

Saint Louis MHB

ACCOUNTING POLICIES & PROCEDURES  
UPDATED 02.11.2022



partnering  
investing  
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## GENERAL

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The 7 Trustees of Saint Louis MHB (“MHB”) operates on a fiscal year that begins on July 1 and ends on June 30.

All transactions shall be recorded in the financial records using a double-entry accounting system. All cash accounts shall be reconciled monthly, and all investment accounts shall be reconciled quarterly by the Accountant and reviewed by the Controller. The Executive Director reviews the cash reconciliations and investment reconciliations on a monthly and quarterly basis, respectively.

Modified cash-basis financial statements, which reflect appropriate accruals for tax revenue, investments, interest receivable, grants receivable, prepaid expenses, grants payable and other accruals shall be prepared each quarter by the Accountant and reviewed by the Controller and compared to the budget and prior-period amounts. The Executive Director reviews and approves these statements, which are then presented to the Board of Trustees. The Board of Trustees reviews and approves the financial statements on a quarterly basis in November, February, May and September.

At fiscal year-end, accrual adjustments are prepared for housing grants receivables, capital assets and pension adjustments. Annual full accrual-based financial statements are presented to the Board of Trustees in the form of a draft of the annual audit report. Once approved, the draft is finalized, and no additional adjustments are made to the prior fiscal year.

MHB employs two Certified Public Accountants to record transactions and prepare reports and financial statements.

### Internal Control Elements

- MHB employs a Certified Public Accountant to serve as the Accountant
- MHB employs a Certified Public Accountant to serve as the Controller
- The Executive Director oversees the accounting function
- The Accountant reconciles cash monthly and investments on a quarterly basis
- The Controller reviews the reconciliations.
- The Executive Director reviews the reconciliations
- The Board of Trustees review the financial statements on a quarterly basis

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## Software, Support and Storage

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MHB shall use financial accounting software for MHB’s general ledger, which shall include actual transactions, utilize the budget function and provide for a complete audit trail. MHB

uses Intuit QuickBooks Desktop Enterprise Solutions, Nonprofit edition. The software shall be able to track activity on the individual grants that MHB provides as well as funds that MHB manages. MHB tracks funds and Federal grants using the Class tracking function in QuickBooks.

QuickBooks should be backed up at least monthly and stored on a remote server monitored monthly by MHB's contract IT service provider. Access to back-up files shall be limited to individuals authorized by management.

It is the policy of MHB to utilize passwords to restrict access to accounting software and data. Only duly authorized personnel with data input responsibilities will be assigned passwords that allow that type of access to the system. Other personnel may have access to the areas required by their duties; their access may be restricted by area, or they may have read-only access (see Technology section for additional information regarding passwords and access).

#### Internal Control Elements

- Backup copies are stored on the servers, which are remotely backed up by MHB's contracted IT services
- A contract IT service provider conducts monthly maintenance

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### Technology

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All technology needs shall be the responsibility of the Digital Manager. The Digital Manager shall oversee development of MHB's website, create and maintain computer usernames, and perform basic technical support tasks, such as updating and installing software on computers and resolving minor printer/copier technical issues.

Complex technical issues, as well as the design and support of the Organization's website, shall be outsourced to local service providers. The Digital Manager shall monitor the outsourced agents as they perform duties such as repairing equipment and setting up computers for new employees.

The Digital Manager shall also monitor the usage of such technology as MHB's laptops and projectors, and for any other technology purchased in future that will be made available to employees.

The Digital Manager shall maintain the security access for the accounting software, which shall have multi-user accessibility. The Digital Manager shall establish access for new staff in a timely fashion and ensure that user accounts are promptly closed when personnel leave MHB employment. Each employee shall have a unique username and password. This information shall not be shared with other employees or outside parties.

The Digital Manager shall keep a copy of employee usernames and passwords in secure location on the agency server, which is backed up remotely by the IT service provider.

#### Internal control elements

- The Digital Manager oversees any outside technicians hired to perform technology maintenance or repairs
- A log is maintained to track use of MHB's capital assets. The Director of Operations is responsible for oversight of the capital assets
- Individual usernames and passwords are assigned to MHB employees
- A copy of all employee usernames and passwords is kept in a secure location on the agency server, which is backed up remotely by the IT service provider
- Only the Digital Manager can set user access rights

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### General Office Security

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The Executive Director determines who is to be issued keys to the office building and office suite. Upon termination of employment, all keys will be returned to the Digital Manager or Executive Director prior to issuance of final paycheck. Only the Executive Director and the Controller have keys to access the investment and payroll records. Only the Director of Operations and the Controller have keys to the check stock drawers and the accounts payable cabinet.

#### Internal Control Elements

- The Controller's desk where check stock is locked and only two MHB employees have a key—the Controller and the Director of Operation.
- The file cabinets in the Controller's office is also kept locked and only the Controller and Executive Director have keys.

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## Budgeting

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MHB shall establish an annual operating budget. The budget process shall be overseen by the Controller. The budget is prepared annually by the Accountant and Controller in consultation primarily with the Executive Director, with support from the Digital Manager, the Project Director responsible for Federal grants, the Director of Operations, and the Deputy Director. The budget is reviewed by the Executive Director and Finance Committee.

The budget shall be prepared in accordance with the MHB Budget Development Process, summarized as follows:

- A year-end forecast for the current year, at both the agency level and program fund level shall be prepared in early April. The forecast shall be based on actual revenue and expenses for the 9-month period from July 1-March 31 plus an estimate of revenue and expenses for the fourth quarter (April-June). The fourth quarter estimate will be done by the Accountant and Controller in consultation with the appropriate MHB staff, documented in a spreadsheet with backup worksheets and reviewed by the Controller. The completed forecast will consist of the total annual revenue/expenses (at both fund and agency levels) calculated from quarter 3 actuals, added to the estimated quarter 4 revenue/expenses.
- A proposed budget for the coming year is also prepared at both the fund and agency levels by the Accountant and Controller in consultation with the appropriate MHB staff and reviewed by the Controller. The current year forecast is used as the baseline estimate for the coming year using the following steps: (1) Tax revenues are estimated based on the tax rate calculator prepared by the Controller and reviewed by MHB's legal counsel, in addition to analysis and discussion of historical averages. (2) Federal revenues (mapped to MHB's fiscal year) are calculated based on current Federal grants/agreements. (3) The Accountant will identify all community investment expenses with cost of living adjustments or other changes based on information provided by the Deputy Director. (4) The Accountant shall identify all operating expenses scheduled to increase in the next fiscal year (such as, office lease, personnel salaries and benefits, and professional or consulting fees). (5) The Accountant shall identify one-time (non-recurring) expenses for the proposed fiscal year. (6) The Accountant shall prepare estimates for any remaining operating expenses. (7) the Accountant shall estimate expenses for any remaining line items based on current year forecast. The Controller shall review all the above steps.
- A budget template based on the GL chart of accounts shall be prepared by the Accountant and Controller that documents all updated tax, Federal and other revenues, then documents known and assumed increases, and decreases from the current year expenses. Once created, in mid to late May, the Accountant

drafts the coming year budget using the budget template with explanations for any significant variances. All the steps must be completed at both program level and rolled up to an agency total. An administration charge-back rate must also be developed based on a standard rationale that re-allocates administrative costs back to the appropriate tax fund. This budget, with all backup documents, is then reviewed by the Controller and submitted to the Executive Director.

- A shift of 25% or greater to any budget category shall trigger a revision to the Budget which will be prepared and presented to the Trustees for approval via Resolution the month subsequent to the shift.

The Executive Director reviews and comments on the drafted budget during the end of May. The Controller makes any necessary adjustments and finalizes the total agency and program budgets to present to the Finance Committee the first week of June. The budget is sent to the Trustees with their June Board meeting materials using the budget template along with a comparison of the proposed budget to the current year forecast, plus an accompanying Budget Resolution for the next fiscal year starting July 1. The Board of Trustees votes on the proposed budget during the June board meeting.

Once approved by the Trustees, the Accountant will enter the approved budget in the QuickBooks budgeting module by account number and by Class. The Controller will use this budget information to present quarterly financial reports to the Board that provide a year-to-date to budget comparison of actuals to budget and explanations of any significant variances.

#### Internal control elements

- Tax revenue estimates are prepared by analyzing the tax rate calculator reviewed by MHB's legal counsel, as well as reviewing historical averages.
- The budget is prepared by the Accountant and Controller, in close consultation with the Executive Director, reviewed by the Controller, and approved by the Executive Director for presentation to the Finance Committee and Board of Trustees
- The budget is reviewed, amended, and approved by the Board of Trustees

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## Annual Audit and Single Audit Report

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Independent auditors shall be selected competitively through a periodic public request for proposals process. To assure the public of accountability, an independent auditor shall examine the annual financial report prepared by MHB. When \$750,000 or more in Federal awards are expended in a fiscal year, the provisions of OMB Circular A-133 shall apply.

#### Internal control elements

- Independent auditors are selected through a competitive proposal process
- Pursuant to the Office of Management and Budget, Single audits are performed for Federal expenditures exceeding \$750,000

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## General Ledger and Chart of Accounts

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A standard Chart of Accounts shall be maintained. General ledger accounts are used to accumulate transactions and record the impact of these transactions on each asset, liability, net asset, revenue, expense, and gain and loss accounts.

A Class List shall also be maintained to identify transactions within specific projects. Each major funding source / Federal grant shall be defined as a separate Class in QuickBooks. Current Classes in QuickBooks include: Administration, Children's Services Fund, Early Childhood Fund, Mental Health Fund, (Federal) 2020 SAMHSA-SOC, (Federal) 2021 SAMHSA-SOC, Regional Response Team (RRT), St. Louis Area Violence Prevention Commission (VPC), (Federal) SOC Match, CARES, St. Louis Continuum of Care (CoC) 2020 Federal Expenses, CoC Match, Braided Funding, and Director of Children, Youth and Families. The Controller shall provide oversight of the maintenance and updating of both the Chart of Accounts List and Class List based on approval from the Executive Director. Only the Controller and Accountant have the authority in QuickBooks to create new accounts and new Classes; the Executive Director, however, must authorize any changes in Class or Chart of Accounts. The Executive Director has read only access to QuickBooks.

The Controller shall prospectively evaluate MHB's accounting system on a continued basis and shall promptly advise the Executive Director when current systems, policies or procedures require revision to meet forthcoming rule changes (e.g., announced GASB and/or FASB changes or other industry developments). Additions to, deletions from, or any other changes to the Chart of Accounts shall be made by the Controller with approval of the Executive Director.

Only the Accountant and the Controller are authorized to make journal entries in QuickBooks. Bi-weekly payroll journal entries are made by the Accountant based on information from the Journal Entry Payroll spreadsheet. The journal entries are saved on the M: drive in a Journal Entry folder and reviewed by the Controller. The information entered on the Journal Entry Workbook is taken directly from the payroll providers bi-weekly payroll report. Other journal entries include quarter-end and year-end accruals for payroll, tax receipts, prepaids, accrued vacation and other items.

### Internal Control Elements

- Only the Controller and Accountant have the authority to create accounts for the Chart of Accounts and Classes for the Class List
- The Executive Director reviews the Chart of Accounts and Class Lists with the quarterly financial statements. Reclassifications or consolidations are recommended during this review, if needed

- No changes can be made to the Class List or Chart of Accounts without authorization by the Executive Director
- The Executive Director has no access to the accounting software

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### Bank Reconciliations

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The Accountant shall prepare bank reconciliations for each MHB cash account monthly and the Controller shall review the bank statements and reconciliations. MHB has one operating checking account (XXX-5896), an Investor's Money Market account for the Mental Health Fund (XXX-6190) and an Investor's Money Market account for the Children's Services Fund (XXX-6158). A special Investor's Money Market account was created in fiscal year 2021 to facilitate the CARES funding (XXXX-8152). The Executive Director shall review the reconciliations as they are completed and initial and date them after review. All discrepancies shall be investigated and resolved.

Bank reconciliations are filed remotely on the M: drive along with each monthly bank statement.

### Internal Control Elements

- The Accountant reconciles bank accounts on a monthly basis
- The Controller reviews the bank reconciliations on a monthly basis
- The Executive Director reviews and signs the reconciliations

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### Prepaid Debit Cards

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MHB authorizes the use of Prepaid Cards on an as needed basis to support programs when upfront payment is preferred on projects (typically by individuals not employed by MHB).

When prepaid cards are utilized, the Project Director emails the Director of Operations all information required on the holder and use of the card. The Director of Operations obtains a signed Acknowledgement and Attestation form from the card holder. The Executive Director signs the Attestation form as well, and a copy is provided to the Controller for Processing.

Within 15 days of the attestation form receipt(s) quarter-end due date, all receipts provided to Project Director should be sent to Operations Director for reconciliation. In lieu of a

receipt, in approved circumstances an email from the user indicating amount, date, and use can be sent.

The Accountant will record all transactions in QuickBooks on a quarterly basis. Remaining funds on the card will be drawn back and/or closed by the Controller.

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### Prepaid Expenses

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It is the policy of MHB to treat payments of expenses that have a time sensitive future benefit for the next fiscal period as prepaid expenses at fiscal year-end and to amortize these items over the corresponding time period. For purposes of this policy, payments of less than \$1,000 shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements shall be Classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date shall be Classified as non-current assets. All payments made for property, liability, automobile, Public Official Bond and Public Employee Dishonesty insurance will be coded as prepaid expenses.

The Controller shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the quarterly amortization. This schedule shall be reconciled to the general ledger balance as part of the quarterly closing process. Because prepaid expenses are recorded on a quarterly basis, both the Executive Director and the Board of Trustees can review the statement of net worth for unusual items or substantial changes from the prior period.

#### Internal Control Elements

- The Controller keeps an updated list of vendors included in the prepaid balance, including period of months unamortized and cost per month
- The Executive Director and Board of Trustees review quarterly financial statements

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### Investments

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MHB considers all short-term investments with an original maturity of three months or less at the time of purchase to be cash equivalents. Investments are presented at fair value in accordance with GASB guidelines and unrealized gains and losses are included in the statement of revenues, expenses and changes in net position.

The Board of Trustees determines and approves the investment policy for MHB. See Appendix 1 for the current investment policy.

MHB shall invest unused funds and reserves in investment vehicles that adhere to the MHB's Investment Policy. The Executive Director shall be responsible for overseeing and communicating with the financial institution holding the investments regarding the reinvestment of funds as they mature. The Executive Director may from time to time, direct the Controller to communicate with the financial institutions regarding transfers to the checking account or withdrawals from the investment accounts to address cashflow needs of the organization.

The Accountant shall record the investments in QuickBooks on a quarterly basis using the monthly investment statements and maturity notices received from the financial institution. The Controller shall review the monthly investment statements and QuickBooks entries on a quarterly basis. The Executive Director reviews, initials and dates each monthly investment statement. All discrepancies between the maturity notices and the monthly statements shall be investigated and resolved in a timely manner. Investment statements shall be kept in the Controller's Office and on the M: drive, sorted by fiscal year. Investment information is included in the quarterly financial statement presented to the Board. The Board approves the financial statements each quarter at its meetings.

The Executive Director authorizes any transfers from the Investment Accounts. Either the Executive Director or the Controller may initiate the transfer through an email to the financial advisors.

On an annual basis, the Financial Advisors present financial information to the Finance Committee of the Board of Trustees. The presentation informs the committee members of both current investment position and future expectations for each fund.

#### Internal Control Elements

- The Executive Director authorizes any transfers from the Investment Accounts
- The Accountant records investments on a quarterly basis using monthly investment statements and maturity notices provided by the financial institution
- The Controller reviews the investment statements and QuickBooks entries on a quarterly basis.
- The Executive Director reviews and signs monthly statements
- The Board of Trustees approves the financial statements, which include investment adjustments, on a quarterly basis, and on an annual basis with the audit

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#### Fixed Asset and Property Management

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MHB shall capitalize all purchases of furniture and equipment, leasehold improvements, vehicles or other capital assets with a cost over \$5,000. Items with unit costs below this threshold shall be expensed in the year purchased. MHB shall maintain sufficient property

insurance to cover all such capital assets.

MHB shall complete an inventory of all capital assets every other year. The inventory shall be conducted by the Digital Manager and one other MHB employee. Together, they shall physically view and count all capital assets. The total count shall be compared to records kept by the Controller. If any discrepancies are noted, they shall be investigated, and the records updated. The capital asset records shall be adjusted for all purchases and disposals.

Capital asset records shall include at least the following information:

- Name of the asset
- Description of the asset (including brand and model number if applicable)
- Unique identifier for the asset (manufacturer's serial number, inventory tag number, etc.)
- Funding source of the equipment, including award number (if applicable)
- Whether title vests with the funding source and the date (if ever) on which the funding source relinquishes claim to the asset
- Acquisition date
- Acquisition cost
- Estimated useful life
- Physical location of the asset
- The staff person assigned to each asset

The Digital Manager shall maintain a file of records with any attached correspondences for all assets disposed of by fiscal year.

Assets shall remain on the inventory of fixed assets unless MHB physically disposes of the asset. MHB shall not dispose of any asset to which an outside funding source maintains a claim of title unless written authorization is obtained from the funding source to dispose of the asset. Any such correspondence shall become part of the capital asset record for such items

*Any capital assets or equipment* with a unit cost of \$5,000.00 or more that is purchased with funds from MHB must be retained and used continually for the purposes originally intended for a period of five years from the date of purchase. MHB may inspect or repossess any such asset during that five-year window.

Capital fixed assets are accounted for at their historical cost and all such assets are subject to depreciation over their estimated useful life using the straight-line method. Estimated useful lives of capitalized assets shall be determined by the Controller. The following is a list of the estimated useful lives of each category of fixed assets MHB owns.

- Furniture and Fixtures – up to 10 years
- General office equipment – 5 years
- Computer hardware and peripherals – 5 years
- Computer software – 3 years

For accounting and interim financial reporting purposes, depreciation expense will be recorded on an annual basis.

Internal control elements

- Fixed asset inventories are completed on a bi-annual basis
- Correspondence and other documentation supporting disposals are filed with a copy of the capital asset record

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### Accrued Liabilities

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The Accounting Department shall establish a list of commonly incurred expenses that may be accrued at the end of the accounting period. Accruals that may be recorded for known expenses for which an invoice has not yet been received include accrued payroll, accrued payroll liabilities, utilities, direct mail expenses, etc. Accrued payroll is recorded when a paycheck is dated for a service period that falls in the previous fiscal period.

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### Accrued Vacation and Sick Time

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Unused accrued vacation is paid out upon termination and thus accrued at the end of each quarter. Unused sick time is not paid out upon termination and is not accrued. Personal time is not paid out upon termination and is not accrued.

See details regarding vacation policy at Appendix 2.

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### Credit Cards

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Credit cards are issued only to staff authorized by the Executive Director. Credit cards must be returned upon employment termination. The Executive Director reviews and approves purchases on staff credit cards either in advance of the charges or at the time the bill is paid. Charges made by direct reports should be authorized by the Cardholder, in writing. Charges more than \$10,000 must be authorized, in writing, by the Executive Director.

Credit cards are paid off monthly; no balance accrues. Employees to whom credit cards are issued, are required to maintain balances under the limits established by the credit card company. The Accountant records credit card charges upon receipt of the monthly bill and itemizes each charge by natural expense category and functional Classification. The charges are entered on an accrual basis as of the date of the transaction. The Accountant reconciles the credit card on a monthly basis. The Controller reviews the monthly credit card statement and reconciliation. The Executive Director reviews the credit card statement monthly when the bill is queued for payment.

Internal control elements

- All charges by direct reports must be authorized in writing
- Credit card charges over \$10,000 must be approved by two authorized check signers, the Executive Director or Deputy Director and a Board Officer.

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## Permanent Supportive Housing and Debt Forgiveness

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MHB operates a Permanent Supportive Housing initiative (PSH) to increase the number of permanent supportive housing units available for adults living with serious mental illness and/or substance use disorders. As a part of the PSH, MHB provides 10-year forgivable loans or grants to agencies to create new units of permanent supportive housing, thus increasing the PSH supply. Proceeds of the forgivable loans are used to finance renovation and improvement and/or purchase of residential properties, or to construct new units of permanent supportive housing. In all instances, recipient agencies own the properties.

On the anniversary of each loan, one tenth of the outstanding principal balance is forgiven if the property clears a recertification process attesting to its adherence to the approved uses and service to City residents. Upon maturity date of the loan, the remaining principal balance and accrued interest shall be deemed satisfied and discharged. If, however, the property owner defaults on the contracted agreement, the remaining outstanding principal balance plus 4% interest on the entirety of loan agreement will be due.

The funds are transferred via wire and are subject to validation by MHB's bank. See wire transfer procedures in section "Cash Disbursements and Accounts Payable – (Non-Grant) Section C. Wire Transfers"

One-time funds, which are used to renovate or replace an item or system within a housing structure, are typically considered as grants and do not require repayment or loan forgiveness.

### Internal control element

- The Executive Director AND a Board Officer approves the Wire Transfer initiated by the Operations Team within SinglePoint. See wire transfer procedures in section "Cash Disbursements and Accounts Payable – (Non-Grant) Section C. Wire Transfers"
- PSH properties with forgivable loans are certified annually prior to forgiveness of 10% of the loan
- If the property owner defaults on the contracted agreement, the remaining outstanding principal balance plus 4% interest on the entirety of loan agreement will be due

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## Components of Net Position

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Investment in capital assets consists of the costs of furniture and equipment, and software, net of the related accumulated depreciation and/or amortization expense. An amount equal to the capital assets shall be categorized as Investment in Capital Assets as a component of net position.

Funds that are commonly designated as components of net position are as follows.

- Appropriated for Grants, Partnerships and Initiatives in the Upcoming Fiscal Year – funds committed for specific grants, project expenditures and collaborative programs in the next fiscal year are designated as appropriations
- Forgivable Loans for Mental Health Supported Housing Loans – loans issued to agencies for housing projects expected to be forgiven in future years are nonspendable
- Designated for Unanticipated Projects – funds designated by MHB for grants, project expenditures and collaborative programs in the next fiscal year which have not yet been appropriated for specific agencies/projects
- Designated for Administration – funds designated for administration of projects in the next fiscal year
- Unreserved/Undesignated – MHB has established a fiscal policy which requires maintaining an unrestricted/unreserved net position for emergency, unanticipated needs, unusual expenses or operational shortfalls. Under the policy MHB shall maintain aggregate unrestricted/unreserved funds of between 25% and 100% of annual non-Federal expenditures.

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#### Cash Receipts, Revenue, Billing and Accounts Receivable

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Most of MHB's receipts are in the form of checks mailed directly to MHB. Primary sources of revenue include the City Collector of Revenue, License Collector of the City of St. Louis and the Payment Management System for Federal Draws. Separate bank accounts are maintained to receive each tax revenue fund, the Mental Health Fund and the Children's Services Fund.

Checks that are received are recorded, documented and deposited according to the following process:

- A. The Director of Operations shall sort and separate any envelopes containing checks from other miscellaneous items that arrive in the mail. The Director of Operations shall open the mail, record all incoming checks in a log, and make copies of all checks received.
- B. It is the policy of MHB that all checks received that are payable to MHB shall immediately be restrictively endorsed by the Director of Operations. The Director of Operations shall prepare a duplicate deposit slip and attach the deposit slip, a copy of the checks, and the receipt record or printout detailing the revenue received to the documentation provided with the check. The Director of Operation shall submit the deposit to the Executive Director (or to the Deputy Director in the Executive Director's absence) for review and approval.

- C. After the deposit has been approved, the Director of Operations shall take the deposit to the bank. Deposits shall be made on the same day the checks are received. If the Director of Operations is unable to make a same day deposit, the check(s) shall be kept in a secure location in the Controller's office and deposited the next business day. After the deposit is made, the Director of Operation scans the bank deposit receipt, the approved deposit slip, a copy of the check(s) and any supporting documentation to the M: drive. The Director of Operations then emails the Accountant (and CC'ing the Controller) indicating that a deposit has been made.
- D. The Accountant records the deposit in QuickBooks and saves a copy of the QuickBooks deposit slip in the same M: drive folder as the scanned deposit. The Accountant exports the journal entry associated with the deposit and emails a copy of the journal entry along with the QuickBooks deposit slip to the Controller for review.
- E. The Accountant shall reconcile the deposit slips and associated documentation with the bank statement when preparing the monthly bank reconciliations. Any discrepancies shall be immediately investigated. The Controller shall review the monthly bank reconciliations, compare the reconciliations and related documentation with the monthly bank statement and affix his/her electronic signature to the reconciliation to confirm his/her review. The Executive Director reviews the monthly reconciliations, compares the reconciliations and related documentation with the monthly bank statement and signs/dates to confirm his/her review. Any uncollected tax revenues receivable shall be accrued when quarterly financial statements are prepared.

#### Internal Control Elements

- Supporting documentation accompanies the tax revenue checks from the City. The Accountant verifies that the check amount reconciles to the supporting documentation and indicates the distribution period for checks in the memo field of deposits in QuickBooks
- The mail is opened by an employee other than the Controller
- Copies are made of checks received in the mail. These copies are kept with other documentation supporting the cash receipt
- Checks are stamped with a restrictive endorsement stamp
- Cash receipts are reviewed by the Executive Director (or Deputy Director in the Executive Director's absence) prior to deposit
- Checks are secured in a locked location overnight when a deposit cannot be made on the same day in which the check was received
- Cash receipts and supporting documentation are reconciled to the bank statement monthly
- The Executive Director reviews the monthly bank reconciliations

Federal grants shall generally be administered in the same manner as all grant revenue except that the Deputy Director, who is responsible for Federal grants, shall additionally ensure that they are administered in accordance with all Federal guidelines and regulations (for more detailed information, reference *'Addendum-Policies Related to Federal Grants'* within the **Community Investment Policies**). The Executive Director shall provide oversight of Federal grant administration. Typically, Federal funds are paid on a reimbursement basis, from an invoice submitted by MHB through an electronic payment system. Actual receipts shall be compared to the amount budgeted to determine the availability of funds left to be drawn down from the grant.

The Deputy Director shall ensure that MHB has met all contractual obligations necessary before drawing down funds and shall document that those obligations have been met by creating backup documentation for each receivable. The Controller makes all Federal Draws. In the absence of the Controller, the Deputy Director is authorized to make the Federal Draw.

The Deputy Director reviews all direct service and professional contractor invoices related to Federal grants, provides account codes, and signs off on all bills confirming that they are within the scope of the grant in question.

Authorized expenditures are forwarded to the Accountant for input into QuickBooks. Ongoing monthly payments to Direct Service Providers are entered by the Project Director. The Deputy Director reviews direct service invoices and select contractor invoices prepared by the Project Director. All other Federal expenditures are approved by the Executive Director upon check issuance or reviewed monthly with the bank reconciliation.

Invoice payments to Federal subrecipients are made monthly through the ACH system on a date that coincides with other MHB grants payments authorized by the Executive Director (or Deputy Director when the Executive Director is not available) and a Board Officer. If an expedited payment is required which falls outside the established monthly schedule, authorization by the Executive Director or Deputy Director is required. If subrecipients do not submit invoices for direct service expense reimbursement by the established monthly deadline, then payment will not be issued until the invoice is received.

In addition to monthly payments issued through the ACH system to subrecipients, as noted above, other expenses charged to Federal grant(s) will be handled through the agency's A/P system. Typically, checks are issued after Federally drawn funds have been deposited into the STLMHB operating account. Checks over \$10,000 require two signatures. ACH payments are made within three business days of the Federal Draw. No draw will be made without written (e-mail) authorization from the Deputy Director.

Reports are submitted pursuant to the schedule required by the Federal program(s). Typically, quarterly reports are submitted no later than the last day of the first month after the end of the quarter. The Federal Financial Report (FFR) is due for the quarters ending 3/31, 6/30, 9/30 and 12/31. An annual report is due 90 days after the end of each 12-month reporting period. The Controller prepares a draft of the reports to be reviewed by the Deputy Director. Once the quarterly and annual reports are approved by the Deputy Director, the Controller submits the report via the Payment Management System.

The Executive Director reviews and approves Federal grant disbursement in accordance with the policy set in place in the “Community Investment: Grant Payment” section of this manual. Additionally, The Executive Director reviews all Federal grant revenue receivables as a part of the end of year balance sheet review.

#### Internal control elements

- Actual receipts are compared to budgeted amounts to determine the availability of funds available to be drawn down
- The Executive Director reviews all Federal grant disbursements monthly with all other MHB grants and revenue receivables as a part of the end of year balance sheet review
- The Controller compares revenue receipts to the corresponding receivables and reports discrepancies to the Deputy Director
- The Controller reviews documentation supporting outstanding accounts receivable
- Federal receivables are drawn monthly, at minimum, to clear out any receivables
- Backup grant revenue documentation is kept in the Controller's office
- The Deputy Director approves Federal draw amounts in writing before Controller makes the draw
- Controller and Deputy Director keep copies of the draw confirmation, the supporting QuickBooks report and the email approval of the corresponding amounts by the Controller
- The Deputy Director reviews and approves all quarterly and annual reports prior to submission by the Controller

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### Investment Income

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Income earned on investments (i.e., interest and dividends) shall be recorded by the Accountant by Class. The Controller shall review the entries made to record investment income during the review of the quarterly financial statements prepared by the Accountant. The Executive Director shall review the entries made to record investment income during the quarterly preparation of MHB's internal financial statements. Any uncollected investment income receivable (i.e., interest receivable) shall be accrued when quarterly financial statements are prepared. The Executive Director reviews the investment statements monthly.

#### Internal control elements

- The Executive Director reviews the investment statements monthly
- The Executive Director reviews the financial statements quarterly, including review of investment income.

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### Cash Disbursements and Accounts Payable – (Non-Grant Payments)

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The primary operating account is a checking account that provides for routine business check disbursements, automatic withdrawals, as well as payroll transactions and Federal grant disbursements. No disbursements are made directly from either the Children's Services money market account or the Mental Health Fund money market account. Transfers are made from the respective money market accounts into the operating account to cover accounts payable monthly transactions. The transfers are prepared monthly by the Controller based on the monthly estimated payables and are approved by the Executive Director.

The only exception to above are wire transfers related to funding projects under the Permanent Supportive Housing initiative. Those funds are wired directly from the Mental Health Fund money market account.

All valid accounts payable transactions disbursed through the operating account, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner. Purchases of goods and services shall be initiated only when authorized by a completed contract, lease agreement, procurement documentation or check request. Recurring monthly payments, such as utilities, do not need a contract to initiate payments.

Payments shall be made in a timely fashion to avoid unnecessary interest or late-payment fees. The Executive Director, Deputy Director, Board Chair, Vice Chair and Secretary/Treasurer shall be the only individuals authorized to approved disbursements and sign checks.

For purposes of the preparation of MHB's annual financial statement for the audit, all vendor invoices that are received, approved and supported with proper documentation by August 31st following the fiscal year shall be recorded as accounts payable at June 30<sup>th</sup> if the invoice pertains to goods or services delivered by fiscal year end.

The following pertains to check (or cash) disbursements:

A. Blank Check Stock / Unused Checks

The Controller shall ensure that unused checks remain in a locked drawer (or locked office) when not in use. Only the Controller shall have access to the drawer. In the absence of the Controller, the Director of Operations can issue checks per the authorization of the Executive Director.

B. Checks or automatic withdrawals for Non-Grant Payments

The Accountant shall prepare checks for all non-grant payments (e.g. rent, office supplies, etc.) every week and ensure that the expenses recorded for each payment are allocated to the appropriate classes (See Section XII, Cost Accounting.) Weekly bills are saved by the Controller and the Director of Operations to the To Be Queued folder on the M: drive. After the Accountant enters the bills from the To Be Queued folder, he/she moves the bill and supporting documentation to the Cassandra Review folder. The Accountant then sends an email to the Executive Director summarizing the weekly bills that need to be reviewed and approved. The Controller and Director of Operations are cc'd on this email. Once approved, the Accountant saves a copy of the approval email as backup for each bill. The approved bills are then moved to

the Approved FY21 folder (or to the Approved/Pending Payment folder for ACH's, EFT's and online payments). The Accountant selects the bills to be paid via check within QuickBooks and emails the Director of Operations indicating the number of checks to be printed and the first check number in the sequence. The Director of Operations prints the checks and obtains signature from the Executive Director (or the Deputy Director in lieu of the Executive Director). The Accountant exports a list of all weekly bills from QuickBooks, including account and class coding, and emails the list to the Controller for review.

The Accountant shall also electronically attach backup documentation (check requests, receipts, travel reimbursements, etc.) to each bill. If at any time the amount being paid does not match the backup documentation attached, the Accountant shall annotate the documentation as to why (e.g. identifying specific line items which were in dispute and why there is a discrepancy).

Non-grantee vendor payments and associated check stubs are filed alphabetically by payee in the Controller's office. Vendor correspondence, vendor contracts, and supporting documentation are stored separately in the Controller's office. Lease agreements and other administrative documents shall be kept in the Controller's office (See Section X, Purchasing).

The Accountant must obtain a waiver of 2<sup>nd</sup> signature for each check, EFT or ACH greater than or equal to \$10,000, and at least one authorized signature on each check under \$10,000. The first signature must be obtained from the Executive Director or the Deputy Director. The second signature must be from a Board Officer (i.e., Chair, Vice-Chair or Secretary/Treasurer). Exceptions to this rule are as follows: The Executive Director and Deputy Director may sign both the first and second signatures on checks for recurring expenses, such as the office lease and professional fees, up to \$15,000, provided the Board's Secretary/Treasurer has authorized the payees in advance—the list is kept by the Controller. Checks shall not be mailed by individuals who authorize expenditures.

#### C. Wire Transfers

The Executive Director shall be the only MHB employee authorized to approve a wire transfer from MHB's accounts. To prevent anyone other than the Executive Director from initiating wire transfers, a system shall be employed that requires either the Director of Operations or the Controller to initiate a wire transfer within SinglePoint. These transfers must have one approver and only the Executive Director user profile has the ability to make the approval. Confirmation of all wire transfers are delivered to the Controller.

#### D. Voided Checks

The Director of Operations shall mark any voided checks "void" and shall remove the signature area from the check. The check shall be voided in QuickBooks and a description of the reason for the void should be indicated in the memo field. Voided checks are kept in a folder in the Controller's office.

#### E. Stale Checks

It is the policy of MHB to write off checks that are less than \$500 and are more than 6 months old that have not cleared MHB's bank. For un-cashed checks that are more than 6 months old and that exceed \$500, contact will be made with the payee to resolve the issue. All stale checks that are written off within the same fiscal year in which they were written shall be credited to the same expense or asset account that was debited. For stale checks written off in fiscal years subsequent to the year in which the check was written, the credit shall be to "miscellaneous income."

#### F. Independent Contractors

MHB shall obtain a completed Form W-9 from all vendors to whom payments are made. Payments shall be accumulated over the calendar year and a Form 1099 will be issued to the vendors based on the required IRS timeline and regulations.

#### Internal Control Elements

- Checks are prepared in QuickBooks by the Accountant, who is independent from those who initiate or approve expenditures, as well as those who are authorized check signers
- Purchases of goods and services are initiated only when authorized by a completed contract, lease agreement, procurement form, check request form or travel reimbursement form
- Only the Executive Director, Deputy Director and Board Officers are authorized to sign checks
- Blank checks are kept in a locked office
- A waiver of 2<sup>nd</sup> signature is obtained for checks, ACH's, and EFT's greater than or equal to \$10,000
- Signed checks are mailed by the Controller, or the Director of Operations in the absence of the Controller
- Voided checks are maintained in a folder
- Checks are not mailed by individuals who authorize expenses

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#### Community Investments – (Grant Payments)

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The Project Directors are responsible for filling out a monthly billing tracker. The Director of Operations (or the individuals designated as responsible for a project by the Deputy Director) shall initiate disbursements for projects funded by MHB by entering a "bill" into QuickBooks. The bill is generated from a purchase order for the agency/project that was entered in QuickBooks by the Accountant at the beginning of the fiscal year and reviewed/validated by the Controller and Director of Operations.

The Project Directors shall prepare monthly (or pursuant to their payment schedule) invoices and backup documentation for each bill/payable. The Project Directors shall verify that award recipients (grantees) have complied with all provisions of their contracts and that payment is made for costs allowable under the contracts.

If, at any time, the amount being paid does not match the backup documentation attached, Project Directors shall annotate the documentation as to why there is a discrepancy (e.g. identifying specific line items which were denied and why, explaining that partial payments were made because the request exceeded the funds available, etc.). These discrepancies are also noted in the Community Investment Master spreadsheet monthly and maintained by the Deputy Director in hard copy files.

MHB shall elect one of three methods to contract with award recipients:

1. Grant-Recipient organizations receive twelve equal payments (the 12<sup>th</sup> payment may differ slightly from payments 1-11 to account for year-end reconciliations and rounding). Grant payments shall be made when supporting documentation from the recipient organization is received by MHB.
2. Fee-for-service--Monthly payments based on the services provided in the previous period. Fee-for-service payments shall be made when recipients file invoices.
3. Expense reimbursement--Monthly payments are made to direct service providers based on the previous month's verified program expenditures. Expense reimbursements shall be paid when recipients file invoices.

If a recipient does not submit required quarterly reporting, as required in Attachment B of their MHB contract, then MHB shall notify the recipient that their payment will not be processed that month. The Deputy Director shall review each prepared payable and reject any payable which would cause the payments on any project to exceed the total contracted amount.

On the third Thursday of the month (except for July which is the fourth Thursday of the month), the Controller shall create ACH payments from the bills created in QuickBooks. The Controller shall obtain two authorized electronic signatures, including at least one Board Member on each of these ACH payments (regardless of the amount), before they may be processed.

The Deputy Director prepares the Community Investment Master spreadsheet, which indicates, on a cash basis, payments that should be made to grant recipients as well as the amounts to be transferred from the bank accounts to cover those expenses.

The Controller reconciles between QuickBooks and the Community Investment Master Spreadsheet. Then the Controller prepares the ACH batch for the monthly community investment payments and respective bank transfers. The Director of Operations reviews each ACH batch before it is submitted for approval by the Executive Director and Board Officer.

Independently, the Director of Operations shall match each ACH payment to the backup documentation during the reconciliation process and shall stamp the date for each payment processed on the backup documentation. The Director of Operations shall file payment documentation alphabetically in individual grantee files.

Grant-specific contracts shall be kept in the filing cabinets in the file room. All other grant related forms and documents shall be kept electronically within the Foundation Connect grants management system. Copies of grant contracts are also kept in Foundation Connect and saved to MHB's shared "S" drive for easy retrieval.

## Internal Control Elements

- Project Directors shall certify that award recipients (grantees) have complied with all provisions of their contracts and that payment is made for costs allowable under the contracts
- If the recipients do not submit their reports as required in their contract, Project Directors notify recipients that their payment will not be processed
- The Deputy Director reviews each grant payment prepared by Project Directors.
- The Executive Director reviews each grant payment prepared by the Deputy Director
- The Director of Operations stamps the payment date on the backup documentation for all ACH payments processed
- The Controller reconciles between QuickBooks and the Community Investment Master prepared by the Deputy Director
- The Director of Operations independently compiles the information for the SinglePoint batch and reviews the batch prior to submission by the Controller
- The Executive Director and Board Officer approve the ACH batch before payment is triggered

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## Purchasing

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The primary objective of the purchasing policy is to ensure that expenses incurred by MHB are actual, reasonable, necessary and within the approved budget. The Executive Director and Deputy Director (in the Executive Director's absence) have approval authority over all purchases and contractual commitments as defined in this policy. The Executive Director shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

The Mental Health Board shall further endeavor to ensure the availability of supplies and equipment in quantity and quality consistent with MHB standards at the most favorable prices consistent with those standards. MHB shall also strive to ensure that purchases are appropriately allocated to the classes in the general ledger. (See Section XII, Cost Accounting) MHB shall strive to balance these objectives with its desire to minimize the administrative costs associated with them.

MHB shall establish forms and procedures to document the consideration and preauthorization of the following types of purchases:

### A. Business & Travel Expenses

MHB shall reimburse employees and Trustees for actual, reasonable and necessary expenses incurred in the performance of their official duties. All such expenses shall be approved by the Executive Director and/or Deputy Director prior to reimbursing the individual who incurred them. The Director of Operations approves expense reports of his/her direct reports. The employee or Trustee must submit an expense reimbursement form (the Trustee form will be filled out by the Director of Operations on the Trustee's

behalf).

Expenses which do not directly relate to official business, or which have no direct benefit to the Board, including but not limited to entertainment expenses, shall be borne by the individual and not by MHB. Typically, car rentals should be restricted to compact or mid-size automobiles and airfares should be limited to coach class; exceptions should be justified in the procurement documents. Except for expenses where no receipt is generated (e.g., mileage on employees' cars, parking meters, etc.), receipts must be attached to procurement documents. The Employee Handbook shall specify the process for obtaining expense reimbursements, per diem advances and mileage reimbursements consistent with this policy.

After an MHB business trip, an employee that has incurred business-related expenses should complete an Expense Report in accordance with the following policies:

- Except for tips and reimbursed mileage, all business expenses must be supported with invoices/receipts. No receipt is required for public transit or parking expenses for which no supporting documentation is provided, but records of travel must be maintained.
- For all lodging and any expenditure other than meals, vendor receipts/invoices must be submitted. Credit card charge slips, alone, do not constitute adequate supporting documentation.
- For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken, and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes).
- Mileage will be reimbursed at rates pursuant to City policy
- The business purpose of each trip must be adequately explained on each report
- Project/function codes must be identified for all expenditures
- For all meals and other business entertainment, the purpose of the expenditure must be explained.
- All expense reports must be signed and dated by the employee
- All expense reports must be approved by the employee's supervisor

An employee will not be reimbursed for expenses not meeting the procedure criteria.

#### B. Other Goods or Services

Staff shall obtain the written approval of the Executive Director on procurement documents (e.g., Purchase Request, Check Request, etc.) prior to making any purchase. Furthermore, MHB believes that competitive quotations are useful in making desired purchases at the most favorable terms available. The administrative cost for obtaining competitive quotations for each purchase necessary for the operation of the organization, however, would be unreasonable. Orders up to \$10,000 shall be purchased at the best price based on the professional judgment of the staff requesting the purchase.

Service contracts or supply/equipment orders of greater than \$10,000 but less than \$25,000 shall require written quotations from three different suppliers are attached to the procurement forms by staff.

Service contracts or supply/equipment orders of \$25,000 or more shall require competitive bidding (i.e., RFP or RFB).

All community investments are required to have a contract or agreement in place. All contracts and agreements between MHB and outside parties must be reviewed and approved by the Executive Director. Certain contracts are required to be reviewed by legal counsel. In all cases, copies of signed contracts are to be forwarded to the Controller for audit purposes.

In accordance with the MHB policy on conflicts of interest, members of the Board of Trustees, as well as MHB staff, must indicate and sign that they have no Conflicts of Interest with any current vendor or funded entity on an annual basis. In addition, when new contracts are approved throughout the course of the year, Trustees and Staff are required to disclose any conflicts then, as well. See appended policy.

### C. Credit Card Purchases

MHB understands that credit cards are a necessary tool of modern-day business. Credit cards, however, pose an additional level of risk for the organization because an individual holding such a card may circumvent the purchasing and disbursement policies by making an unauthorized purchase. Credit cards, therefore, shall be issued only to staff whose positions require them to make regular purchases on behalf of MHB, and authorized by the Executive Director. Personal expenditures are never to be purchased with an MHB credit card. Credit cards must be returned upon termination of employment. Both the issuance and return of the card shall be documented in the staff's personnel file.

Credit card purchases shall otherwise be subject to the same general procurement policy as any other purchase regarding preauthorization, receipts and documentation, etc. based on the nature of the purchase. The Executive Director shall be responsible for reviewing and approving purchases on staff credit cards prior to credit card payment.

The Accountant records credit card charges on an accrual basis as of the date of the transaction. Credit card balances shall be paid monthly and no balances may exceed the credit limit set by the credit card company. The Accountant reconciles the credit card on a monthly basis and the Controller reviews the monthly statement and reconciliation.

Current credit card holders: Executive Director, Deputy Director, Digital Manager and Director of Operations.

#### Internal control elements

- Employee business and travel expenses are reviewed and approved by the Executive Director or the Deputy Director (or supervisor) prior to reimbursement
- Receipts must be attached to procurement documents
- Car rentals are restricted to compact or mid-size automobiles; airfares are limited to coach Class

- Staff are required to obtain and document competitive quotations for major purchases (\$1,000 or more)
- The Executive Director shall be responsible for reviewing and approving purchases on staff credit cards prior to credit card payment
- Credit card purchases shall otherwise be subject to the same general procurement policy as any other purchase

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### Cost Accounting (P & L by Class)

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Cost accounting (using the Class system in QuickBooks) will ensure that MHB shall have a full understanding of both the cost and revenue associated with specific tasks, such as a Federal grant or tax fund. It further provides a basis for cost reporting for grants or contracts which reimburse MHB for expenses incurred, and therefore, maintain MHB's ability to draw down such funds.

For the purposes of this policy, the term "Class" is used to describe the primary cost centers of MHB (e.g., Tax funds, Federal grants, etc.) as implemented in QuickBooks.

When costs are directly related to a specific cost center, those costs shall be entirely allocated to that Class. For example, the Director of Operations shall employ monthly analysis of accounting codes for long distance charges.

When costs are incurred on behalf of multiple projects, MHB shall use methods consistent with U.S. Generally Accepted Accounting Principles to distribute those costs equitably among the cost centers. These methods shall include but not necessarily be limited to the following types of distributions:

#### A. Personnel Costs

Personnel costs that cannot be directly attributed to a single Class shall be allocated based on an annual analysis to determine the appropriate distribution for each individual. The allocation is maintained in a spreadsheet titled "FYXX Staff % Allocation Benefits Breakdown". For each person, a distribution shall be developed which shall uniformly be applied to all personnel costs for that employee. Examples of such costs shall include, but shall not necessarily be limited to, staff salaries, FICA and Medicare taxes, pension, health, disability and other insurance premiums.

Regarding external sources of funding with a specified salary amount determined, the amount of salaries and fringe that can be reimbursed is determined in the approved budget.

#### B. Staff-Associated Costs

Costs which cannot be directly charged to one cost center but are associated with specific staff shall be allocated across Classes according to the allocation used for that employee's

personnel expenses. Examples of such costs shall include but not necessarily be limited to mileage expenses, out-of-town meals, etc.

C. Occupancy Costs

Occupancy costs that cannot be directly charged shall be allocated proportionally between Classes. Examples of such costs shall include but not necessarily be limited to rent, property insurance, etc.

D. General Operating Costs and Professional Fees

Office supplies that can be directly assigned to a specific Class or that are staff-associated costs shall be allocated in that manner. General operating costs, however, shall be allocated at year end at the administrative charge back rate. Professional and consultants' fees that are not directly related to a Class will be allocated to MHF Administration and CSF Administration proportionately at the administrative charge back rate at year end.

The Accountant shall be responsible for allocating costs between Classes. The Controller shall review the allocation on a quarterly basis to determine the appropriateness of the allocation.

Internal control elements

- The Controller, with the aid of the Executive Director as needed, reviews the cost allocation of expenses (personnel, occupancy, staff, supplies, and professional fees) on a quarterly basis to determine the appropriateness of the allocation

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Payroll

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An outside automated payroll service provide shall perform payroll processing bi-weekly; The payroll provider assumes responsibility for timely filing of payroll tax reports and direct deposit services and shall ensure compliance with all applicable regulations regarding payroll tax computation and deposits.

New hires, salary data, termination, deductions and any other employee activity shall be reported to the payroll service by the Controller. Changes in payroll information shall not be made without the approval of the Executive Director. Documentation of all changes in payroll data shall be maintained in each employee's personnel file. Employees shall be required to receive their paychecks through direct deposit.

Payroll reports received from the payroll service provider shall be compared to the monthly bank statements and used to post payroll to the general ledger. The information shall be coded by Account and Class and input into QuickBooks by the Accountant. The Controller reviews the related payroll journal entries recorded by the Accountant. The Executive Director shall review payroll data on a bi-weekly basis to assess reasonableness.

Direct deposit stubs are distributed to employees on the bi-weekly pay dates by the Controller.

#### Internal Control Elements

- Payroll is not processed on site, but via direct deposit by a payroll service provider
- Changes in payroll information require the Executive Director's approval
- Payroll reports are compared to payroll line items on the monthly bank statement
- The Controller reviews payroll journal entries recorded by the Accountant
- The Executive Director reviews the payroll reports on bi-weekly basis

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#### Timesheets

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The payroll processor does not maintain, or track vacation pay, sick pay or personal time. Vacation pay, sick pay and personal time are reported in the bi-weekly timesheets submitted by each employee and approved by the Executive Director, Deputy Director, or Supervisors, respectively, based on their direct reports.

To determine the accuracy of the computation of the timesheets, the Controller reviews the yearly computation within the master timesheet workbook for mathematical accuracy prior to the start of the fiscal year. Once validated, the Director of Operations enters and locks prior year accruals for sick and vacation time and adds current year personal time. The Controller reviews and approves the accrual balances and the Director of Operations finalizes the timesheet for regular use by the employees.

For each completed pay period, staff must enter all time by 12:00 PM the Monday following the conclusion of the pay period and email their supervisor to indicate that their timesheet is completed and ready for approval. The supervisor or their designee will notify staff of any issues requiring resolution or that the timesheet was approved as submitted by the end of day Tuesday following the end of the pay period. Staff should endeavor to complete and submit timesheets in advance if they have a planned absence on the Monday that timesheets are due. For unplanned absences, staff will contact the supervisor via phone or email with remaining information so that the supervisor or his/her designee can complete the timesheet and approve.

On a bi-weekly basis, the Director of Operations compiles all reviewed and approved timesheets and summarizes the information in a Timesheet Management Report that is provided to the Executive Director, Deputy Director and Controller via email. On a quarterly basis, the Accountant uses the quarter-end Timesheet Management Report to prepare accrual adjustments for vacation time. The Controller reviews the accruals on a quarterly basis.

#### Internal Control Elements

- Timesheets must be approved by the Executive Director or Deputy Director
- Accountant makes quarterly accrual adjustments reviewed by the Controller
- Controller reviews yearly computation in the master timesheet workbook

*PROMULGATED: January 17, 2002*

*UPDATED: September 1, 2018, August 30, 2021*

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Appendix A: Investment Policy

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**CITY OF ST. LOUIS  
MENTAL HEALTH BOARD OF TRUSTEES**

**INVESTMENT POLICY**

**I. SCOPE**

This policy applies to the investment of excess operating or longer-term reserve funds of the St. Louis Mental Health Board.

1. Pooling of Funds

Except for certain restricted and special funds, the City of St. Louis Mental Health Board will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

2. External Management of Funds

Investment through external programs, facilities and professionals operating in a manner consistent with this policy will constitute compliance.

**II. GENERAL OBJECTIVE**

The primary objectives, in priority order of investment activities; shall be safety, liquidity and yield.

1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

The City of St. Louis Mental Health Board will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City of St. Louis Mental Health Board will do business
- Diversifying the portfolio so that potential losses on individual securities will be minimized

b. Interest Rate Risk

The City of St. Louis Mental Health Board will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity

- Investing operating funds primarily in shorter-term securities

## 2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in bank deposits or repurchase agreements that offer same-day liquidity for short-term funds.

## 3. Yield

The investment portfolio shall be designed with the objectives of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and liquidity needs. Return on investment is of secondary importance to the safety and liquidity objectives described above. The core of investments is limited to relatively minimal risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

### **III. STANDARDS OF CARE**

#### 1. Prudence

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes provided deviations from expectations are reported in a timely fashion to the governing body and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

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 probable safety of their capital as well as the probable income to be derived.

#### 2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions in which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City of St. Louis Mental Health Board.

#### 3. Delegation of Authority

Authority to manage the investment program is granted to the Executive Director, (hereinafter referred to as investment officer), by resolution of the Board of Trustees and under the direction of the Investment Committee, duly appointed by the Chair of the Board of Trustees. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

#### **IV. INVESTMENT TRANSACTIONS**

##### **1. Authorized Financial Dealers and Institutions**

A list will be maintained of financial institutions authorized to provide investment transactions. In addition, a list also will be maintained of approved security brokers/dealers selected by creditworthiness as determined by the investment officer and approved by the governing body. These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and brokers/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:

- Audited financial statements
- Proof of Financial Industry Regulatory Authority (FINRA)
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification of having read, understood and agreeing to comply with the City of St. Louis Mental Health Board’s investment policy

An annual review of the financial condition and registration of qualified financial institutions and brokers/dealers will be conducted by the investment officer.

From time to time, the investment officer may choose to invest in instruments offered by emerging or minority firms and community financial institutions. In such situations, a waiver to the criteria under Paragraph 1 may be granted by the governing body. All terms and relationships will be fully disclosed prior to purchase and will be reported to the governing body of the City of St. Louis Mental Health Board on a consistent basis. The governing body of the City of St. Louis Mental Health Board should approve these types of investment purchases in advance.

##### **2. Internal Controls**

The investment officer, under the direction of the Investment Committee, is responsible for establishing and maintaining an internal control structure that will be reviewed annually with the City of St. Louis Mental Health Board’s independent auditor, in conjunction with the annual audit. The internal control structure shall be designed to ensure that the assets of the City of St. Louis Mental Health Board are protected from loss, theft or misuse and to provide reasonable

assurance that these objectives are met.

The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third party custodian

3. Delivery vs. Payment

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in eligible financial institutions prior to the release of funds. All securities shall be perfected in the name of the City of St. Louis Mental Health Board and shall be held by a third-party custodian as evidenced by safekeeping receipts.

**V. SUITABLE AND AUTHORIZED INVESTMENTS**

1. Investment Types

In accordance with and subject to restrictions imposed by current statutes, the following list represents the entire range of investments that the City of St. Louis Mental Health Board will consider, and which shall be authorized for the investment of funds by the City of St. Louis Mental Health Board.

- a. United States Treasury Securities The City of St. Louis Mental Health Board may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal interest.
- b. United States Agency Securities The City of St. Louis Mental Health Board may invest in obligations issued or guaranteed by any agency of the United States government as described in V. (2)
- c. Repurchase Agreements The City of St. Louis Mental Health Board may invest in contractual agreements between the City of St. Louis Mental Health Board and commercial banks or primary government securities dealers. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase U.S. Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices.

- d. Collateralize Public Deposits (Certificates of Deposit). Instruments issued by financial institutions which state that specified sums have been deposited for specified periods of time and at specified rates of interest. The certificates of deposit are required to be backed by acceptable collateral securities as dictated by State statute.
- e. Banker's Acceptance Time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. The City of St. Louis Mental Health Board may invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.
- f. Commercial Paper The City of St. Louis Mental Health Board may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000).
- g. CDARS The City of St. Louis Mental Health Board may participate in the Certificate of Deposit Accounts Registry Service (CDARS) program providing it meets the requirements of 67.085 RSMo. which requires separate 100% deposit insurance provided by Federal deposit insurance. Funds may be deposited only in participating banks, which acts as custodian with respect to certificates of deposit.
- f. Funds that invest solely in investments in categories a. & b. above.

## 2. Security Selection

The following list represents the range of United States Agency Securities that City of St. Louis Mental Health Board will consider, and which shall be authorized for the investment of funds by the City of St. Louis Mental Health Board. Additionally, the following definitions and guidelines should be used in purchasing the instruments:

- a. U.S. Govt. Agency Coupon and Zero-Coupon Securities Bullet coupon bonds with no embedded options.
- b. U.S. Govt. Agency Discount Notes Purchased at a discount with maximum maturities of one (1) year.
- c. U.S. Govt. Agency Callable Securities Restricted to securities callable at par only with final maturities of five (5) years.
- d. U.S. Govt. Agency Step-Up Securities The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed term. Restricted to securities with final maturities of five (5) years.
- e. U.S. Govt. Agency Floating Rate Securities The coupon rate floats off one index. Restricted to coupons with no interim caps that reset at least quarterly.
- f. U.S. Govt. Mortgage Backed Securities Restricted to securities with final maturities of five (5) years.

## 3. Investment Restrictions and Prohibited Transactions

To provide for the safety and liquidity of the City of St. Louis Mental Health Board's funds, the investment portfolio will be subject to the following restrictions:

- a. Borrowing for investment purposes (“Leverage”) is prohibited
- b. Instruments known as Structured Notes (e.g., inverse floaters, leveraged floaters, and equity-linked securities) are not permitted. Investment in any instrument which is commonly considered a “derivative” investment (e.g., options, futures, swaps, caps, floors, and collars), is prohibited
- c. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited
- d. No more than 5% of the total market value of the portfolio may be invested in bankers’ acceptances issued by any one commercial bank and no more than 5% of the total market value of the portfolio may be invested in commercial paper of any one issuer

4. Collateralization

Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. The market value (including accrued interest) of the collateral should be at least 100%.

For certificates of deposit, the market value of collateral must be at least 100% or the greater of the number of certificates of deposits plus demand deposits with the depository, less the amounts, if any, which is insured by the Federal Deposit Insurance Corporation, or the National Credit Unions Share Insurance Fund.

All securities, which serve as collateral against the deposits of a depository institution must be safekept at a non-affiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts within five business days from the settlement date.

The City of St. Louis Mental Health Board shall have a depository contract and pledge agreement with each safekeeping bank that will comply with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This will ensure that the City of St. Louis Mental Health Board’s security interest in collateral pledge to secure deposits is enforceable against the receiver of a failed financial institution.

5. Repurchase Agreements

The securities for which repurchase agreements will be transacted will be limited to Treasury and government agency securities that are eligible to be delivered via the Federal Reserve’s Fedwire book entry system. Securities will be delivered to the City of St. Louis Mental Health Board’s designated Custodial Agent. Funds and securities will be transferred on a delivery vs. payment basis.

**VI. INVESTMENT PARAMETERS**

1. Diversification

The investments shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. Diversification standards by security type and issuer shall be:

- a. U.S. treasuries and securities having principal and/or interest guaranteed by the U.S.

- Government.....100%
- b. Collateralized time and demand deposits.....100%
- c. U.S. Government agencies, and government sponsored enterprises.....no more than 60%
- d. Collateralized repurchase agreements.....50%
- e. U.S. Government agency callable securities.....no more than 30%
- f. Commercial Paper.....no more than 30%
- g. Bankers' Acceptances.....no more than 30%

2. Maximum Maturities

To the extent possible, the City of St. Louis Mental Health Board shall attempt to match its investments with anticipated cash flow requirements. Investments in bankers' acceptances and commercial paper shall mature and become payable not more than one hundred eighty (180) days from the date of purchase. All other investments shall mature and become payable not more than five (5) years from the date of purchase. The City of St. Louis Mental Health Board shall adopt weighted average maturity limitations that should not exceed three (3) years and is consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as in bank deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

**VII. REPORTING**

1. Methods

The investment managers shall prepare an investment report annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the City of St. Louis Mental Health Board to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the MHB Finance Committee who will then summarize to the governing body of the City of St. Louis Mental Health Board. The report will include the following:

- Listing of individual securities held at the end of the reporting period.
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one- year duration (in accordance with Government Accounting Standards Board (GASB) 31 requirements). (Note, this is only required annually)
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investment by maturity date.
- Percentage of the total portfolio which each type of investment represents.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

Commercial paper and bankers' acceptances must be reviewed monthly to determine if the rating level has changed: The commercial paper and bankers' acceptances should be reviewed for possible sale if the securities are downgraded below the minimum acceptable rating levels.

### 3. Marking to Market

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least annually to the governing body of the City of St. Louis Mental Health Board. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed.

## **VIII. POLICY CONSIDERATION**

### 1. Exemption

Any investment currently held prior to the adoption of this policy that does not meet the guidelines of this policy shall be exempt from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

### 2. Adoption

This policy shall be adopted by resolution of the City of St. Louis Mental Health Board's governing body. The policy shall be reviewed annually by the Finance/Investment Committee and recommended changes will be presented to the governing body for consideration.

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 Appendix B: Vacation
 

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Regular full-time employees will accrue vacation time based on the number of years of continuous employment with MHB. Part-time employees will accrue on a pro rata basis.

New employees accrue vacation time after the first month of employment but may not take accrued paid vacation until they complete six months of continuous employment. Vacation days earned will not be paid upon termination during the first six months of employment.

Vacation time accrues as follows:

<b>Years of Service</b>	<b>Accrual Rate Per Month</b>	<b>Annual Equivalent</b>
1-5 years	9.375 hours	15 days
6-9 years	12.50 hours	20 days
10 + years	15.625 hours	25 days

Paid vacation time can be used in half hour increments. To take vacation employees should request advance approval in writing from his/her direct supervisor. Simply noting vacation time in the shared calendar is not considered "advance approval," however, once approval is obtained, vacation dates should be entered in the shared calendar.

Approval of all vacation requests is at the discretion of your supervisor, based on the business needs of MHB. Vacation requests of five days or more must be approved by your supervisor and submitted at least two weeks in advance of the proposed vacation. Requests will be considered based upon a combination of factors including but not limited to the timing of the request, business needs and staffing requirements. To satisfy staff preferences, as well as to meet the staffing needs of MHB, vacation dates should be requested as far in advance as possible.

Vacation is intended to be taken annually for rest, relaxation, and personal pursuits. All employees hired after March 1, 2016, will be allowed to rollover a total of 10 days' vacation per fiscal year. For all employees hired prior to March 1, 2016, vacation days not used may be accumulated to a maximum of 30 days. Upon termination of employment, Regular Employees will be paid for unused vacation time that has been earned through the last day of work.

## ST. LOUIS MENTAL HEALTH BOARD

### EMPLOYEE DISCLOSURE OF CONFLICT OF INTEREST

Section 7.1 of the MHB Contract with funded agencies states:

***Conflict of Interest*** *In accordance with all applicable provisions of the laws of the State of Missouri, no official or employee of the MHB who exercises any functions or responsibilities in the review or approval of the undertaking or carrying out of the Scope of Work as described in Attachment A shall voluntarily acquire any personal interest, directly or indirectly, in the contract.*

***7.3*** *It is expressly agreed that no officer or employee of the MHB has helped the Contractor obtain this contract or shall participate in the Contractor's performance of this contract, if such involvement will constitute a conflict of interest in violation of local ordinances or state and/or federal laws and regulations, or regulations and policies of the MHB. Before any employee of the MHB may be involved in the performance of this contract on behalf of the Contractor, approval must be obtained in advance from the executive director of the MHB. Under no circumstances shall an employee of the MHB be compensated under this contract for duties performed in the course of his/her employment with the MHB. Under no circumstances shall an employee of the MHB use MHB facilities or materials for personal gain relating to the performance of this contract.*

As employees of a governmental entity, MHB employees, in the conduct of their public duties, are subject to federal, state laws and city ordinances regulating conflict of interest. MHB is ultimately dependent on public trust. It is critical that stakeholders view MHB employees as impartial and neutral when reviewing and recommending grant applications and monitoring performance. It is therefore important that employees of the St. Louis Mental Health Board avoid any appearance of conflict of interest in the exercise of their public duties.

In order to maintain public trust in MHB's grant making process and to assist employees to avoid the possibility of serious legal consequences, employees must disclose any conflict of interest.

***Conflict of Interest*** *-A conflict occurs when a public employee, who has an interest in a particular matter, takes some official action that has a direct and predictable affect on that interest.*

Official actions of the employee that affect the interests of persons with a relationship to the employee, such as spouse, children or parents, may also trigger a conflict of interest.

A conflict of interest clearly occurs when an employee or a relative of the employee receives financial benefit or services from an agency under contract with MHB or seeks a contract with MHB and that employee is in a position to influence decisions concerning that contract. The value of the monetary benefit or services received, in this context, is of less concern than the influence that may be exercised on the awarding of a grant.

Examples of conflict are accepting services provided by the organization, with or without the payment of a fee to the organization or gifts, including tickets to sporting or cultural events, meals at expensive restaurants or private clubs. On the other hand, food or beverages provided for meeting participants,

attendance at agency-sponsored events open to a broad audience and acceptance of token gifts, such as pens, key chains and mouse pads do not necessarily, and likely do not, create a conflict of interest. Generally, employees should not accept free tickets to fund raising galas, unless MHB is being honored or is an event sponsor and complementary tickets are included with the sponsorship.

A conflict of interest also exists when an employee accepts a policy-making, administrative or consulting position with an agency under contract with MHB, or one seeking a contract with MHB, whether those responsibilities are compensated or not compensated. Employees are prohibited from providing training or technical assistance on the preparation of MHB applications for funding, other than those made available to all applicants in the MHB office.

***Appearance of Conflict*** – *An appearance of conflict exists when a reasonable person will conclude from the circumstances that the employee's ability to act with impartiality is compromised.*

An MHB employee shall make every reasonable effort to avoid even the appearance of a conflict of interest. Appearance of conflict may occur without the employee's knowledge but is sufficiently apparent to others who may call into question that employee's ability to act with impartiality. Situations which may impart the appearance of conflict can occur when employees volunteer for funded agencies, promote fundraising events of funded agencies, become overly familiar with key staff of funded agencies, and socialize after hours. Likewise, overtly laudatory or pejorative public commentaries about a funded agency's performance should be avoided.

The appearance of conflict of interest may also occur when employees express strong opinions, positive or negative, acquired apart from MHB's experiences with particular organizations.

**Disclosure Required:** An employee shall disclose to the Executive Director any situation in which the employee has a real or potential conflict of interest or the appearance of a conflict of interest as soon as it becomes apparent. The Executive Director, in consultation with the Board Counsel shall determine an appropriate way to manage the conflict (whether real, potential, or the appearance of), and assure that MHB business is not improperly influenced or adversely affected. If there is no reasonable way to manage, i.e. withdraw from the conflict, then the employee may be prohibited from participating in related activities or may be reassigned to other activities.

**Procedure for Disclosure:** An employee shall disclose conflicts of interest (whether real, potential or the appearance of conflict) in writing, and shall include a brief statement of the nature and extent of the conflict or the circumstances leading to the conclusion that there is the appearance of a conflict. The Executive Director shall evaluate the situation, in consultation with the Board Counsel, if necessary, and advise the employee what action will be taken, if any. In the event the Executive Director determines that an employee has a real conflict of interest, the Executive Director shall promptly inform the Personnel Committee, in Executive Session, of the circumstances of the situation and action that has been taken.

Remaining free of conflict of interest and disclosing it as soon as one becomes aware of it, is a pillar of ethical public service. Failure of any MHB employee to disclose actual or appearance of conflict is a breach in ethical behavior which may harm the entire organization by jeopardizing its reputation and future stability. Such breaches subject the employee to appropriate disciplinary action, up to and including termination.

**APPROVED THIS 27<sup>TH</sup> DAY OF JANUARY 2016**

I have received a copy of the MHB Employee Conflict of Interest Policy, have read and understand it and agree to comply with it.

I am aware of the following conflict of interest, potential conflict or appearance of conflict:

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Employee Signature

\_\_\_\_\_  
Date Submitted

\_\_\_\_\_  
Employee Name (Please Print)