

	<b>POLICY / PROCEDURE</b>		No.	04
	<b>Internal Controls</b>		Effective Date	01/23/19
			Revision Letter	<b>A</b>
			Final Approver	<b>Kerry Sheahan</b>

## 1.0 Purpose

The Rocky Mountain Governmental Purchasing Association (RMGPA) is committed to high standards of ethical, moral, and legal business conduct. Maintaining written internal controls is important to ensure transparency and clarity of operations.

## 2.0 Scope

This document applies to all members of the Board of Directors.

## 3.0 Policy

The objective of this policy is to establish guidance for the operational governance of RMGPA. Included in this policy are financial procedures, information technology, and strategic planning critical to the proper operation of the chapter.

This Policy/Procedure of the RMGPA Board of Directors shall provide the following:

- 3.1 Understanding of RMGPA and its environment
- 3.2 Understanding of the information technology system
- 3.3 Understanding of revenue/receivables and deferred revenues
- 3.4 Understanding of purchases, expenses, and accounts payable

## 4.0 Responsibilities

- 4.1 The RMGPA Board shall ensure compliance to this policy/procedure document.

## 5.0 Procedures

- 5.1 At least annually, the RMGPA Board shall review the internal controls document attached hereto as Appendix A. Updates shall be made as described in Section 6.0.

## 6.0 Document Approvals

Each Board Director with governing board delegated powers shall annually review the Appendix A and bring forth any proposed modifications. To approve such modifications:

- 6.1 Any Board Director sends proposed modifications to the RMGPA Executive Board for initial review. Any recommendations will be returned to the author for consideration and/or correction.
- 6.2 The author makes corrections, if any, and presents the document to the RMGPA Board of Directors for final review and approval.
- 6.3 If there are no additional corrections, the RMGPA Secretary assigns a document ID#, and obtains the approval of the RMGPA President. Upon final approval, the document is filed into the Document Library in the Policy and Procedure section.
- 6.4 The Secretary (1) adds the first and last name of the RMGPA Board President in the header section on the first page, (2) adds the Effective Date (the date on which the Board President approved the document), (3) adds the revision letter on pages 1 and 2; and (4) adds the first and last name of the Board President and date approved in Section 7.0.

## 7.0 Revision History

If this policy/procedure is a Revision B or later, in addition to a summary of changes listed in the "Description of Change" column, highlight the changes in yellow within the document. Don't use any other color.

To satisfy ISO requirements, changes should be highlighted or notated as follows:

- When words or sentences are changed, highlight the new words or sentences.
- If an entire section is changed, highlight the section heading, or sub heading as appropriate.
- For deletions, describe the deletion in the "Description of Change" column. Don't forget to add the corresponding section numbers.

Effective Date	Rev Letter	Document Author	Description of Change
MM/DD/YYYY*	A	"Name"	Initial Release.

\* The date listed in the first line of the Revision History table is the date the document received its final approval. Hereafter, the date becomes the revision date, displayed as the Effective Date on the first page header information.

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## APPENDIX A

### Rocky Mountain Governmental Purchasing Association (RMGPA) Internal Controls-To Be Updated Annually

#### **Understanding the Entity and Its Environment**

***Industry, Regulatory, and External Factors*** (Relevant industry, regulatory, and other external factors, including the applicable financial reporting framework):

- The Organization has been granted tax-exempt status as a public charity within Section 501(c)(3) of the Internal Revenue Code.
- The industry is highly unregulated and unaccountable to outsiders. Organization is required to file a Form 990.

***Nature of the Entity*** (its operations; its ownership and governance structures; the types of investments that the entity is making and plans to make, including investments in entities formed to accomplish specific objectives; and the way that the entity is structured and how it is financed, to enable the auditor to understand the classes of transactions, account balances, and disclosures to be expected in the financial statements):

- RMGPA was established in 1982 and has been a member chapter of NIGP (National Institute of Governmental Purchasing) since 1987. RMGPA's mission is: "To provide our membership with the education, professional development, and technical assistance required to secure the public trust through the promotion of excellence and effectiveness in Public Procurement."
- The Organization does not have employees and is managed by the Board of Directors (BOD). Each of these positions is filled by volunteers.
- The Organization has a money market account, which earns interest at .03%. No other investments are held by the Organization.
- The Organization does not have a physical location; it operates a website and holds classes and conferences throughout the year at different meeting spaces, hotels and convention centers. The Organization's revenue includes membership dues, registration fees for conferences and events, and sponsorships. Majority of the Organization's expenses relate to travel, catering, and speakers for conferences.

***Objectives and Strategies*** (The entity's objectives and strategies and those related business risks that may result in risks of material misstatement):

- The Organization has a Strategic Plan to proactively manage its business risk. To minimize its risk, RMGPA offers a diverse portfolio of revenue generating opportunities through memberships, programs, chapter enhancement, professional development, and a media kit (sponsorships) in order to balance years when one revenue effort may fall short.
- New accounting requirements or regulatory requirements are monitored by the Treasurer and recommended by NIGP through Best Practices. Those are reviewed by the Board, implemented, and documented through RMGPA's Chapter Manager document inventory system.
- The Organization budgets for reserves in order to finance itself through difficult years.

***Measurement and Review of Financial Performance*** (The measurement and review of the entity's financial performance):

- The Organization prepares annual budgets, in which budget to actual results are reviewed periodically throughout the year. At each BOD meeting, financial results are reviewed, discussed, and approved.

#### ***Control Environment***

- BOD meets on a regular basis and reviews financial performance, budget to actual calculations, and oversees the activities of the Organization.

- The Treasurer possesses the competencies necessary to carry out RMGPA's financial reporting responsibilities.

**Communication** (*communications between management and those charged with governance, external communications, such as those with regulatory authorities*):

- Treasurer is responsible for all financial transactions. There is oversight by the BOD at quarterly meetings.

**Monitoring** (*Obtain an understanding of the major activities that the entity uses to monitor internal control over financial reporting, including those related to those control activities relevant to the audit, and how the entity initiates remedial actions to deficiencies in its controls*):

- The Treasurer is actively involved in the operations, and maintains an open line of communication with BOD.

### **Information Technology (IT) System Understanding**

#### **Application software:**

- General Ledger – QuickBooks online
- Sales/Accounts Receivable – QuickBooks online
- Purchases/Accounts Payable – QuickBooks online
- Inventory – N/A
- Payroll – N/A
- Fixed Assets – QuickBooks online

Describe in the space below any additional information regarding IT that should be considered in the risk assessment process. Consider types of network access (local, wide area network or remote access) or unique hardware or software.

- QuickBooks is backed up routinely online and back-ups are stored online (in the cloud). The Treasurer has a firewall and antivirus through their current employer.

**IT Governance:** (*Describe in the space below the IT governance process within the entity. How does the client assess and manage their IT needs? Indicate the key roles involved in the process and their areas of involvement. Describe the process for establishing priorities for the IT function, aligning the IT function with the overall strategy for the entity, and assigning appropriate resources, both financial and people to key IT initiatives.*)

- IT needs of the Organization are minimal. The Organization uses QuickBooks online, since there is no physical location of Organization and the Treasurer position will turn over periodically. If needs arise, the BOD will discuss and approve a plan.

**Logical and Physical Security:** (*Logical - Policies and procedures are in place to prevent or detect the improper use, disclosure, modification, or loss of critical financial information or other data that would adversely affect the reliability of financial reporting or lead to incurring financial penalties.*

*Physical - Access to physical facilities is restricted to authorized personnel and requires appropriate identification and authentication*):

- The Organization has QuickBooks online, which is accessible by the BOD Treasurer, President, Vice President, and Past President. All information is sent to and maintained by the Treasurer.

### **Revenue/Receivables and Deferred Revenues**

#### **Revenue Recognition**

- Revenue is recognized when earned. Membership dues are earned in the year membership is paid for. Conference revenues are earned in the period in which the conference is held.

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***Memberships, Tuition, Program Service Fees and Grant Revenue***

The Organization has four primary revenue streams:

- 1) Membership dues;
- 2) Conferences, Reverse Vendor Trade Show (RVTS) and Trade Show (TS) revenue;
- 3) Educational classes; and
- 4) Sponsorships.

From the Organization's website, members and non-members can renew or begin their membership and sign up and pay for upcoming conferences. Vendors can sign up and pay for conferences via the Organization's website.

**Memberships:**

- Membership periods run from January 1 through December 31 annually. There are three different levels of membership - regular, lifetime, and associate.
  - Lifetime members are former regular members who are retired from a qualifying agency, are no longer employed by an agency, and would like to stay involved with the Organization. Lifetime membership is free of charge and must be voted on and approved by the BOD.
  - Associate members are members who cannot qualify for regular membership through a qualified agency or as a lifetime member. Individuals include faculty/staff, student, honorary, or transitional. Associate membership is free of charge and must be approved by the BOD.
  - Regular members (currently employed in a procurement function at a public agency) pay \$35 annually for membership via credit card on the Organization's website or by check. If there is a second member from the same Organization, the cost is \$25. Each additional member from the same Organization is \$10. Regular memberships can be renewed as early as 28 days prior to the end of the year and are considered past due after March 31<sup>st</sup>. If after March 31<sup>st</sup> no payment has been received, the member becomes inactive and will be assessed a late fee if they re-join.

**Conferences and Reverse Vendor Trade Show (RVTS)/Vendor Trade Show (VTS) Revenue:**

- The Organization has four conferences each year for members and non-members - Spring Conference, Summer Conference, Fall Conference, and Winter Conference. If payment is received less than 30 days prior to the conference, fees increase by \$10. Registration generally opens two to three months prior to each conference and payment is made via credit card on the Organization's website or by check. Registration may be compensated by the Organization if the attendee has also signed up for the RVTS or free registration fees were awarded at a prior conference. Refunds are given for full conference price when there is an emergency situation and at the discretion of the Treasurer, Programs Chair, and President. The BOD has discretion to lower the cost of each conference, if budget allows for it.
- The RVTS is held annually at different times each year. RVTS can also earn revenue through sponsors and RVTS vendor attendees can purchase additional advertising space in the event directory at varying prices.
- The VTS is held annually at the Winter Conference.
- RVTS and VTS registration generally open 2-3 months prior to the event.

**Educational Classes:**

- NIGP holds classes each year to provide professional development for members and non-members. RMGPA endeavors to schedule 9-12 classes each year. When classes have between 8 and 14 participants, RMGPA will receive 10% of the total class fees from NIGP. If a class has more than 15 participants, RMGPA will receive 15% of the total class fees. If a class has less than 8 participants, the class is canceled.

**Sponsorship:**

- The vendor community has the opportunity to sponsor RMGPA in various ways throughout the year. The cost of sponsorship depends on the goods or services being sponsored. Some examples of sponsorships in the past are equipment donations, lunches at conferences, printing services, and conference sponsorships.

The majority of client transactions are initiated through the Organization's website ([www.rmpga.org](http://www.rmpga.org)). Members and non-members can renew or pay for their membership, conference or RVTS/VTs fees via credit card on the Organization's website. Credit card transactions are processed through Stripe, a third party processing service. Stripe links to the Organization's primary bank account and funds are available in approximately 2-3 days from transaction date. On a weekly basis, the Treasurer receives a report which details member/non-member name, what they are paying for, date paid, and amount. The Treasurer then records the transaction into QuickBooks. Cash is not received by the Organization. Mailed checks are sent to the Treasurer, who opens it, prepares the deposit, takes the deposit to the bank, enters the information into QuickBooks, and prepares bank reconciliations. There is a concentration of duties with the Treasurer, see IC.01.

For Educational Class revenue, RMGPA receives notification from NIGP listing date of the class, class title, attendee names, and amount paid. Amount varies for members or non-members and when they pay. The notification will include the total class fee multiplied by the correct percentage as listed above, and the amount RMGPA will receive. NIGP pays via check which is sent to the Treasurer.

Financial statements are reviewed and approved at each BOD meeting.

**Purchases, Expenses and Accounts Payable*****Accounts Payable, Purchases and Cash Disbursements***

- For payment of invoices and expenses, an individual fills out a Payment Request, detailing payee, description/reason for payment, invoice number, invoice date (if available), committee requesting payment (e.g. Communications, Membership, etc.), and amount. The individual signs the Payment Request and attaches the invoice. The Payment Request is given to the Treasurer who signs the Payment Request and writes the check number and date of the check to be written. Payment Requests over \$5,000 must also be signed by the President or other BOD Executive Officer.
- For BOD and committee member reimbursements, the individual is required to fill out a Payment Request for reimbursement, which details the individual's name, business address, request date, description/reason of expense, and amount. The individual signs the request, attaches backup documentation, and submits to the Treasurer for payment. The Organization does not currently have a timeliness policy for turning in receipts.
- The Treasurer is responsible for the entering the information into QuickBooks, and preparing, signing and mailing the checks. This is a concentration of duties with the Treasurer, see IC.01.
- The Treasurer manually writes each check and staples the carbon copy of the check to the Payment Request. There is no check signing authority as checks are manually signed by the Treasurer.
- The Treasurer receives the online bank statements monthly and prepares the bank reconciliation for the primary, secondary, and Money Market accounts. Bank statements are reviewed online each month by the Treasurer, President, and Vice President. The Treasurer sends the monthly bank statements and a reconciliation report from QuickBooks to the President for review and signature.
- Financial statements are reviewed and approved by the BOD at each meeting.
- The President, Past President, Vice President, and the Treasurer have debit cards for the primary checking account. Currently, there is no formal policy on debit card purchases. When making a debit card purchase, the cardholder will complete and sign a Payment Request and submit it to the Treasurer along with a copy of the purchase receipt.