific program it is expensed directly to that program. Fixed asset costs are charged to the programs by way of depreciation. Travel expenses are reimbursed as per the personnel policy using GSA rates and guidelines based on actual expense receipts. Every effort is made to assign costs accurately and fairly to each program. Those shared expenses that benefit several or all programs are accounted for as indirect expense and allocated to each program based on hours worked each month (as per time sheets). Further detail on cost allocation is provided in WFRC's Cost Allocation Plan.

INTERNAL CONTROL: Each fiscal year the CFO prepares a Cost Allocation Plan that is reviewed by the Executive Director and submitted to the Utah Department of Transportation's Director of Fiscal Audit (WFRC's federal cognitive agency designee). The UDOT Director of Fiscal Audit issues a letter approving the plan that is kept on file with the accounting department and made available to funding agencies upon request. The allocation of charges can be monitored using the budget to actual expense reports provided quarterly to the Council.

11. GENERAL LEDGER

Each month the CFO transfers the entries from the Accounts Payable, Accounts Receivable, and Payroll (used for allocating payroll costs generating the payroll summary entry) software systems to the general ledger. General journal entries are made for depreciation, bank reconciliation, payroll, closing and recurring allocations. The CFO keeps a 'working papers' file by month that contains supporting documentation for entries made to the general journal. General ledger accounts are reviewed for accuracy using external documentation where available. The general ledger work should be completed no later than twenty five days following the end of the month. Any exceptions to this are discussed with the Executive Director.

INTERNAL CONTROL: All entries to the general ledger are made by the CFO. Supporting documentation for general journal entries is maintained. The general ledger detail is provided monthly to the Executive Director for review. Where possible, real accounts are verified with external documentation (bank statements, inventories, etc.). EDP files are backed up daily and hard copies are generated monthly.

12. ACCOUNTS RECEIVABLE

Each month or on a quarterly basis (as determined by the funding agency) the CFO requests reimbursement from the funding agencies for WFRC's actual expenses for the prior month(s). Some local contributions are requested in advance and held as deferred revenue until needed for matching requirements or other approved expenditures. Requesting reimbursements should occur no later than

twenty-five days following the end of the month. Any exceptions to this are discussed with the Executive Director. At no time should reimbursement requests exceed actual costs incurred. Some requests for reimbursement must be accompanied by progress reports, product samples, etc. These are prepared by individuals other than the CFO.

Checks for A/R remittances are received by the Administrative Assistant who date stamps the check (or stub), endorses them 'for deposit only', makes a photo copy of each check, and deposits them using a check scanner. WFRC receives all remittances by either check or electronic deposit. Supporting documentation for electronic deposits is kept in the monthly working papers file. Any cash deposited is negligible (postage or copies paid for by employees). The Administrative Assistant makes the deposit and obtains a dated receipt from the bank. Checks are deposited daily when received. The Administrative Assistant gives the bank receipt and check copies to the accounting department for posting to accounts receivable and filing.

Any funds not received within six weeks of the date of reimbursement request are followed up with a phone call or written note and any problems are noted and addressed.

INTERNAL CONTROL: The Administrative Assistant is responsible for the custody of the cash receipts and the CFO is responsible for the accounting function only. Any write offs of accounts receivable must be approved by the Executive Director. Exception may be made for amounts under \$10.00.

13. OTHER ASSETS

Office equipment is purchased by the WFRC General Fund. Usage allocations for equipment costs are assigned to individual programs using straight-line depreciation. All equipment having a useful life of more than one year is included in the fixed asset group of accounts however purchases which are less than \$1,000 are expensed in the month of purchase. When fixed assets are purchased, they are assigned an inventory number and placed on a fixed asset list that records original cost, accumulated depreciation, net book value and the employee in possession of the asset. At least once every two years a physical inventory is taken and compared with fixed asset list. When equipment is determined by the Equipment Committee to be beyond its useful life a list of said equipment is given to the Director of Operations who is charged with overseeing the sale or disposal of the asset by the Equipment Committee. Retired assets are disposed of on a highest bid basis.

Personnel policy prohibits the personal use of WFRC resources by employees. Employees may purchase incidental postage or copies at WFRC cost however they have been advised not to use WFRC assets or open account arrangements with WFRC vendors for personal use. WFRC will not advance money to employees other than pre-approved travel advances that must be returned and/or accounted for within one month of the travel for which the advance was given. All travel expense reports and advances must be approved by the Executive Director or Area Coordinators.

INTERNAL CONTROL: The Director of Operations reviews and approves of any disposition of fixed assets and is advised of any missing assets. The purchase order process prohibits employees from charging personal purchases to WFRC open accounts with vendors. Inventory of fixed assets is maintained.

14. RECORDS MANAGEMENT AND RETENTION

WFRC is committed to proper maintenance and retention of records. The Public Records Management Act (PRMA), mandates state ownership of government records and requires their effective management (Utah Code 63A-12). Additionally, WFRC is committed to following the Government Records Access and Management Act (GRAMA), the comprehensive law dealing with management of government records and access to those records (Utah Code 63G-2).

Falsifying records, deliberately concealing records, destroying records in bad faith, exploiting confidential information, or otherwise mishandling records is not acceptable. Employees must take steps to ensure potentially relevant information is not inadvertently destroyed pursuant to document retention schedules or by routine computer operations or common computer settings, such as the automated deletion of emails.

As a state agency, WFRC will also adhere to the Utah State General Records Retention Schedule. It can be found on the Utah Division of Archives and Records Services website.

<https://archives.utah.gov/recordsmanagement/grs/stgrslist.html>

WFRC will, at a minimum:

1. establish and maintain a records management system on a continuing and active basis;
2. create and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions, designed to furnish information to any agency or person affected by the activities of WFRC;
3. identify and take adequate steps to protect confidential and vital records;
4. ensure that all information potentially relevant to any GRAMA request, internal or government investigation or lawsuit filed or reasonably anticipated to be filed against WFRC is preserved and provided upon request in a timely manner and;
5. cooperate with the Utah Division of Archives and Records Services and all other State Agencies in the conduct of agency records management requirements and requests.

15. PERSONNEL

Personnel policies are established by the Council and made available to all employees. The Executive Director is responsible for administering the personnel policies. All changes to personnel policy require Council approval.

16. MANAGEMENT REPORTS

Each month the CFO prepares and distributes to the Executive Director and the Area Coordinators an expense/budget comparison report for each active program. This report is used to monitor the monthly and accumulated expenses charged to each program and relates this information to both time and budget completion and allows management to direct WFRC resources appropriately.

Each month the CFO reviews the outstanding accounts payable and accounts receivable and discusses any

cash flow or collection problems that exist with the Executive Director and the Area Coordinators. In addition, the CFO prepares a projection of cash flow and cash requirements and requests management input for future planning of cash needs.

Interim verbal and written reports regarding accounts receivable and accounts payable are made when significant changes in status occur.

17. COMPLIANCE

WFRC will comply with all state and federal regulations regarding financial reporting, budget, public notice, records management and retention, and transparency.

Council members and staff are subject to the Utah Public Officers' and Employees' Ethics Act (Title 67, Chapter 16).

INTERNAL CONTROL: WFRC will appoint a Compliance Administrator responsible for ensuring compliance with applicable regulations. The Compliance Administrator will maintain a log of compliance actions and make that log available to Council members.

FOR BUDGET COMMITTEE REVIEW

DATE: August 13, 2020
AGENDA ITEM: 5
SUBJECT: Discussion on Financial Projections
PREPARED BY: Loveit Baumgardner / Andrew Gruber

BACKGROUND:

The regular WFRC budget development process looks ahead to the next fiscal year, but periodically it is prudent to do an assessment of the long-term financial stability of the organization. This is particularly true at this moment, given (1) the economic uncertainty caused by the COVID-19 pandemic, and (2) the impending expiration of the federal FAST Act on September 30, 2020, which authorizes the majority of WFRC's agency funding. Allowing for these twin uncertainties, WFRC's current budget situation is solid.

Historically, WFRC has faced the long-term challenge that our revenue streams either remain flat or grow modestly with inflation, while our expenses are projected to grow gradually. We have addressed this challenge through actions taken under the leadership of the WFRC Budget Committee over the past years to diversify our revenue streams, establish regular inflationary adjustments on our revenue streams, bring in additional revenues to cover additional services, and control growth in expenses.

WFRC has also, for many years, maintained a fund balance in an amount that is roughly 50% of a year's budget. This conservative strategy is designed to insulate against the potential of a sudden or significant revenue drop. For example, if the federal government, the source of roughly two-thirds of WFRC's revenues, were to fail to reauthorize (or at least extend) the federal transportation program, resulting in a lapse in funding, WFRC is in a position to weather that storm temporarily without layoffs or service reductions. This is no idle concern; Congress has routinely failed to reauthorize the federal program for periods of months or even years and has played budget brinksmanship with the flow of federal funding. The strategy utilized by WFRC is effectively to establish a lag in the utilization of federal funding. Generally speaking, we spend in one year the funds we received in the prior year. In this way, our fund balance is not excess funds, it is rather a time lag in the use of the funds we receive, that would allow us to weather a temporary cessation in the flow of funding.

Given the twin financial uncertainties of the pandemic and federal reauthorization, we feel it is prudent now to (1) understand our short- and long-term financial dynamics, and (2) evaluate potential options or contingency plans to increase revenues or reduce costs to ensure long-term financial stability and continuity of service. To that end, we have prepared a budget projection that shows the FY'20 actual spending, FY'21 adopted budget, and FY'22-'26 projections. It also identifies several potential strategies to reduce costs, or to increase revenues – some of which are within WFRC's control and some would require action by others in Utah or nationally.

To be clear, we are not suggesting that there is an immediate crisis, nor that action is needed today. Rather, we are preparing for uncertainties and for the future, and considering actions that could potentially be taken in future WFRC budget cycles to ensure long-term financial stability. Of course, these projections assume stability in our costs and revenues in the near term, which given the uncertainties noted above of the COVID-19 pandemic and the impending expiration of the federal FAST Act and the need for Congressional action, there is a possibility of a nearer-term

financial issue, which would need to be addressed in due course. And if there was a desire for WFRC to enhance its services, that would also require consideration of potential resources.

We look forward to initiating a discussion about these matters with the Budget Committee.

RECOMMENDATION:

This item is for information only.

EXHIBIT:

WFRC Budget Projection

CONTACT INFORMATION:

Loveit Baumgardner, (801) 913-1838, loveit@wfrc.org
Andrew Gruber, (801) 824-0055, agruber@wfrc.org