

East of Hudson Watershed Corporation Manual of Fiscal Policies and Procedures

Adopted by Board of Directors August 9, 2016

**BOARD OF DIRECTORS
EOHWC**

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Part 1 Introduction

Part 1 Introduction

1.01 Purpose of Fiscal Policies and Procedures Manual

- A. The Manual of Fiscal Policies and Procedures of the East of Hudson Watershed Corporation (“EOHWC”) is the official document of the Corporation for the conduct of business and the accounting and administration of funds.
- B. The purpose of the Manual of Fiscal Policies and Procedures is to provide detailed information on the accounting and administration of funds. This Manual should guide employees, officers and Directors of the EOHWC in the application of various Federal, State, City and local laws and regulations.
- C. This Manual constitutes current fiscal policies and standards that have been developed by the EOHWC, unless otherwise noted, through the time of issuance. EOHWC has adopted additional policy documents, which are referred to (and underlined) throughout this document.
- D. In the event that the Executive Director position is vacant, all functions to be performed by the Executive Director as set forth herein shall be performed by the President unless expressly stated in this policy or otherwise approved by resolution.
- E. The Administrative Officer in this policy document refers to the Executive Director when the Corporation has appointed an Executive Director, and otherwise refers to the Director of Engineering. The purpose of this designation is for separation of duties under internal control procedures.

1.02 Scope and Organization

The general organization of the Manual of Accounting Policies is as follows:

Part 1 Introduction	Provides a description of the purpose of the Manual and its organization.
Part 2 Internal Controls	Describes the system of corporation, system and human controls in place to safeguard the assets of the EOHWC and to ensure business is conducted in an ethical manner.
Part 3 Accounting Procedures	Sets forth policies for the operation of the financial management structure of the EOHWC.
Part 4 Assets	Establishes policies for accounting for the Corporation's assets.
Part 5 Liabilities	Establishes policies for accounting for the Corporation's liabilities.
Part 6 Cost Accounting Policies	Presents policies and procedures used for accounting for goods and services for the EOHWC.

1.03 Definition of Terms

Terms referenced are as defined in the Public Authorities Accountability Act and implementing regulations, the Funding Agreement between New York City and EOHWC (“Funding Agreement”),

Part 1 Introduction

and the New York City Watershed Memorandum of Agreement dated January 21, 1997 (“Watershed MOA”).

Part 2 Internal Controls**Part 2 Internal Controls*****2.01 General Business Conduct and Disclosure***

- A. Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions.
- B. EOHWC has adopted a Code of Ethics, which is reviewed and readopted annually by the Board of Directors. This policy is distributed to and acknowledged by each Board member and employee after readopting. At the same time the policy is distributed, Conflict of Interest forms are also requested to be completed and signed by all Board members and employees. Once completed, they are distributed to the designated Ethics Officer and Board members. If a conflict is suspected, it is the duty of the Board to address and work towards resolution, following the procedures outlined in the Code of Ethics.

2.02 Compliance with Laws**A. General**

All situations should be evaluated to eliminate all appearances or actual non-compliance issues and reviewed with supervisors, who may in turn refer the matter to the Corporate Counsel.

B. Political Contributions

No funds or assets of the Corporation may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office. The direct or indirect use of any funds or other assets of the Corporation for political contributions in any form, whether in cash or other property, services, or the use of facilities, is strictly prohibited. The Corporation also cannot be involved with any committee or other organization that raises funds for political purposes. This rule applies both inside and outside the United States, except in those cases permitted by law and expressly authorized by the Board of Directors of the EOHWC.

Following are examples of prohibited activities:

1. Contributions by an employee that are reimbursed through expense accounts or in other ways.
2. Purchase by the Corporation of tickets for political fundraising events.
3. Contributions in kind, such as lending employees to political parties or using Corporation assets in political campaigns.
4. Indirect contributions by the Corporation through suppliers, funding sources or agents.

C. Government Officials

The EOHWC is legally prohibited from offering, promising or bestowing money, gifts, loans, rewards, services, use of facilities, lavish or extensive entertainment or other favors to an employee with a view toward influencing or inducing such official or employee to use his/her influence to effect an action or decision. You must refrain from such acts. This includes any employee of a Federal, State, City or local government agency.

D. Record Keeping

Corporation books, records and accounts must be maintained in conformity with generally accepted accounting principles and subject to Government Auditing Standards to provide an accurate and auditable record of all financial transactions. Corporation assets are safeguarded for maintaining an auditable record of financial holdings.

Part 2 Internal Controls

Further, the Corporation specifically requires that:

1. No funds or accounts may be established or maintained for purposes that are not fully and accurately described on the books and records of the Corporation.
2. Receipts and disbursements must be fully and accurately described on the books and records of the Corporation.
3. No false entries may be made on the books or neither records nor any false or misleading reports issued.
4. Payments may be made only for the actual services rendered or products delivered. No false or fictitious invoices may be paid.

If a reason to believe that the Corporation's books and records are not in accord with the foregoing requirements exists, it must be reported to the Corporate Counsel, as directed in the EOHWC Code of Ethics.

E. Compliance with New York State Public Authorities Law

It is the policy of the Corporation to follow Best Practices for Public Authorities by the New York State Authorities Budget Office (“ABO”) and EOHWC also complies with the following requirements:

1. Director/Alternate Training – Section 2824(2) of Public Authorities Law requires each director/alternate to participate in state approved training regarding their legal, financial and ethical responsibilities as board members of an authority within one year of appointment to the board.
2. Financial Disclosure – Section 2825(3) of the Public Authorities Law requires each director/alternate, officer and employee to file annual financial disclosure statements with the local board of ethics in which the corporation has its primary office pursuant to Article 18 of the general Municipal Law. (EOHWC files with Putnam County.)
3. Acknowledgement of Fiduciary Duty – Under Public Authorities Law Section 2824(1)(h), every director/alternate is required to sign an acknowledgement of fiduciary duty at the time he or she takes office, which is deemed effective as long as the director/alternate continues to serve.
4. Annual Board of Directors Evaluation – The 2009 Public Authorities Reform Act requires that the board of every local authority conduct an annual evaluation of its performance. Individual director/alternate comments are protected from disclosure under Article 6 of Public Officers Law, but the results of the assessment must be provided to the ABO.
5. Performance Measurement Report – Section 2824-A of the Public Authorities Law requires a local authority to adopt a mission statement and performance measures to determine how well it is carrying out its mission. A local authority must file its mission statement and performance measures with the ABO as part of the Annual Report.

EOHWC posts all pertinent and required documentation on its website at www.eohwc.org.

2.03 Employee Conflict of Interest**A. General**

Please refer to the EOHWC Code of Ethics referenced in Section 2.01 above.

Part 2 Internal Controls**2.04 Ethical Standards in Bidding, Negotiation and Performance of Government Awards**

- A. The Corporation will strictly observe the laws, rules and regulations that govern acquisition of goods and services by the Federal, State, City and local governments and other funding sources. We will compete fairly and ethically for such business opportunities. EOHWC has adopted the EOHWC Procurement Policy.
- B. Employees involved in the negotiation of grants or other additional funding will make all reasonable efforts to assure that all statements, communications and representations to funding source representatives are accurate and current. Care should be taken by personnel in a position to know that there are no material substitutions from specifications and the products meet or exceed contractual specifications.

2.05 Signature Authorities

Authorization for contracts is discussed in Section 2.08. Authorization for purchases is discussed in Section 2.07-6. Authorization for approval of vouchers is discussed in Section 2.07-7. Authorization for check signing is discussed in Section 2.06.

In the absence of the President, the Vice President may sign any document requiring the President's signature.

2.06 Endorsement Requirements for Corporation Checks

One signature by an official listed below is required for checks not exceeding \$5000. Two authorized officials, each of whom is independent of the control of the other person, will sign all checks by the Corporation over \$5,000. (See signatory procedures Section 2.07-3 B).

Official Titles of the Executive Board of the Corporation

President
Treasurer
Vice President
Designated Board Director

The "Designated Board Director" means a director designated by resolution of the Executive Committee. Checks can be signed by the persons authorized above only where the expenditure has been previously budgeted and approved by the Board and where the expenditure meets all other requirements including the Procurement Policy. In no event may a check be signed in excess of the amount for which a budgeted appropriation has been established.

2.07 Separation of Duties

The following duties have been assigned to various staff to foster the development of a healthy and strong internal control structure. The cash receipts, cash disbursements and payroll operations have been identified as components that require the largest degree of separation of duties.

2.07-1 Cash Receipts

Since cash is most susceptible to misappropriation, the Corporation must exercise the utmost care when handling cash and accounting for transactions involving cash.

- A. Definition

Part 2 Internal Controls

"Cash" as referred to in this section includes currency, coin, checks, money orders and electronic fund transfers.

B. Form of Payment

1. When practical, cash in the form of currency should be avoided. The Corporation should specify that remittances be made by check or money order and made payable to "East of Hudson Watershed Corporation". Remitters should be cautioned against sending currency by mail, or making checks payable to an individual's name.
2. To the extent practicable, receipts shall be rendered for currency payments received and copies of all receipts shall be retained for Corporation use.

C. Bank Deposits

1. The Accounts Payable Coordinator is responsible for opening all checks and payment envelopes. All mail is to be stamped "received" with a date stamp. This includes all checks and the remittance portion of a check. In the absence of a remittance advice, a post-it stamp should be stapled to the check with the received and date stamp. All checks are to be endorsed with the EOHWC endorsement stamp immediately by the Accounts Payable Coordinator. Currency is to be receipted by the Accounts Payable Coordinator. All cash is to be logged by the Accounts Payable Coordinator into the "cash receipt logbook", by check payer and dollar amount, and forwarded to the Comptroller of the Corporation for review and the preparation of the deposit.
2. The Comptroller of the Corporation will prepare the bank deposit and the bank deposit shall be deposited by the close of business that day. A copy of all checks and the deposit slip shall be made prior to deposit. The bank-ready deposit shall be forwarded to the Account Payable Coordinator to physically take to the bank.
3. The bank deposit confirmation form shall be attached to the check copies for input into the accounting system. After entering and posting the deposit to the system, the Comptroller will file it in the appropriate place. The transaction edit report and posting report will also be filed into the appropriate file.

D. Securing negotiable instruments

1. After being logged by the Accounts Payable Coordinator, all negotiable instruments should be properly secured in the Comptroller's locked cash drawer until such time as they can be deposited in the bank. The accumulation of cash is not permitted.

E. Cash receipts journal

1. The Comptroller of the Corporation shall maintain a cash receipts journal for each separate bank account. All cash receipts shall be entered and posted when received.

F. Processing returned checks

1. All returned checks for insufficient funds are to be re-deposited once, and the cash receipts policy should be ignored in connection to the redeposit. In these situations, the receipt policy is ignored because the receipt has already been posted to the General Ledger and following the policy would double post an entry.
2. Upon receipt of a returned check the Comptroller shall be notified of the issuer and dollar amount.

Part 2 Internal Controls

3. All checks returned after the re-deposit shall be held and the issuer contacted. A money order or certified check will be the only acceptable means of payment at this time. Additionally, the issuer will be charged a fee of \$25 for all returned checks.
4. If collection is unsuccessful, the Comptroller shall be informed and shall instruct on write off procedure.

2.07-2 Bank Reconciliation**A. Control**

1. The Accounts Payable Coordinator is responsible for opening all bank statements. All bank statements are to be stamped "received" with a date stamp, and forwarded directly to the Comptroller, who reviews the statements for questionable items before preparation of the bank reconciliation.
2. The Comptroller shall reconcile the bank statement balance to the book balance within five (5) business days from the receipt of the bank statement, via the cash reconciliation module of the accounting system. After the bank statement has been reconciled, the Comptroller shall initial and date the reconciliation.
3. At no time will the Accounts Payable Coordinator have the authority to authorize disbursements and at no time will the Comptroller have authority to sign checks.
4. Bank reconciliations shall be prepared on a monthly basis for all accounts.
5. The bank statement balance shall be compared to the General Ledger balance and reconciled when necessary. The Comptroller will note "ok to G/L" on the bank reconciliation when reconciled. Any journal entries required for reconciliation to the General Ledger and bank statement book balance shall be prepared by the Comptroller.
6. The Comptroller shall initial and date the reconciliation and file in the bank reconciliation file. The Comptroller shall also approve, via signature and date, the necessary journal entries.
7. All banks shall be instructed to generate the EOHWC statements on a monthly basis ending on the last day of the month.
8. Unreconciled differences between the bank balance and the book balance must be resolved within three months after receipt of the bank statement. The Comptroller must approve differences in excess of \$100 before writing them off to an expense account via journal entry. All Journal Entries require the Comptroller's approval prior to entry.

B. Outstanding checks

1. Checks outstanding more than three (3) months shall be void. These checks shall be reissued as required.
2. If a stop payment is required prior to the 90 day period, the Corporation should consider the cost of bank charges and administrative time on stop payment orders on checks of small amounts. Stops should be placed on checks under three (3) months only when the value of the check in question exceeds \$25.00.

2.07-3 Cash Disbursements

Except for small petty cash payments, made in accordance with the petty cash policy, disbursements shall be made by check and recorded in the cash disbursement journal. Employees who are

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responsible for drafting checks shall not have authority to approve invoices for payment, via voucher or purchase order, nor be authorized by the Board of Directors as an authorized signer on the accounts.

A. Void check policy

1. All checks that are deemed to be void shall have the signature portion of the check torn from the check and the word “void” written in ink across the face of the check.
2. All void checks shall be maintained in sequential order and filed. All void checks shall be maintained in a separate file and filed as voided and posted to the accounting system.

B. Signatory Procedures

1. The Board of Directors has authorized, via resolution, the persons identified in Section 2.06 as signers for all EOHWC bank accounts.
2. Two signatures are required for all checks over \$5,000 as specified in Section 2.05. This list shall be updated with the banking institutions and in this manual whenever the signatory authorization of Officers changes.

C. Blank check policy

1. Blank checks shall not be issued to employees, Directors or outside vendors.
2. Blank checks shall not be signed by an authorized signatory.

D. Check writing procedure

1. The Comptroller shall generate a cash requirement report from the computerized system.
2. The Comptroller shall select items to be paid using the priority schedule below:
 - a. Fund availability;
 - b. Appropriate voucher and supporting documentation presented in a timely fashion;
 - c. Employee reimbursements (i.e. travel and miscellaneous expenses);
 - d. Advance payment requests for purchases; and then
 - e. Special vendor situations (i.e. new accounts).
3. After selection, via a check mark next to each item, the Comptroller initials and dates the cash requirement report for processing checks.
4. The Comptroller shall delete any items not to be paid from the unposted transaction register that have not been authorized for payment, and approves the final items for the Accounts Payable Coordinator who then runs the checks via the accounts payable module. To ensure accuracy, a calculation is done on all checks that are paying multiple invoices which is included as part of the backup documentation.
5. Checks, vouchers and all supporting documentation are ordinarily presented for review and signatures at monthly Executive Committee meetings.
6. Once signed, all documents shall be stamped “paid” including the date of payment (date on check), and the checks attached, via paperclip, to the corresponding back up documentation.
7. The Accounts Payable Coordinator shall separate the duplicate portion of the check from the actual check and attach it to the supporting documentation prior to filing.

Part 2 Internal Controls

8. The cash requirement report and check copies including appropriate supporting documents, (including work completed and detailed list of costs) shall be maintained by the Comptroller for review of proper procedures and instructions.
9. The Accounts Payable Coordinator shall verify that all of the checks were signed as required by this policy as set forth above.
10. The checks shall be mailed to the vendor's address listed on the face of the check or may be picked up by the vendor's principal with proper identification.

E. Miscellaneous

1. The EOHWC shall maintain an inventory of pre-numbered checks that are to be used in sequential order. Usage shall be recorded daily and maintained as the cash disbursement journal.
2. Checks shall state on their face that they are void if not cashed within a specified time period (within three months of issue date, unless the banking institution has an alternate policy, at which time this policy will be reviewed and updated).

2.07-4 Petty Cash Fund and Disbursements

A petty cash fund is established to pay small and incidental purchases that are necessary to enable the day to day flow of operations and to reduce the number of small incidental check writing and processing.

A. Control

1. The petty cash fund is established by determining a custodian, as appointed by the Executive Director, and by issuing a check made payable to "custodian's name – petty cash". The existence of a petty cash fund shall be recorded as an asset on the General Ledger.
2. The EOHWC petty cash fund shall not exceed two hundred dollars (\$200), and is designated for all reimbursements and expenditures less than \$200.00.
3. The cash is maintained in a locked box with the key/combination in the possession of the custodian.
4. Cash advances: If a commodity is required and the employee is not certain of the cost of the item, he/she may request an advance by signing a petty cash slip for the amount requested. The custodian shall also have the Comptroller countersign the petty cash slip. Upon making the purchase, he/she shall submit a receipt to the petty cash custodian and either return the unused portion of cash or receive the balance due between the purchase price and the advance received per the receipt.
5. Cash reimbursement: After purchasing the necessary commodity, the employee may request reimbursement via the petty cash fund by submitting a paid receipt to the petty cash custodian and signing the petty cash slip to denote payment has been received. The custodian shall also have the Comptroller countersign all Petty Cash slips.
6. Reimbursing the fund: When the petty cash fund is approximately seventy-five percent (75%) depleted, the custodian shall initiate replenishing of the fund by completing the petty cash reimbursement form. The custodian shall verify the cash balance on hand and the amount of receipts submitted for reimbursement equals the total petty cash fund. The custodian shall submit the form, receipts and the signed petty cash slips and a voucher to the Comptroller for

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reimbursement of the fund. The Accounts Payable Coordinator shall code the petty cash reimbursement request on Accounts Payable input.

7. Upon receipt of the petty cash reimbursement check made payable to the "custodian's name–petty cash", the custodian shall cash the check within one (1) business day and replenish the fund.

2.07-5 Electronic Funds Transfer

Generally, electronic funds transfer payments are subject to the same controls as conventional cash transactions. However, the rapidity with which fund transfer payments are made, the “paperless” nature of these transactions, and the rapidly changing technology in this area, compound the usual problems of control. Control and planning difficulties are further magnified because fund transfer payments frequently involve voluminous transactions and large dollar amounts.

A. General

1. It is essential that control procedures be followed promptly. Failure to do so can facilitate theft or misappropriation and frustrate recoupment efforts.
2. The impact on cash flow planning and the income generated on the float is more critical.

B. Control Procedures

1. Acknowledgement of fund transfers shall be promptly obtained from the banking institution and/or the vendor.
2. Only the Comptroller will provide the external wire instructions to the vendor.
3. Reconciliation of both the number of transactions and the dollar amounts must be made promptly, daily if necessary, upon disbursement or receipt of funds.
4. The same signatory authority is required on wire transfers as if the transaction were being processed via check.

C. Miscellaneous

1. The Corporation shall have a clear understanding of their banking institution terms, guidelines and requirements prior to utilizing these types of services.
2. The Corporation shall pay special attention to the banking institutions’ liability for unprocessed, improperly processed and unauthorized fund transfers.
3. Costs of services to electronically transfer versus the standard manual check procedures shall be considered.
4. The Corporation must receive and provide a written statement authorizing fund transfers into accounts.

2.07-6 Purchase Order Processing**A. General**

The purchase order process may be established to assist in implementing the EOHWC Procurement Policy. This section is established to assist employees in further delineating functions and responsibilities and shall not be interpreted as superseding the established and approved EOHWC Procurement Policy.

1. Control

Part 2 Internal Controls

- a. When a commodity is reasonable and necessary to the operation of the EOHWC, a purchase order form shall be prepared by the employee/Board member (herein referred to as the Originator) requiring the commodity.
- b. The Originator shall follow the EOHWC Procurement Policy in regards to the necessary procurement method required for the commodity (i.e. quotes, RFP, number of responses required, etc.).
- c. If there is any question, or the Originator requires assistance, the Originator shall contact the Comptroller for guidance, preprinted forms and format.
- d. When the appropriate method of procurement has been determined and prepared, the Originator shall complete the purchase order form and adhere to the following guidelines regarding approval:
 - i. \$100 or less – no prior approval required;
 - ii. \$1000 or less – prior written approval of the Comptroller required;
 - iii. Over \$1000 – prior written approval of the Comptroller and the Administrative Officer) required;
 - iv. Over \$2000 – prior written approval of the Executive Committee required;
 - v. In instances when dual approval is required the Comptroller will be responsible for forwarding the purchase order to the Administrative Officer.
- e. After the appropriate approval has been received for the purchase of the commodity, the Originator shall commence with the procurement method. The Originator shall insure that all correspondence references the official purchase order number.
- f. EOHWC is a tax exempt entity and therefore not subject to NYS sales tax. Form ST-119.1 will be provided to all vendors by the Accounts Payable Coordinator and no sales tax will be paid on any direct purchases made by EOHWC.

B. Distribution

1. The Originator shall distribute a photocopy of the purchase order to the Comptroller and to the vendor.
2. The original form and supporting documents shall be retained by the originator until receipt of merchandise and invoice from the vendor.
3. Any change to the original approved purchase order in excess of fifteen percent (15%) shall be reissued to the appropriate signature authority for approval.

C. Receipt of Merchandise

1. A receiving slip or ticket that itemizes the merchandise contained in the shipment shall accompany all merchandise received.
2. Merchandise contained in the shipment is to be checked against the receiving slip or ticket, preferably immediately, although the EOHWC recognizes that time constraints exist with large quantities ordered and will deem within one (1) business day of receipt an acceptable method.
3. After the Originator/Receiver has verified that all ordered items, and only ordered items, and quantities of such items have been received in good condition, the Originator/Receiver shall

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initial and date the receiving slip or ticket to denote that the merchandise was received as ordered.

D. Receipt of invoice

1. All invoices received by the Accounts Payable Coordinator shall be distributed to the appropriate Originator.
2. Upon receipt of the invoice (vendor bill), the Originator shall cross check that:
 - a. The invoice matches the receiving slip or ticket to verify that only the items received are billed to the EOHWC; and
 - b. The items billed have all been billed at the agreed upon price. When there is a discrepancy, the Originator shall notify the vendor immediately and resolve the discrepancy. If the issue cannot be resolved, the Originator shall contact the Comptroller immediately regarding the discrepancy.

E. Payment processing

1. Prior to processing the payment for the purchase order, the Comptroller shall review the purchase order copy on file with the purchase order submitted for payment, to review any discrepancies that may exist. If any discrepancies exist from the original approved expenditure, the purchase order will be returned to the Originator for a full description of the variance.
2. Upon receipt of all merchandise listed on the purchase order, the Originator shall submit the purchase order, receiving slip or ticket and all supporting documents (i.e. written quotes, RFPs, etc.) to the Comptroller for payment processing in accordance with Section 2.07-3(D) Check Writing Procedures.

2.07-7 Voucher Processing

A voucher is a form established by the EOHWC to act as either

1. A transmittal or check request form for expenditures that are commodities that because of their nature cannot be pre-authorized (e.g. utilities, telephone, etc.).
2. Expenditures that are contractual in nature (e.g. office rent, insurance, engineering services, construction contracts, etc.).
3. Expenditures that are reimbursements (e.g. municipal reimbursements or travel reimbursements).
4. To facilitate external submission of program expenditure reimbursements that require the originator to certify the charges are correct.

In all cases, a voucher must accompany all payment requests and shall be filled out by the Originator in full and submitted to the Comptroller for review. Travel reimbursements may only be given to an employee who has been previously approved to get travel reimbursements by the Board of Directors. This includes mileage reimbursements.

The Accounts Payable Coordinator shall review the documentation for proper signatures and calculate totals (when necessary) for multiple invoices. The Accounts Payable Coordinator shall return any incomplete forms to the appropriate individuals. The Comptroller signs and dates all approved vouchers for input.

When the Comptroller is the originator, the Administrative Officer shall sign the voucher for approval.

Part 2 Internal Controls

The Accounts Payable Coordinator enters all invoices into the computerized accounting system and prepares an accounts payable edit and posting report.

Vouchers will be approved by the Originator as to the requested services, by the Comptroller as to the appropriation of funds, and by three Authorized Officers identified in Section 2.06.

2.07-8 Payments on Contracts

- A. The Originator shall review payment requests for professional services contracts, as well as contractor payment applications and approve the payment voucher for processing.
- B. It is the responsibility of the Originator to ensure the request for payment is in compliance with the negotiated agreement, which will also be verified by the Accounts Payable Coordinator upon posting to the General Ledger Encumbrance system.
- C. In the case where expenses are reimbursed separately, it shall be the responsibility of the Originator to ensure all expenses are itemized.
- D. For municipal reimbursement requests, payment will be made with the approval of the Director of Engineering as to the completion of the items billed and only if requirements in this manual and listed in the Project Selection Policy and Procedures for municipal reimbursements are met.

2.08 Contract Review

- A. All contracts (which includes contract amendments), whether expenditure or revenue, must be routed through the contract review process.
- B. Staff shall utilize the "Contract Review Sheet" during each phase of expenditure contract review.
- C. The Originator shall review the contract and forward to the Corporate Counsel.
- D. The Corporate Counsel shall review the contract for legality before forwarding the contract to the Comptroller.
- E. The Comptroller shall review the contract for the availability of funds.
- F. When all review is complete, the Originator sends original copies of the contract, which includes Federal, State, City and local regulations governing the contract, to the counterparty for signature and return.
- G. Upon return, the Originator forwards signed copies of the contract to the President for signature.
- H. The President forwards signed original contracts to the Comptroller.
- I. A copy of construction contracts will be mailed to the Engineering firm tasked with the particular project.
- J. The Comptroller posts contract details including vendor specifics (utilizing information from Form W-9) to the General Ledger software and the Encumbrance module. No payments will be made without a Form W-9 from the payee on file.
- K. Form ST-119.1 is not to be provided to contractors under Stormwater Retrofit Installment Agreements, who may however, request the form from the municipality that is a party to the agreement.
- L. Change Orders; Construction: A change order for a construction contract shall be in the form of a written change signed by the contractor, approved by the design engineer, confirmed as to appropriation by the Comptroller, and signed by the President following approval by the

Part 2 Internal Controls

Executive Committee. Approval by the design engineer should be conditioned on their recommendation that the change would be in the best interests of the agency, would not result in a net decrease in project efficiency, and would not impact the scope in a way that would affect SEQR review or required permits. An exception to this procedure shall apply in the case of change orders and work change directives that occur in the construction field to expedite time-sensitive changes. The Director of Engineering may authorize change orders and work change directives up to an amount of \$10,000 within the field for construction activities only with the design engineer's concurrence, provided that in such case notification of the change and amount shall be provided to the Executive Committee within 24 hours and a copy of the change will be provided to the Comptroller for contract tracking. Contingent appropriations should be recorded against construction contracts in an amount determined at the time of contract approval.

- M. Change Orders; Engineering: A change order for a professional services contract for engineering services shall be in the form of a written change signed by an authorized officer of the engineering firm, confirmed as to appropriation by the Comptroller, and signed by the President following approval by the Executive Committee. An exception to this procedure shall apply in the case of change orders and work change directives that occur in the construction field to expedite time-sensitive changes where the change would be in the best interests of the corporation, would not result in a net decrease in project efficiency, and would not impact the scope in a way that would affect SEQR review or required permits. The Director of Engineering may authorize such change orders and work change directives up to an amount of \$5,000 within the field for engineering services, provided that in such case notification of the change and amount shall be provided to the Executive Committee within 24 hours and a copy of the change will be provided to the Comptroller for contract tracking. The Executive Committee shall review a record of any such change orders in connection with the periodic procurement of engineering services.
- N. Change Orders; Other: A change order for other professional services and other contracts shall be approved by the Executive Committee and signed by the President.
- O. Municipal Reimbursements: If it appears that a municipality may find it desirable to have work done by an EOHWC contractor in connection with an SRP project that would not be an eligible SRP expenditure, the municipality would be asked to separately contract for that work. If it appears impracticable to separate the work, and the work is clearly subordinate in cost and scope to the eligible project, such as where a contractor would repave a portion of a road surface after completing installation but the municipality would prefer to require curb to curb repaving, then an alternate specification should be developed by the consulting engineer to obtain a separate price for the ineligible work, the ineligible work should be clearly delineated, the installation agreement with the municipality should include a provision or rider requiring payment in advance of contract or change order execution, the payment should be retained in a Non-SRP fund for accounting purposes, the requisition for payment to the contractor should separately specify the ineligible work, and the expenditure of funds for the ineligible work should be made directly from the advanced municipal funds. A contract or change order should not be authorized in the absence of advance deposit by the municipality. A separate pricing or change order for the consulting engineer's allocable share of work should be included.

Part 2 Internal Controls**2.09 Labor Distribution Reporting**

- A. For more employment related policies, EOHWC has adopted a Personnel Policies and Procedures Manual, which is distributed to and acknowledged by each employee.
- B. Charges for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible supervisory official. The distribution of time worked must be supported. Time records shall be maintained in such a manner that the time charges may be easily allocated to the Stormwater Retrofit Projects to which they directly relate.
- C. Labor distribution reports will be prepared and controlled according to the following minimum standards:
 1. Employees, including subcontracted employees performing in-house work, are responsible for preparing their own timesheets.
 - a. Employees should be provided clear instructions of the work to be performed and the retrofit project to be charged.
 - b. Timesheets shall be prepared utilizing a master template updated as necessary to add new projects.
 - c. Timesheets should be filled out as work is performed, but no less often than daily.
 - d. All supervised hours worked should be recorded on timesheets.
 2. Employees and the supervisor will sign Timesheets only after they are filled out.
 3. Corrections are to be made by cross-out and new entry, with no erasures or whiteouts.
 - a. Corrections are to be initialed by the employee and supervisor.
 - b. An explanation verbally to the employee's direct supervisor must be provided for corrections.
 4. Distribution and collection of timesheets will be controlled by the Comptroller.
 - a. Only one timesheet per employee is to be furnished per pay period.
 - b. Signed timesheets must be turned in four days prior to the pay date to allow for prompt processing by an outside payroll services provider.
 5. Responsibility for distribution and collection of timesheets should be segregated from that for:
 - a. Preparation and approval of time and attendance records.
 - b. Preparation and distribution of the payroll.
 - c. Monitoring performance to budgets.
 6. New employees are to be fully indoctrinated on proper timesheet procedures. Employees must be made aware of their individual responsibility for accurate timesheet preparation.
 7. Periodic internal reviews are performed by external auditors of the timekeeping system to assure compliance with system controls.
 8. Overtime hours are to be approved prior to work being performed.
 9. Supervisors who are authorized to approve timesheets are listed below:

Part 2 Internal Controls

<u>Area</u>	<u>Name of Approving Supervisor</u>
1. Administration	Comptroller or Administrative Officer
2. Engineering	Administrative Officer
3. Comptroller	Administrative Officer
4. Administrative Officer	Comptroller

2.10 Control of Non-Contemporaneous Cost Transfers

For all transfers of costs from a direct cost to an indirect cost or vice versa, made on other than a contemporaneous basis, the EOHWC will:

- A. Have available in its accounting records an appropriate written justification statement for any cost transfers;
- B. Obtain the written approval of the Comptroller; and
- C. Reflect the adjustment in its General Journal.

2.11 Suspense Account

Any cost the treatment of which as a direct cost or an indirect cost is unknown at the time of original occurrence will be recorded to the suspense account (A/C No. 9000) until its disposition has been resolved.

2.12 Government Access to Records

The Comptroller will provide access to the Corporation's records to the EOHWC Treasurer, the Board of Directors, the Authorities Budget Office, the State and City Comptrollers or their designee and provide supporting records as requested by government auditors to facilitate the completion of such audits or reviews in accordance with the EOHWC's contractual obligations. The Corporation shall comply with the New York State Freedom of Information Law and has adopted the EOHWC Standard Operating Procedure - Access to Records (FOIL).

2.13 Security of Financial Data

- A. The Corporation's automated accounting system will have sufficient built-in general controls and application controls to preclude unauthorized access to data.
- B. Access to any computer-based financial data will be granted on a need-to-know basis.
- C. The system's accounting data will be backed up daily and stored in a safe location.
- D. The Comptroller and the Accounts Payable Coordinator are the only personnel authorized to access the accounting system. The authorization is protected by issuance of user identification and password access.

2.14 Use of Corporation Assets

No employee of the EOHWC may use any Corporation property, equipment, material or supplies for personal use.

Part 2 Internal Controls**2.15 Use of Corporate Credit Card**

EOHWC credit cards are assigned to the Treasurer only and not to individual staff or other Board members and are kept in a locked file in the office of the Comptroller only to be used for company related expenditures. The Comptroller will provide the card to staff as required for approved purchases. The card must be returned to the Comptroller with receipts after each purchase.

2.16 Fraud Policy

As a non-profit local development corporation established for a public purpose, the Corporation is committed to doing business in an environment of honesty and integrity. Therefore, the Corporation will not tolerate any fraudulent or dishonest activities by any of the Corporation's employees, consultants, agents, vendors, contractors, and any other third parties. For the purposes of this policy, "fraud" is defined as the deliberate practice of deception in order to receive unfair or unlawful gain.

Examples of fraudulent or dishonest activities include, but are not limited to:

1. Forgery, falsification or alteration of documents (for example: receipts submitted for expense account reimbursement, cash receipts, checks, vendor agreements, purchase orders, other financial documents, electronic files);
2. Misapplication of the Corporation's funds, supplies, property or other assets;
3. Impropriety in the handling or reporting of the money or financial transactions relating to the Corporation;
4. Profiteering as result of the insider knowledge of the Corporation's plans and activities;
5. Unauthorized disclosure of the Corporation's confidential and proprietary information to outside parties;
6. Employees or members of their immediate family receiving any gratuities, gifts of money, property or service, discounts or other like favors which exceed courtesies customarily accepted as business practices, which might place, or be construed as placing, an employee under any obligation to act on behalf of the Corporation in a manner that conflicts with the Corporation's Conflict of Interest policy;
7. Destruction, removal, or inappropriate use of the Corporation's records, furniture, fixtures and equipment; and
8. Actions related to concealing or perpetrating the above mentioned activities.

It is the policy of the Corporation to establish and maintain controls and procedures intended to provide reasonable assurance that fraudulent or dishonest acts, by employees or outside third parties, are prevented or promptly detected. To that end, employees have an obligation to promptly report any and all suspected acts of fraud and/or dishonesty to the employee's Supervisor/Manager or directly to the President or Ethics Officer. There will be no retaliation against any employee who, in good faith, raises concerns regarding alleged violations of this policy.

The Governance Committee shall have primary responsibility for investigating any allegations involving possible fraudulent or dishonest activities in matters relating to the Corporation. To the extent possible, all investigation of alleged fraud will be conducted in a confidential manner; provided, however, that limited disclosure may be necessary in order to thoroughly investigate the matter.

If required by law or where deemed appropriate by the Corporation, the Corporation shall report cases of alleged fraud to the appropriate law enforcement authorities, including New York City enforcement

Part 2 Internal Controls

authorities. The Corporation will fully cooperate with law enforcement authorities in any investigation and/or prosecution of such cases.

Violation of this policy may subject employees to disciplinary action, up to and including termination. Violations of this policy by outside third parties may result in termination of such parties' business or other relationship with the Corporation. As appropriate, the Corporation may report such violations to the Board and/or law enforcement authorities.

Part 3 Accounting Procedures**Part 3 Accounting Procedures****3.01 Basis of Accounting**

The EOHWC reports program outlays and program income on the accrual basis. Accordingly, expenditures are recorded when a liability is incurred (i.e., when an invoice has been received or the amount could be readily estimated), but revenue is not recorded until actually available in our bank accounts. "Available" means that the revenue is both recognizable and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

3.02 Incurred Costs

Outlays or expenditures represent charges made to the project or program, which are reported on an accrual basis. For reports prepared on a cash basis, outlays are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expense charged, the value of in-kind contributions applied, and the amount of cash advances. For reports prepared on an accrual basis, outlays were the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses incurred, the value of in-kind contribution applied, and the net increase (or decrease) in the amounts owed by the grantee for goods and other property received, for services performed by employees, grantees, sub-grantees and other payees and other payees and other amounts becoming owed under programs for which no current services or performance are required such as annuities, insurance claims and other benefit payments.

3.03 Elements of an Acceptable Financial Management System

- A. The EOHWC will maintain records and make reports in such form and containing such information as may be required by its funding sources, as well as Federal, State and Local Authorities. The EOHWC will maintain such accounts and documents as will serve to permit expeditious determination of the status of funds and the levels of services, including the disposition of all monies received from its funding sources and the nature and amount of all charges claimed against such funds.
- B. Title 45 Code of Federal Regulations Subpart 74.61(b) and the administrative rules of other Federal agencies require that grantees or sub-grantees have records that identify adequately the source and application of funds for grant or sub-grant-supported activities. At a minimum, these records will contain information pertaining to grant or sub-grant awards, authorizations, obligations, unobligated balances, assets, outlays, income, if the recipient is a governmental entity.
- C. For the purpose of determining the adequacy of the financial management system, the EOHWC will maintain on a current basis as a minimum:
 1. General Journal;
 2. General Ledger;
 3. Separate Cash Receipts and Disbursements Journal or Voucher Register;
 4. Payroll Register;
 5. Fixed Assets Register for all owned and leased property and equipment;
 6. Encumbrance Ledger;
 7. Fund/Program Cost Control Subsidiary Ledger/Worksheets, and
 8. Bank statements reconciled.

Part 3 Accounting Procedures

3.04 Cash Management

- A. The EOHWC will maintain a financial forecasting system to adequately forecast its fund flows -- intake and outgo - and needs.

3.05 Budgets

- A. The Comptroller will have a budget prepared for review by the EOHWC Treasurer and the Executive Committee. The budget shall be approved by the Board of Directors annually and shall be reviewed and may be modified from time to time.
- B. The Corporation will maintain a budget of its costs and basis of allocation for the periods covering the longest program for which it is funded.
- C. The Budget shall be prepared in compliance with the Funding Agreement. On or before October 1 of each year during the term of the Funding Agreement, the EOHWC shall submit to the City of New York a copy of the plan update it submits to NYSDEC on or before October 1 identifying the retrofit projects it plans to accomplish in the following calendar year together with the budget for the following year.

3.06 Insurance and Bonding

- A. The Corporation will maintain the following minimum levels of coverage:

Automobile Liability	\$500,000 per occurrence
Commercial General Liability	\$2,000,000 per occurrence; \$2M products/ completed operations aggregate. \$4,000,000 general aggregate; \$25,000 maximum deductible.
Personal Property	Aggregate of Fixed Asset Value
Fire and Water Damage	Full Replacement Value for the Aggregate of fixed Asset Value.
Directors and Officers	\$3,000,000 each claim; \$3M general aggregate; \$10,000 deductible
Theft Coverage	Full Replacement Value for the Aggregate of fixed Asset Value.
Workers' Compensation	To the Extend Required by Law
Employee Dishonesty	\$10,000
Business Interruption/Umbrella	\$2,000,000

- B. These insurance coverage levels will be increased where contractual provisions require an increased level of coverage. The level and types of policy coverage shall comply with Appendix B of the Funding Agreement.
- C. All contractors will be required to have insurance as required by Appendix B of the Funding Agreement.

Part 3 Accounting Procedures**3.07 Record Retention and Disposal**

- A. All financial and programmatic records, supporting documents, statistical records and other required or pertinent records of the EOHWC will be retained for the longer of five (5) years after termination of the agreement to which they pertain or seven (7) years after generation of the record.
- B. If any litigation, claim, negotiation, audit or other action involving the records has been stated before the expiration of the five (5) year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular five (5) year period, whichever is later.
- C. In accordance with the "Guide to Record Retention Requirements," National Archives and Records Administration, U.S. Department of Commerce, for the Internal Revenue Service, the following records will be retained for the indicated minimum periods:
 - 1. For (6) six years after the close of the year or until the tax audit of the return for the year is completed, whichever is longer: accounts payable and accounts receivable ledger, payroll register, inventory ledger, bad debt write-off supporting details, cash book, petty cash book, check register and checks, invoices (funding sources and vendors), and insurance safety reports.
 - 2. Permanently: Audit reports, chart of accounts, financial statements, General Ledger, fixed asset records, journal vouchers, profit and loss statements, tax returns, annual corporate reports, charters and By-laws and minutes, grants and agreements, tax and legal correspondence, incorporation records, labor grants, insurance claims and policies and accident reports. The disposal date determined under this policy will be the end of the fiscal year in which occurs the anniversary date of the required number of years from the completion of a program, date of final payment of a program or year in which an entry is made charging or allocating a cost to a funded program, as the case may be.
- D. All records not supporting government grants or otherwise covered by rules of the Internal Revenue Service will be retained for three years from the end of the fiscal year in which the records were originally prepared.
- E. All financial records will be maintained in chronological order, organized by fiscal year, starting with the fiscal year ended December 31, 2012.
- F. In connection with the disposal of any records, the Records Management Coordinator will list the record or the class of records disposed or will prepare a certified memorandum of record disposal.

3.08 Financial Reporting

The Comptroller will maintain supporting records in sufficient detail to prepare the Corporation's financial reports, including:

- A. Annually:
 - 1. Financial statements for audit;
 - 2. Program related revenue and expenditures; and
 - 3. Annual budget(s)
- B. Monthly:
 - 1. Trial balance;

Part 3 Accounting Procedures

2. Detail General Ledger; and
 3. Cash and cash equivalent balances.
- C. Quarterly:
1. Year-to-Date and Inception-to-Date Financial Update.
- D. Periodically:
1. Annual Federal and State corporate tax returns;
 2. IRS Form 941 and New York State Form NYS-45; and
 3. Other reports required by the Funding Agreement

3.09 Audit

- A. The Corporation will have conducted annually a full-scope audit by a qualified independent certified public accountant. It shall comply with Sections 503 and 504 of the Funding Agreement. All receipts and disbursements of Stormwater Retrofit Funds under the Funding Agreement are subject to audit by the City or State and the EOHWC shall cooperate with any audit undertaken by the City or State.

3.09-1 Scope of Audit Report

- A. The audit will be made by an independent auditor in accordance with generally accepted government auditing standards covering financial and compliance audits.
- B. The audit will cover the entire operations of the Corporation:
1. The financial statements and the accompanying schedules of the Corporation, program(s) present fairly its financial position and the results of its financial operations in accordance with generally accepted accounting principles;
 2. The Corporation has internal accounting and other control systems to provide reasonable assurance that it is managing Federal, State, City and local financial assistance programs in compliance with applicable laws and regulations; or
 3. The Corporation has complied with laws and regulations that may have a material effect on its financial statements and on each major Federal, State, City and local assistance program.

3.09-2 Audit Quality Assurance Reviews

Qualified corporate personnel in collaboration with the Audit committee should:

- A. Review the complete audit report and note any deviations in the report format from that prescribed in the audit grant scope of work;
- B. Prove the clerical accuracy of all footings, extensions, etc., of all statistical data in the report;
- C. Verify that all exhibits, schedules and supporting statements in the report are in agreement and reconcilable, where appropriate; and
- D. Review and evaluate the propriety of all questioned costs presented in the report and/or other management and internal control weaknesses.

Part 3 Accounting Procedures**3.09-3 Audit Resolution**

- A. The EOHWC will systematically assure the timely and appropriate resolution of audit findings and recommendations.

3.10 Stormwater Retrofit Funds

- A. The Stormwater Retrofit Funds from New York City shall be used by EOHWC to implement the stormwater retrofit projects identified in the Regional Retrofit Plans. The Stormwater Retrofit Funds and earnings thereon may be used solely to pay the costs of the following activities related to the implementation of the Regional Retrofit Plans, subject to additional eligible activities as set forth below in subparagraph C, and subject to the conditions and restrictions set forth below in subparagraph D:
1. The planning, design, environmental review, financing, permitting, acquisition of land and/or easements, bidding, construction, and installation of Stormwater Retrofit Projects, and the administrative expenses directly related thereto, required to implement the Regional Retrofit Plans.
 2. Identification of projects by EOHWC to be included in the NYSDEC-approved revisions of the Regional Retrofit Plans.
 3. Other costs reasonably related to project implementation, but excluding general EOHWC administration costs that are not directly related to a Stormwater Retrofit Project. Where a governmental employee or consultant performs work directly related to project implementation, the employee's or consultant's labor costs, including, where applicable, direct salary and indirect personnel costs for pension, insurance and other fringe benefits, shall be eligible for funding under the Funding Agreement. Where a governmental employee or consultant performs a general governmental function that is not directly related to project implementation, the official's labor costs, including direct salary and indirect personnel costs for pension, insurance and other fringe benefits, shall not be eligible for funding under this Funding Agreement.
- B. Earnings Only. Notwithstanding subparagraph A above, earnings on the Stormwater Retrofit Funds, but not the principal amount of the Stormwater Retrofit Funds, may also be used for the following purposes:
1. To pay operation and maintenance costs directly related to or resulting from a stormwater retrofit project constructed pursuant to the Regional Retrofit Plan funded with the Stormwater Retrofit Funds or earnings on such Funds;
 2. To pay general EOHWC administration costs that are not directly related to a Stormwater Retrofit Project, to the extent that the EOHWC is engaged only in activities related to Stormwater Retrofit Project implementation.

Part 4 Assets**Part 4 Assets****4.01 Assets****4.01-1 Bank Accounts**

- A. Bank accounts of the EOHWC shall be maintained at Federal Deposit Insurance Corporation (FDIC) insured banks approved by the Executive Committee with a customer service branch located in the Watershed Towns.
- B. To the maximum extent practical, corporate funds will be maintained in interest bearing accounts.
- C. In addition to maintaining its accounts in FSLIC or FDIC insured banks, EOHWC has taken the additional precautions as outlined in the Investment Policy described below.
- D. Promptly upon receipt of Stormwater Retrofit Funds by the EOHWC, the EOHWC shall place such Funds in a separate dedicated account, bearing interest at market rates, in a bank located and authorized to do business in New York State.

4.01-2 Investments Policy**4.01-2.1 Scope**

This investment policy applies to all moneys and other financial resources available for investment by East of Hudson Watershed Corporation (the "Corporation") on its own behalf or on behalf of any other entity or individual.

4.01-2.2 Objectives

- A. The primary objectives of the Corporation's investment activities are, in priority order,
 - 1. To conform with all applicable Federal, State, City, local contractual and other legal requirements (legal);
 - 2. To adequately safeguard principal (safety);
 - 3. To provide sufficient liquidity to meet all operating requirements (liquidity);
 - 4. To obtain a reasonable rate of return (yield); and
 - 5. To provide rate of return to offset the erosive effects of inflation on principal (growth).

4.01-2.3 Prudence

All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Corporation.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions.

Part 4 Assets**4.01-2.4 *Diversification***

It is the policy of the Corporation to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

4.01-2.5 *Collateralizing Of Deposits*

All deposits of the Corporation, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, shall be secured:

By a pledge of “eligible securities” with an aggregate “market value,” as provided by New York General Municipal law (“GML”) 10, equal to the aggregate amount of deposits, from the following categories: (I) Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof, or a United States government-sponsored corporation; Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank; Obligations partially insured or guaranteed by an agency of the United States of America, at a proportion of the market value of the obligation that represents the amount of insurance or guaranty; and Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation of New York State or obligations of any public benefit corporation, which under a specific State statute, may be accepted as security for deposit of public moneys.

By an eligible “irrevocable letter of credit” issued by a qualified bank other than the bank with the deposits, in favor of the Corporation, for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one (1) nationally recognized statistical rating organization or by a bank that is in compliance with applicable Federal minimum risk-based capital requirements; or

By an eligible surety bond payable to the Corporation for an amount at least equal to 105% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims – paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations.

4.01-2.6 *Safekeeping and Collateralization*

Eligible securities used for collateralizing deposits shall be held by the depositary and/or a third party bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure the Corporation’s deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events that will enable the Corporation to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the Corporation, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Corporation or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the Corporation, will be kept separate and apart from the general assets of the

Part 4 Assets

custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the Corporation a perfected interest in the securities.

4.01-2.7 Permitted Investments

The Corporation authorizes the Audit and Finance Committee to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

1. Special time deposit accounts;
2. Certificates of deposit;
3. Obligations of the United States of America;
4. Obligations guaranteed by agencies of the United States of America;
5. Investment rated (Baa – AAA) City, State or State authority [Municipal] bonds purchased from a Board approved New York State broker
6. Government insured money market funds that invest in U.S. government securities;
7. Repurchase agreements for U.S. government and U.S. government guaranteed securities;
8. Commercial paper and banker acceptance notes rated “A” or higher by at least two nationally recognized rating agencies;
9. Government issued bond funds;
10. Corporate bonds and corporate bond funds of investment grade; and/or

All investment obligations shall be payable or redeemable at the option of the Corporation within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Corporation within two years of the date of purchase.

Any Stormwater Retrofit funds shall be invested in a manner consistent with the State Comptroller Guidelines for Municipalities.

4.01-2.8 Authorized Financial Institutions and Dealers

The Corporation shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments that can be made with each financial institution or dealer. All financial institutions with which the Corporation conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Corporation. Securities dealers not affiliated with a bank shall be required to be a member of the National Association Securities Dealers (NASD) and the Securities Investors Protection Corporation (SIPC). The Comptroller is responsible for evaluating the financial position and maintaining a listing of proposed depositaries, trading partners and custodians. Such listing shall be evaluated at least annually.

Part 4 Assets**4.01-2.9 *Purchase of Investments***

The Treasurer is authorized to contract for the purchase of investments.

Cash flow statements shall be prepared by the Comptroller and updated monthly to enable the Treasurer to make appropriate decisions as to types and maturities of investments.

If applicable, the Comptroller shall develop a database or record incorporating descriptions and amounts of investments, transactions dates, interest rates, maturities, bond ratings, market prices and related information necessary to assist the Treasurer in his management of the investment portfolio.

The investment selection process shall utilize competitive quotations or negotiated prices, except in the purchase of government securities at their initial auction.

Each disbursement of funds (and corresponding receipt of securities) or delivery of securities (and corresponding receipt of funds) should be based upon proper written authorization. If the authorization is initially given verbally, there should be written or telegraphic confirmation from the Treasurer to the custodial bank.

For bank deposits, payment of funds shall only be made upon receipt of collateral or other acceptable form of security. For investments, payments of funds shall only be made upon the delivery of authorized government securities, whether such securities are purchased outright, or pursuant to a repurchase agreement.

The process of initiating, reviewing and approving requests to buy and sell investments should be documented.

Custodial banks shall be required to report whenever activity has occurred in the Corporation's custodial account.

Custodial banks must have prior written authorization from the Corporation to transfer obligations and collateral. Inclusion of a provision in the custodial agreement permitting substitution upon verification as to value and eligibility by the custodian will be considered to be prior authorization. All individual transactions must be confirmed in writing.

There shall be at least monthly verifications of both the principal amount and the market values of all investments and collateral. Appropriate listings shall be obtained from the custodian or trustee and compared against the Corporation's records.

The Comptroller shall maintain a record of investments. The record shall identify the security, the fund for which held, the place where kept, date of disposition and amount realized and the market value and custodian.

All cash management, collateral, investment and custodian documentation shall be retained for audit purposes.

Part 5 Liabilities**Part 5 Liabilities****5.01 Liabilities****5.01-1 Encumbrances**

In order to control the level of expenses, EOHWC has chosen to use the encumbrance system. The resources of the corporation are committed for future payment when executory contracts are signed. An actual expense is not recorded until the goods are received or the service is rendered. Encumbrances outstanding at the end of an accounting period will be reversed in the following accounting period. All encumbrances are posted to the General Ledger Encumbrance module, which allows for tracking of remaining contract balances, in order to prevent any amounts over contract amount from being paid.

5.01-2 Advance Payments

The Corporation receives some payments in advance. These revenues are deferred and recognized as revenue in the period in which the related expenditures occur.

5.01-3 Accrual of Unpaid Salaries and Wages

Salaries and wages earned, but unpaid will be reflected as a liability when entitlement to payment occurs. Liquidation, in whole or part, will be made on a lump sum or periodic basis provided repayment is made within one year of occurrence of the liability.

5.01-4 Liability for Compensated Absences

- A. Compensated absences arise from employees' absences from employment due to paid time off or holidays. When EOHWC expects to pay an employee for such compensated absences, a liability for the estimated probable future payments must be accrued if all of the following conditions are met:
1. The employee's right to receive compensation for the future absences is attributable to services already performed by the employee;
 2. The employee's right to receive the compensation for the future absences is vested or accumulates;
 3. It is probable that the compensation will be paid; and
 4. The amount of compensation is reasonably estimable.
- B. Compensated absences not to be paid upon employee termination will be reflected when paid.

Part 6 Cost Accounting Policies

6.01 Consistency in Cost Accounting

All costs are either direct costs only or indirect costs only with respect to the program, which will be reported annually as Program Services (direct) or Supporting Services (indirect).

6.02 Unallowable Costs

Costs expressly unallowable or mutually agreed to be unallowable under applicable funding agreements will be identified in separate accounts as Non-SRP related expenses and will not be paid or advanced from SRP funds.

6.03 Cost Accounting Period

The fiscal year of EOHWC will be January 1st to December 31st. The same accounting period will be used for all adjusting entries, accruals and deferrals.

6.04 Program Service Costs

- A. Expenses will be classified in a manner that describes the corporation's service activities. Each program service will be adequately described and will include all related service.
- B. Costs including overhead, related to the supervision of program services and supporting services should be prorated among those services.

6.05 Deferred Compensation

The cost of deferred compensation will be assigned to the cost accounting period in which EOHWC incurs an obligation to compensate the employee. In the event no obligation is incurred prior to payment, the cost of deferred compensation will be the amount actually paid and will be assigned to the cost accounting period in which the payment is paid. The measurement of the amount of the cost of deferred compensation should be the present value of the future benefits to be paid by EOHWC.