

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

DRAFT Financial Policies and Procedures

December X, 2020

This policy document establishes policies and procedures for the financial management of the Central Virginia Transportation Authority (Authority). The objectives of these policies include:

- Achieve strong internal controls and adequate design over financial accounts and processes
- Proper review and approval of financial transactions
- Operational efficiency, standardization and compliance with accounting and reporting best practices

Roles and Responsibilities

- I. Authority.** The Authority is responsible for administering the Central Virginia Transportation Fund, established by § 33.2-3701 of the *Code of Virginia* (“Fund”), providing broad financial guidance and oversight of the Funds, to include approval of Fund distributions, budget parameters, annual program plans, and the annual budget.
- II. Finance Committee.** The Finance Committee shall be responsible for advising the Authority on all financial matters and overseeing financial activities undertaken by professional staff, including:
 - A.** Reviewing, commenting on, and recommending the annual revenue projections, budget, and any budget amendments.
 - B.** Overseeing the Authority’s financial policies (e.g. bond, investment, procurement) and making appropriate recommendations.
 - C.** Monitoring contracts for services.
 - D.** Monitoring expenditures for compliance with policies and guidance of the Authority.
 - E.** Approving the audit work plan supporting the annual preparation of financial statements, including meeting with the auditor before the audit begins and when it has concluded.
 - F.** Reviews and approves all financial reports.
 - G.** Reviews and approves all issued checks and/or check signing procedures
 - H.** Reviews and approves all non-budgeted expenditures.
 - I.** Assisting with other financial activities as may be directed by the Authority.
- III. Chief Financial Staff** *(as identified by the Authority)*
 - A.** Manage the Authority’s finances on a day-to-day basis.
 - B.** Execute the Authority-approved budget(s).
 - C.** Develop financial mechanisms/procedures to ensure financial accountability and transparency.
 - D.** Ensure that there are written procedures (financial operation policies) for the fiscal operation of the Authority.

E. Provide monthly financial management reports.

IV. Fiscal Agent(s)

A. Assist CVTA Chief Financial Staff with all responsibilities, as needed.

B. Provide agreed upon supports described in the Fiscal Agent Agreement (s), which is incorporated by reference and attached hereto.

Financial Management and Operations

I. Purpose. This policy establishes general guidance for the financial management of the CVTA. The objectives of these policies include:

A. Establishing a framework for strong internal controls and processes.

B. Ensuring proper management, review, and approval of financial transactions.

C. Achieving operational efficiencies through standardization of practices.

II. General Guidelines. Financial planning and budgeting shall comply with the following guidelines:

A. Consistency with Authority policies, strategic plan, project plans, and expressed priorities.

B. Clarity with respect to any assumptions used in budget development.

C. Manage cash flow of tax revenues appropriated by the Commonwealth of Virginia.

D. Allocating funds consistent with the Code of Virginia and CVTA bylaws.

E. The CVTA administrative and operating budget funds are to be allocated from the Fund prior to allocations to Fund recipients, per § 33.2-3701(D) of the *Code of Virginia*.

F. Planning and budgeting process that provides for Authority approval of an annual budget by May 15th.

G. The financial condition of the Authority shall be reviewed by the Finance Committee on a quarterly basis and the Authority annually, or as necessary.

H. Annually the Finance Committee and the Authority will review the annual audited Financial Statements.

I. Expenditures shall be consistent with the approved budget. The Chief Financial Staff 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 approval by the Finance Committee.

III. Banking and Accounts

1. The designated representative of the CVTA Fiscal Agent for banking services, upon authorization from the Authority, and with the assistance of the CVTA Administrator, opens and closes all bank and other financial accounts.

2. The CVTA Chair, and Vice Chair and the Finance Committee Chair and Vice Chair shall have signature authority on all accounts. A designated staff representative of the CVTA may also be authorized to sign checks and make disbursements up to \$5,000 for expenditures that are explicitly included in the annual administrative and operating expense budget. Checks/disbursements over \$5,000 must be countersigned by the Chair or Vice Chair of the Authority or the Finance Committee. In all cases, expenditures must be consistent with the approved budget or a separate approval by the Authority. Additional procedures must be followed when making disbursements of regional project funds or GRTC funds, as further described herein.
3. No petty cash or other 'Cash on Hand' will be permitted.

IV. Financial Advisory Services

The designated representative of the CVTA Fiscal Agent, in conjunction with the financial advisory firm as provided via the fiscal agent agreement for advisory services, will make necessary recommendations to the finance committee on a range of topics including but not limited to: investments, reserve levels, and the consideration of any future debt issuances.

V. Investments

- 1) **General.** This statement of investment policy establishes policies for the safeguarding and efficient management of Authority funds and for the purchase, sale, and custody of investment instruments. The goal is to minimize risk and to ensure the availability of cash to meet Authority expenditures, while generating revenue from the use of funds, which might otherwise remain idle.
- 2) **Objectives.**
 - a. The primary objectives of the Authority's investment activities, in priority order, are safety, liquidity, and yield.
 - b. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles. This objective shall take into account constraints as to acceptable risk, the characteristics of the Authority's cash flows, and the funding expectations of approved projects.
 - c. The Authority shall utilize a third-party investment service as provided by the fiscal agent for financial advisory services to accomplish objectives a and b, in conjunction with the Investment Agent, as provided for through the Fiscal Agent Agreement.
 - d. The Investment Agent, as provided for through the Fiscal Agent Agreement, shall, annually provide an investment strategy and plan to the Finance Committee.

VI. Annual Audit

The designated representative of the CVTA Fiscal Agent will, in conjunction with a certified 'Vendor', provide advice and consultation, review of financial records and perform the annual audit for the Authority.

1. **Audit Requirements.** The *Code of Virginia* § 30-140, requires that all authorities, boards and commissions having financial transactions in excess of \$25,000 shall file an audit report within 90 days after the close of the fiscal year with the Auditor of Public Accounts.
 - a) An audit by an independent certified public accountant shall be conducted at least annually. Such audits will, at a minimum, obtain an opinion as to the accuracy of the annual financial statements. Additional audit activity may be obtained by the Finance Committee as it deems prudent. Access to audit services will be provided by the fiscal agent.
2. **Public Notice.** The *Code of Virginia* § 30-140, requires the CVTA to publish a summary statement of financial condition in a newspaper of general circulation based on its locality. The minimum statement should include total assets, liabilities, and fund balances; total revenues, expenditures, and other sources or uses; and, the resulting net change in fund balances.
3. **Auditing Standards.** The audit must be conducted in accordance with generally accepted auditing standards and Government Auditing Standards.
4. **Financial Reporting Requirements.** The Auditor of Public Accounts requires the CVTA's financial statements be prepared in accordance with the provisions of the Governmental Accounting Standards Board (GASB).
5. **Audit Vendor.** The locality serving as the fiscal agent for audit services for the Authority shall be responsible for procuring audit services, as needed. The Authority is responsible for all costs related to the annual audit of CVTA financial records.

Local Distribution (50% Funds)

I. General.

- A. The Authority, through the fiscal agent for banking services, will segregate funds received from the Commonwealth of Virginia between 50% Local Distribution Funds, 15% GRTC Funds, and 35% Regional Revenue Funds as soon as practicable.
- B. The Authority, through the fiscal agent for banking services, will segregate and distribute Local Funds to jurisdictions based on the proportionate share of each jurisdiction's sales and gas tax each month.

- C. Localities will be required to certify and accept the transfer amounts before funds are disbursed and confirm receipt.
- D. Each jurisdiction shall deposit its Local Funds received from the CVTA into a separate, special fund.
- E. Local Funds must be spent in compliance with the Central Virginia Transportation Authority Act and the CVTA bylaws.
- F. Each jurisdiction is required to provide the Finance Committee a quarterly report on expenditures and must provide CVTA an annual report on expenditures by August 1 each year in the format required by the CVTA. If the annual report is not received by August 1, transfers of the current fiscal year will cease until the certification is submitted in good form.

Regional Revenue (35% Funds)

I. General.

A. Regional Funds shall be used to:

- a) Fund or maintain a Working Capital Reserve in an amount determined by CVTA Finance Committee.
- b) Fund cost of issuance and other debt-related fees and services, and debt service payments undertaken by the CVTA.
- c) To fund “pay-as-you-go” (Pay-Go) projects or studies approved by CVTA.

Each project financed by Regional Funds must meet the planning and scoring criteria established by CVTA and must be approved as a regional project through appropriate prioritizing procedures as recommended by the Technical Advisory Committee and approved by the Authority. The planning criteria must be based on an objective and quantifiable analysis that considers the benefits of projects relative to their cost.

- B.** The Standard Project Agreement (SPA) incorporated within the Memorandum of Agreement Between the VDOT and the CVTA establishes the roles and responsibilities of each party for projects funded by Regional Revenue Funds.

II. Responsibilities.

A. CVTA Administrator.

1. Written requests for supplemental project funding shall be submitted to the CVTA Administrator for review. The CVTA Administrator will present a recommendation to the Finance Committee for consideration. The Finance Committee may make a recommendation on any such request to the Authority for final determination.
2. The CVTA Administrator will advise the recipient in writing of questionable uses of any funding which comes to the Authority’s attention.

The CVTA Administrator will provide a report of the incident and make recommendations for resolution to the Finance Committee. The Finance Committee will forward the issue and possible resolution to the Authority. Additional funding may be withheld until final resolution of the matter.

3. The CVTA Administrator will provide the Finance Committee with quarterly reports on the status of funding for regional projects and will report the same to the Authority at least annually or as otherwise needed.

B. CVTA Fiscal Agent, in coordination with the CVTA Administrator.

1. The Lead staff of the Fiscal Agent for audit services has primary responsibility to ensure Regional Revenue Funds are properly safeguarded and managed.
2. The Lead staff of the Fiscal Agent for audit services will manage the requisition process in coordination with the CVTA Administrator, as outlined in the Standard Project Agreement, for cash flow purposes to facilitate reimbursement to the recipient within 45 days of receiving a completed and approved requisition request.
3. The Lead staff of the Fiscal Agent for audit services will manage the Authority's cash position to ensure availability of funds to meet programmed reimbursement requests.
4. The Lead staff of the Fiscal Agent for audit services will coordinate with the CVTA Administrator to provide the Finance Committee with quarterly reports on the status of funding for regional projects and will report the same to the Authority at least annually or as otherwise needed.

C. Recipients.

1. Each recipient is responsible to ensure work is performed in accordance with all applicable federal, state, and local laws and regulations, and the SPA.
2. A recipient must acknowledge that the Authority will not be responsible for operating or maintaining the project upon completion.
3. A recipient must comply with will federal and state requirements for other funding sources which may be used to fund the project and certify that it has adhered to all applicable laws and regulations, as well as the requirements of the agreement.

D. Other

1. All payments made from regional funds must be first approved or otherwise certified by the chair and vice-chair of the Finance Committee, or their designees, as well as the host locality for the project or VDOT, whomever is serving as project manager.

GRTC Revenue (15% Funds)

- A.** The Authority will segregate and distribute GRTC funding according to the methodology described in the state code.
- B.** No locality embraced by the Authority shall reduce its local funding for public transit by more than 50 percent of what it appropriated for public transit as of July 1, 2019.
- C.** GRTC is required to provide the Finance Committee a quarterly report on expenditures and must provide CVTA an annual report on expenditures by August 1 each year in the format required by the CVTA. If the annual report is not received by August 1, transfers of the current fiscal year will cease until the certification is submitted in good form.
- D.** All payments made to GRTC must be first approved or otherwise certified by the localities of the chair and vice-chair of the Finance Committee.

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