

11. FINANCIAL MANAGEMENT

Scope

This chapter describes NIGP's financial management policies.

Governing References

- NIGP Articles of Incorporation – Article 10 stipulates that the corporation be authorized and empowered to pay reasonable compensation for services rendered.
- NIGP Bylaws – Article III sets forth the fiscal responsibilities of the officers
- These Governing Board-adopted policies are supported by Financial Management practices which provide greater details on processes. The practices shall be developed and modified by the Financial Council in the Institute's best interest.

A. Accounting Procedures

The accounting procedures used by NIGP shall conform to Generally Accepted Accounting Principles (GAAP) to ensure accuracy of information and compliance with external standards.

1. Basis of Accounting

The organization shall utilize the accrual basis of accounting. The accrual basis is the method of accounting whereby revenue and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred. This method of recording revenue and expenses is without regard to date of receipt or payment of cash.

2. Fiscal Year

The fiscal year shall be on a July through June basis.

B. Internal Controls

The organization shall employ several safeguards to ensure that:

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- the Institute complies with the standards set forth for non-profit charitable associations under the 501(c)(3) classification established by the U.S. Internal Revenue Service; and
- financial transactions are properly authorized, appropriated, executed and recorded.

1. Lines of Authority

a. The NIGP Governing Board:

- (1) Establishes the budget philosophy
- (2) Approves the annual budget appropriations
- (3) Approves the use of non-designated funds held in the long, short-term, and operating reserves by the Institute including the use of audited net income generated by the Institute on an annual basis
- (4) Approves the annual audit after review and recommendation by the Audit Committee;

b. The Finance Council:

- (1) Establishes the financial and investment goals of the Institute
- (2) Determines risk assessment
- (3) Determines fees and assessments within the framework of an annual budget appropriation that is recommended to the Governing Board for approval
- (4) Approves the release of designated funds held in specific designated funds by the Institute
- (5) Determines insurance and bonding requirements
- (6) Determines the process, frequency, and selection of an investment counselor
- (7) Assesses the performance and related fees of the investment counselor at least annually using market benchmarks that are cited in Exhibit E
- (8) Reviews the NIGP Annual Form 990 report that is submitted to the U.S. Internal Revenue Service
- (9) Determines the types and frequency of financial reports required to adequately perform its responsibilities
- (10) Determines the circumstances for writing off bad debt with an invoice value over \$5,000
- (11) Designates a member to review the periodic check ledger.
- (12) Develops and maintains a practice for records retention within NIGP's Practice Manual that is consistent with federal, state, and local regulatory provisions and industry best practices.

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- c. The NIGP Board Chair:
 - (1) Authorizes disbursements when the Treasurer or any Assistant Treasurer is unavailable
 - (2) Authorizes all disbursements payable to the Chief Executive.

- d. The NIGP Treasurer:
 - (1) Serves as the Chair of the Finance Council.
 - (2) Submits annual budget appropriation recommendations via the Finance Council to the Governing Board for approval.
 - (3) Facilitates all matters relating to the Institute's fiscal policy, including budget, investment, and accounting procedures, as Chair of the Finance Council.
 - (4) Generally, performs such duties as usually devolve upon such office and performs all duties that the Governing Board requires the Treasurer to perform.
 - (5) Manages the funds of the Institute and authorizes bills to be paid against the Institute when certified by the Chief Executive Officer or designee.
 - (6) Reviews the bi-weekly disbursement register once disbursements are made and reports any concerns to the staff Controller.
 - (7) Reviews the monthly statements for NIGP-issued credit cards provided to volunteers and staff and reports any concerns to the staff Controller.
 - (8) Authorizes the issuance of disbursements for amounts that exceed \$25,000. .
 - (9) Reports to the Governing Board and to the membership on matters relating to the fiscal affairs of the Institute.

- e. The Audit Task Force:
 - (1) Recommends the selection of the certified public accounting firm to perform the external, independent annual audit; subject to approval by the Governing Board
 - (2) Reviews the draft of the annual external, independent audit and, upon request, confers exclusively with the auditor during a teleconference or meeting when staff is not present
 - (3) Presents the annual audit to the Governing Board with any recommendations

- f. The Chief Executive:

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- (1) Prepares an annual budget for review by the Finance Council prior to its presentation to the NIGP Governing Board
- (2) Provides the NIGP Governing Board and the Finance Council with written response to all formal audit recommendations, including action steps to correct all agreed upon deficiencies in a cost-effective manner, and provides regular updates until issues are resolved.

2. Conflict of Interest

All NIGP employees and members of the Governing Board and Councils are expected to comply with the Conflict of Interest and Disclosure provisions outlined in Sections 6 and 13 of this Manual.

3. Segregation of Duties

NIGP shall ensure appropriate checks and balances between the expenses and disbursements. Under no circumstances shall:

- a. The same individual be allowed to both authorize a disbursement and sign the associated check.
- b. An individual be allowed to sign a check that is payable to him/her or members of his/her family.
- c. An individual be allowed to sign a check that is payable to his/her business enterprise or enterprises involving members of his/her family.

C. Financial Planning & Reporting

The organization's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards Board (FASB) No. 117, "Financial Statements of Not-For-Profit Organizations."

Under GAAP, revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization are classified as unrestricted, temporarily restricted and permanently restricted.

1. Budget Structure and Reports

- a. Statement of Financial Position

The Statement of Financial Position (SFP) serves as a balance sheet and reflects the overall financial position of NIGP at a given moment in time; typically, at the close of each fiscal month and subsequently, at the close of the fiscal year.

- b. Operating Budget Statements and the Statement of Activities
- (1) The operating budget shall reflect all revenues anticipated to be earned during the fiscal year and all expenses anticipated to be incurred during this same period.
 - (2) The operating budget, as adopted by the Governing Board, shall be monitored through the monthly Budget Statements. These statements shall reflect the monthly year-to-date, and annual budgeted cash flow of NIGP.
 - (3) The following items are not budgeted through the annual operating budget and not recorded on the monthly Budget Statement:
 - (a) Interest and dividend income
 - (b) Realized and unrealized gain/loss
 - (4) A Technology and Furnishings line item may be budgeted annually to support future replacement or replenishment of technology and furnishing assets. These funds shall be transferred to the Assets Replacement Reserve Fund during the current fiscal year if allocated in the budget.
 - (5) Accrued expenses and accrued leave should be budgeted on an annual basis only to the dollar level of the anticipated exposure during the fiscal year. The full value of accrued expenses and accrued leave shall be recorded on the Statement of Financial Position (SFP) as a liability. At the end of the fiscal year, unspent accrued leave shall be transferred to an Accrued Leave Reserve Fund in support of future accrued leave payments.
 - (6) Projected revenues should be above, or equal to, the projected expenses when preparing the annual budget; within the practical limits of knowledgeable estimating and forecasting.

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- (7) Revenue-producing programs should either generate net income or be revenue-neutral to the extent practical. As a rule, the return on investment for new revenue-producing programs should be three (3) years or less.
- (8) Fees should be consistent with prevailing market conditions and competing sources. To remain competitive with these conditions, fees shall be increased incrementally each fiscal year if justified by expense increases and market conditions to maintain net income for revenue-generating programs.
 - (a) The Chief Executive is responsible for recommending all dues and fees to the Finance Council for approval by the Governing Board in conjunction with the annual budget process.
 - (b) Between budgets, the Chief Executive shall have the specific authority to lower budgeted fees for the purpose of offering short-term incentives.
 - (c) The duration of the incentive is the discretion of the Chief Executive; provided that the incentive ends with the new budget cycle.

c. Capitalization Policy Budget

- (1) Assets acquired or developed with unit costs in excess of \$5,000 are capitalized as property and equipment on the Institute's financial statements and Capital Budget. Items with unit costs below this threshold shall be expensed in the year purchased. "Unit" is defined as either individual cost or all costs associated with a specific project exceeding the \$5,000 threshold.
- (2) Capital assets are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives.
- (3) Upon recommendation by the NIGP Finance Council, the NIGP Board shall approve funds in a Capital Budget as part of the annual budgetary appropriation process

2. Budget Authorization

In general, the Chief Executive has the authority to make changes to the budget, without Finance Council approval:

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- a. When an increase in new revenues meets or exceeds the corresponding increase in new expenses; or
 - b. When the increase in a non-revenue generating cost center does not exceed ten percent (10%) of the total budget allocation for that center.
3. Audit.
- a. NIGP shall conduct an external, independent audit of its financial records on an annual basis.
 - b. The independent auditor shall report its initial findings to NIGP management to address any issues.
 - c. Once the audit is completed, the report shall be forwarded to the Audit Task Force which reports to the Governing Board; and the Audit Task Force shall have the option of conferring with the auditor in any form appropriate in absence of the Finance Council or staff.
 - d. Upon review and approval by the Audit Task Force, the annual audit shall be distributed to the Governing Board for acceptance.
4. United States, State, and Local Reporting Requirements

NIGP shall complete and submit all financial reports required by applicable federal, state, and local laws to include, but not limited to, the United States Internal Revenue Service 990 Form. The completed Annual Form 990 shall be distributed to the Finance Council and the Governing Board, prior to filing whenever practical.

D. Cash Management

1. NIGP shall deposit and maintain cash in interest bearing checking accounts operated by federally insured banks and in amounts that do not exceed federally insured maximums, except as may be required by any loan covenants.
2. The Governing Board authorizes the Chief Executive or designee to establish a separate account for the purpose of managing cash needed to support operations while monitoring the checking account balances to ensure that the checking account does not exceed federally insured maximums. For effective cash management, the NIGP Chief Executive or

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designee has the authority to transfer funds between the checking account and a separate account. The Finance Council shall determine how the account is invested.

3. In cases of an emergency which requires the transfer of funds from the reserve accounts to cover deficits in cash flow, the Finance Council shall determine how funds should be transferred to meet the emergency situation.
4. In cases of an emergency to protect the health, safety and welfare of the Institute or its employees, and when the emergency requires the immediate transfer of funds from the reserve accounts to cover deficits in cash flow, the Chief Executive Officer shall consult with the Treasurer to determine how funds should be transferred to meet the emergency and shall subsequently communicate such actions to the Finance Council and the Governing Board within three (3) business days.

E. Staff Compensation Philosophy

NIGP's total compensation program is designed to attract and retain talented employees to develop, support and promote the public procurement profession. Within our financial resources, we strive to offer a total compensation package consisting of:

1. Compensation Plan
 - a. Salaries that pay employees fairly for the duties they perform.
 - b. Salary ranges with minimums, midpoints, and maximums, based on the median of nonprofit membership associations of similar size and scope in Northern Virginia. Market data will be drawn from several nonprofit salary surveys. Salary ranges will be reviewed annually in conjunction with the budget allocation process and independently validated every three years.
 - c. For employees residing outside of the Metropolitan Washington DC/Northern Virginia market, the salary range for their classification shall be adjusted based on the reported cost-of-living percentage differential between Northern Virginia and the residing city.
 - d. Salary increases based on employee performance.
 - e. Any Incentive (if offered) will be based on the attainment of established annual goals.

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2. Benefits that are highly competitive with nonprofit organizations, including health and welfare benefits, retirement contributions, work week, and paid time off.
3. Work Environment that supports employee excellence and the professional delivery of services and products for members, affiliates, sponsors, the profession, and public service.
4. A non-defined contribution plan that provides employees with the potential for future financial security for retirement.
 - a. In its best interest, the Finance Council may offer both an employee contribution and/or an employer match of an employee's own contribution to his/her retirement plan.
 - b. In the event the Finance Council elects to offer an employer contribution in recognition of the Institute's ability to achieve net income at the end of a fiscal year, rather than funding the contribution via the operational budget, it is understood that such a contribution shall be an allocation priority of the Institute.
5. To recognize exceptional staff performance, the Governing Board may, upon recommendation by the Chief Executive and the Finance Council, authorize a one-time payment of performance bonuses; with the understanding that the award of such bonuses shall be accrued during the same fiscal year and paid out within six (6) months of the subsequent year. Such bonuses may be rewarded:
 - a. For the accomplishment of program goals that align with the Institute's strategic plan;
 - b. For the accomplishment of the Institute's annual budget and aspirational goals established by the Governing Board at the beginning of the fiscal year;
 - c. For the accomplishment of a project which results in significant growth or success in a specific program area(s); or
 - d. For the successful completion of a major project.

If the Governing Board designates such funds, the Chief Executive is empowered to determine specific bonus amounts for each staff member. Specific bonuses for the Chief Executive shall only be granted by a majority vote of the Governing Board.

F. Revenue and Accounts Receivable

1. All fees charged by NIGP shall be paid in U.S. dollars.
2. The acceptable methods of payment are cash, check, electronic funds transfer (EFT), or credit/debit card. When required by the public entity, a government-issued purchase order can be submitted to process a request for products and services; however, a purchase order is not considered a method of payment, and the entity will be responsible for submitting payment to NIGP via one of the methods listed above.
3. All payments are net thirty (30) calendar days, unless stated otherwise. The Institute shall maintain an aged accounts receivable report.
4. Any delinquent accounts over ninety (90) calendar days from the date of the invoice shall be sent to the NIGP Treasurer who has the authority to suspend services. If directed by the Treasurer, the Chief Executive or designee shall notify the debtor, in writing, and the debtor shall have thirty (30) calendar days from the date of the notice to make payment or to appeal the decision. Appeals shall be sent to the Treasurer whose decision is final; provided however, that appeals related to the payment of Member Dues shall be sent to the Chair of the Member Council, whose decision is final.
5. The Finance Council shall determine the parameters for writing off bad debt for invoices exceeding \$5,000. The Treasurer has the authority to write off bad debt for invoices valued between \$2,000 and \$5,000. The Chief Executive Officer or designee has the authority to write off bad debt for invoices valued under \$2,000. Notwithstanding the above, all bad debt written off by the Chief Executive Officer or Treasurer shall be reported to the Finance Council.

G. Expenses & Accounts Payable

The expenditure of NIGP funds shall be consistent with the U.S. Internal Revenue Service 501(c) (3) designation and the IRS formal findings.

1. Purchases & Contracts
 - a. With support by budget appropriation, the Governing Board authorizes the Chief Executive Officer to execute contracts on behalf of the Institute to further the Institute's mission with the following exceptions:

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- (1) Contracts and formal agreements in support of a new program offering that involve the expenditure of funds for direct expenses shall be supported by a business plan and approved by the Finance Council;
 - (2) Costs for the specific project are anticipated to exceed 10% of the budget allocation shall be approved by the Finance Council;
 - (3) Contracts which acquire, encumber, or dispose of any real property shall be pre-approved by the Governing Board.
 - b. The Chief Executive may delegate written purchasing authority to appropriate individuals.
 - c. Contracts should be based on fair and equitable competitive business practices. Formal, written proposals shall be secured for purchases exceeding \$50,000 when competition is available.
 - d. The staff person delegated to administer a contract shall enforce contract compliance throughout the term of the agreement and report performance deficiencies to the Chief Executive Officer for correction action. Corrective measures shall be documented and due process provided.
2. Business Travel by the Governing Board and Council Members
 - a. Governing Board Chair: Each budget presented by the Chief Executive may contain a line item for travel by or for the Governing Board Chair; subject to approval by the Finance Council and appropriation by the NIGP Governing Board. This line item shall be spent on the furtherance of NIGP's mission.
 - b. All other Governing Board and Council Members: Each budget proposed by the Chief Executive may contain a recommended travel fund to support the cost of attending scheduled, in-person meetings. This fund and related dollar limits are subject to budget appropriations recommended by the Finance Council and approved by the Governing Board.

Appendix D defines the conditions and allowances for business travel and related reports and documentation.

3. Alcoholic Beverages

If the Governing Board Chair or Chief Executive decides to host a reception or dinner in conjunction with an official social or business function hosted

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by NIGP, alcoholic beverages may be served by professional bartenders (unrelated to NIGP representatives) such as hotel/restaurant staff or catering company employees at NIGP functions. Such arrangements shall be made with an understanding of NIGP's indemnification of liability as well as legal obligations.

4. Credit Card Policy

- a. The Governing Board Chair and the Chief Executive shall have the authority to request and utilize an NIGP Credit Card. Key designated staff shall have the authority to request and utilize an NIGP Credit Card; subject to approval by the Chief Executive. They shall limit their use of the card to the business of NIGP.
- b. Receipts for all charges made by credit card must be submitted to NIGP regardless of the dollar amount. Credit card receipts shall be submitted to the accounting staff at NIGP via facsimile or email within ten (10) calendar days of purchase so that credit card statements can be reconciled.
- c. The NIGP Treasurer shall review the monthly statements for NIGP-issued credit cards provided to volunteers and staff and shall report any concerns to the staff Controller. The NIGP Governing Board Chair shall review the credit card statement of the Treasurer, if applicable, and shall report any concerns to the staff Controller.
- d. Credit card usage and all related expenditure records shall be subject to audit by NIGP financial staff and the auditor.
- e. Credit reference checks shall be conducted on any individual who requests a NIGP Credit Card before issuance.

H. Asset and Risk Management

1. Asset Management

The Governing Board holds all assets of the Institute as a fiduciary. Therefore, the Board has the responsibility and authority to manage and control all assets of the Institute in accordance with Sections 5 and 6 of this Manual. In its best interest, the Governing Board may delegate asset management control, policy, compliance, and reporting requirements to the Finance Council.

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2. Investments and Reserves Strategy
 - a. The Governing Board holds all funds of the Institute as a fiduciary. Therefore, the Corporation holds all funds as a steward for the purpose of carrying out the Institute's mission and purpose.
 - b. The Governing Board has the exclusive authority to establish reserve accounts for the purpose of allocating current dollars for future needs. The Governing Board has the exclusive authority to direct Institute funds into these accounts. There shall be three types of reserve accounts:
 - (1) An unrestricted Short Term and Long Term Reserve Fund that can be accessed by the Governing Board when necessary to preserve the operations of the Institute during financial uncertainty;
 - (2) Restricted, Board-designated reserve funds that are created, maintained, and restricted to a specific purpose or function defined by the Board.
 - (3) An Opportunity Fund, the purpose for which is to fund strategic programs, initiatives, and infrastructure upgrades. This is to be used exclusively for expenses related to, for example, development and implementation of new programs, increasing staff capacity through the addition of new positions, purchase of new (or upgraded) software, web design and other designated projects that will propel NIGP to the next level of growth.
 - c. The Governing Board empowers the Finance Council to develop and maintain the investment strategies of the Institute. In turn, the Finance Council shall select an Investment Counselor or Group to manage the Institute's investments. .
 - d. Within this investment strategy, as defined in Appendix E, the Finance Council shall establish practices related to the reserve funds of the Institute based on the following parameters:
 - (1) The unrestricted Short and Long Term Revenue Funds shall be combined to represent at least six (6) months of the fixed operating expenses as determined by the annual budget approved by the Governing Board:

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- a. At least one (1) month of the six (6) month reserve shall be held in the Short Term Reserve.
 - b. The Finance Council may balance funds between the Short and Long Term reserves.
 - c. Excess funds above the six-month reserve shall roll over to the Opportunity Fund at a minimum on an annual basis.
 - (2) The restricted, Board-designated reserve funds shall be invested in accordance with the investment strategy. The Investment Counselor shall present an Investment Strategy and Reserves Strategy to the Finance Council at least annually.
 - e. The Governing Board is the only authorized body to authorize the use of the unrestricted short and long-term reserves and Opportunity Fund, except in the case of an emergency.
 - f. The Governing Board empowers the Finance Council to authorize the use of restricted reserve funds; provided that the use is consistent with the purpose of the designated fund.
3. Risk Management and Liability
- a. The Chief Executive shall develop and maintain a risk management plan to:
 - (1) Deter liability claims;
 - (2) Maintain adequate insurance against theft, casualty losses and liability claims;
 - (3) Ensure that the assets are adequately maintained, protected, and not risked unnecessarily;
 - (4) Ensure that staff responsible for handling NIGP's funds and assets is bonded.
 - b. The Chief Executive, in coordination with the Treasurer, shall ensure that adequate insurance is provided to meet the following insurance needs:
 - (1) Business Travel Accident
 - (2) Association Professional Liability Policy
 - (3) Umbrella Liability

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- (4) Business Personal Property, including Real Property
- (5) Workers Compensation and Employment Liability

I. Record Retention

The Chief Executive Officer is responsible for establishing a record retention policy within Section 13 of this Board Policy Manual that is consistent with federal, state, and local regulatory provisions and industry best practices. The Chief Executive Officer shall have the authority to modify this policy from time to time consistent with federal, state, and local regulatory provisions.