



Colorado Health Benefit Exchange (COHBE) FINANCIAL POLICIES

1 PURPOSE

To provide general principles and guidelines for the financial management, governance and control of COHBE assets. The Financial Policy provides the guiding principles for the establishment of the financial procedures of the organization.

2 SCOPE

This policy applies to all financially related operations of COHBE and is in conjunction with other related policies that interface with the financial processes of the organization.

3 POLICY

FINANCIAL OPERATIONS GUIDING POLICY

Financial operations shall at all times be managed in such a way as to protect the financial solvency, promote professional management and reporting of income and expenses and maintain public confidence in COHBE's financial integrity and ability to achieve its mission.

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~~I. GENERAL DESIGNATION OF FINANCIAL AUTHORITY AND RESPONSIBILITY~~

Board of Directors

The Board of Directors has the fiduciary responsibility to direct the overall financial health of COHBE utilizing the guidelines established in the articles of incorporation, bylaws and organizational policies. The Board will approve an annual budget that is within administrative expense guidelines.

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Chief Executive Officer/Executive Director

The CEO/Executive Director is delegated the financial management authority from the Board, subject to the approved annual budget. The CEO/Executive Director is responsible for the execution of a budget that will facilitate the achievement of COHBE's policies and program goals.

Chief Financial Officer

The Chief Financial Officer is responsible for preparing an annual budget, managing the execution of the budget, and submitting regular financial reports to the Audit and Finance Committee of the Board.

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~~Financial Management Responsibility. The Executive Director is responsible for the general management and accuracy of the internal accounting system.~~

~~II. — Specific levels of authority are detailed in the Authorization Matrix (Exhibit 1 of the Financial Policies).~~

GENERAL POLICIES

Accounting Basis. ~~COHBE maintains its financial~~ Accounting records are to be maintained on an accrual basis. ~~The annual audited financials will be on an accrual basis and~~ in accordance with generally accepted accounting principles ~~(GAAP).~~

Accounting Year. COHBE's accounting year begins on July 1 and ends on June 30.

Audits. COHBE will ~~annually secure~~ conduct an annual independent financial audit, ~~and any other audits as required by state or federal regulations.~~ The ~~Audit and CFO will annually select and recommend an independent audit firm to the Finance Committee will.~~ The Finance Committee will approve and recommend the audit firm to the Board for its approval. The Finance Committee will meet with the external Auditor to review the final audit results and report findings to the Board of Directors.

Policy Changes. The Finance Committee will review these policies at least annually and recommend any necessary changes to the Board for approval. All revisions to the Financial Policies, including exhibits, must be approved by the Board.

FINANCIAL PLANNING, REPORTING AND MANAGEMENT

Financial Management System. COHBE will track income and expense through use of an automated, internally managed accounting system that has been approved by the Executive Director.

Financial Reporting.

- ~~Income and expenses are categorized and reported through the use of a functional accounting system and the Chart of Accounts adopted by COHBE.~~
- Monthly financial statements, including budget variances, are prepared by the Finance Department and presented to the Finance Committee for review and approval. The financial statements, as approved by the Finance Committee, are presented to the Board of Directors quarterly for review and approval. Quarterly financial statements ~~Chief Financial Officer and Accountant and approved by the Board for inclusion of Directors are included~~ in the corporate record.
- Functional ~~The Finance Department will provide specialized~~ financial management and ad hoc financial analysis reports ~~are provided~~ to the senior management team and Audit and Finance Committee upon request. ~~Examples of these reports include:~~
 - ✓ Detailed balance sheet
 - ✓ Detailed income statement
 - ✓ Budget variance report, current and year to date
 - ✓ Other reports as defined by management

Formal financial statements are prepared for the Board. The format of these records is recommended by the Executive Director and approved by the Board. The

- The CEO/Executive Director may include other specific financial reports and illustration analysis in the Board financial packet at his/her discretion.

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Budget Presentation, The Budgeting. The annual budget is prepared by the Chief Financial Officer (CFO) in coordination with the Executive Director/Chief Financial Executive Officer will present a proposed detailed operating budget for the following year to the Audit and Finance Committee in May of each year (CEO). The budget will include projected revenue and expenses on a monthly basis and cash balances for one year the budget period. The Audit and Finance Committee will review the budget for conformance with the financial policies of COHBE and prudent financial management and then recommend approval of the final. The budget is to be approved by the Board of Directors prior to the annual meeting-start of the fiscal year.

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Financial Controls

Circumstances during the fiscal year may necessitate an amended budget. Budget revisions that increase the overall budgeted expenditure total must receive approval of the Board upon recommendation of the Finance Committee.

Tax Compliance. All tax returns and related filings, required by state, local and federal government law, must be filed with the appropriate agency by the designated deadline.

Internal Controls

- Financial duties are distributed among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the organizations assets while considering efficiency of operations. When neither practical nor cost-effective to segregate financial duties, compensating controls should be used to reduce the risk of fraud and error.
- Access to the internal accounting system is controlled through the use of standard network security procedures, and limited to access by those individuals involved with accounting and financial management.
- The organization maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities, inventories, real and personal property and equipment.
- All employees and members of the Board of Directors are expected to use good judgement, to adhere to high ethical standards, and act in such manner to comply with the organizations Conflict of Interest Policy.
- The Executive Director and any designee having access to the internal financial accounting system must take at least three five consecutive business days of leave on an annual basis.
- Expense invoices and expense reimbursement requests are received and approved for payment by the Executive Director. The Executive Director may appoint a designee to print checks or generate financial reports.
- The Executive Director shall receive and open monthly bank statements and cancelled checks directly from the bank and shall scrutinize all cancelled checks and wire transfers

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to determine if they are appropriate. ~~The Chief Financial Officer will reconcile the bank account using the electronic bank statements.~~

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- Quality control reviews will be periodically conducted to ensure organizational compliance with laws, regulations, and internal policies and procedures. All errors, overpayment and noncompliance issues discovered through the review process or by other audit/monitoring activities will be investigated and appropriately resolved in a timely manner and policies and procedures revisions made if necessary. Results of the quality control reviews will be reported to the Board.

Borrowings and Other Credit. Authorization of borrowings are to be in accordance with the Authorization Matrix. Use and monitoring of corporate credit cards will be in compliance with the separate Credit Card Policy reviewed by the Finance Committee and approved by the Board of Directors.

Investments. Investments are maintained within the guidelines of a separate Investment Policy reviewed by the Finance Committee and approved by the Board of Directors.

- * General Signing authority for all expense payments, ACH, and Wire Transfers is held by the Executive Director, the Chairman of the Board, Finance Committee Chair according to the Board's approval.

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CHART OF ACCOUNTS. A CHART OF ACCOUNTS IS ESTABLISHED FOR COHBE USE. ACCOUNTING

Chart of Accounts. The chart of accounts will contain a classification system for income and expenditures to identify the sources and uses of funds. The definition and organization of the accounts reflects the need to provide information to the Board concerning the financial management of COHBE and progress toward fulfilling its mission.

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Account Reconciliation. ~~Account~~Bank account statements received from the bank of account are reconciled with internal financial records monthly by ~~the COHBE finance personnel that are independent from any cash authorization roles.~~ Reconciliations are reviewed by internal audit and the CFO/Controller ~~and~~. Other balance sheet accounts are reconciled periodically as necessary but no less than annually.

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Journal Entries. All journal entries are recorded in COHBE's records, the electronic accounting system with sufficient information to allow for review and audit of the entries.

Capitalization. Furniture, equipment and software purchases and donations are capitalized if the value or cumulative value of like items is \$~~5000-005,000~~ or greater and has a useful life of more than one (1) year. COHBE depreciates these items using the straight-line method over the useful life of the assets acquired.

Receivables

All funds received by COHBE will be logged in a manual receipts log that indicates the date, name of the party making the payment and the amount of the payment. The check will be stamped "for deposit only" then forwarded to the Accountant for deposit and posting in the

accounting system. The Executive Director will review the manual receipts log against monthly bank statements or validated deposit slips.

REVENUES, CASH RECEIPTS AND ACCOUNTS RECEIVABLE

Revenue Recognition. Revenues are recognized based on accrual accounting in accordance with generally accepted accounting principles (GAAP). Revenues are recognized when earned, regardless of the timing of cash receipts. Revenue is considered earned when COHBE has substantially met its obligation to be entitled to the benefits represented by the revenue. Deposits, advance payments and progress payments for programs or activities to be conducted primarily in a future period are classified as deferred revenues and are recognized as revenue only when the revenue producing event has occurred.

Cash Receipts. All funds, whether cash or check, which the organization receives will be deposited in a timely manner and intact into the appropriate bank account. No monies should be removed to make payments or for other purposes prior to depositing and recording the funds received in the accounting system.

Billings/Receivables. For fee/customer based revenues, properly designed accounting records and reports should be in place to ensure that total billings and individual customer accounts are accurately accounted for, collections are recorded timely, and delinquent accounts are readily identified and enforced. Periodic reconciliations of control accounts to individual customer accounts should be performed to ensure overall accuracy of accounting records.

EXPENSES, CASH DISBURSEMENTS AND ACCOUNTS PAYABLE

Purchases & Procurement. Approval of expenditures are to be in accordance with the Authorization Matrix. All purchases in excess of \$150,000 are to comply with the Procurement Policy.

Cash Disbursements. Any checks/ACH's/wire transfers are authorized according to the Authorization Matrix. No payments will be made without appropriately documented approval of expenditure and supporting invoice or contract.

Contract Management. A contract management process will be used to ensure appropriateness of payments and to monitor contract terms and expenditure levels. Contract expenditures materially exceeding contract limits are to be identified and reported to management to determine appropriate levels of approval needed prior to incurrence of additional contract expenditures.

Expense Processing.

- Invoices are to be recorded as accounts payable procedures and record retention in the accounting system in a timely manner, COHBE
- Expenditures are to be recorded consistent with budgeted line items and for the appropriate period. When applicable, expenditures should be recorded with the proper funding source and project code.

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- Invoices will ~~pay expense invoices~~ be paid according to the invoice terms unless awaiting contract funding, in which case, invoices will be paid upon receipt of funds.

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- Supporting expenditure documentation including invoices shall be retained in accordance with the Retention Policy.

Employee Expense Reimbursement. Expenses incurred in the normal course of COHBE business by the staff will be reimbursed in a timely manner and in compliance with the expense reimbursement policies and procedures established in the Workforce Members Handbook.

Board Expense Reimbursement. Certain expenses incurred by the Board of Directors are reimbursable, details can be found in the Board of Directors Expense Reimbursement policy.

Small Purchases. Purchases of low risk and low dollar administrative goods and services are to be processed in a controlled and expeditious manner. Credit accounts may be established for purposes of funding small reoccurring purchases of COHBE supplies and equipment. Use of ~~thesuch~~ accounts is restricted to the CEO/Executive Director. ~~Payables resulting and/or designees.~~

Payroll & Related Activities. COHBE may employ full time, part time, temporary, exempt, and non-exempt employees.

- All additions and changes to employee compensation for both new and existing employees must be approved and signed by the CEO.
- All employees, exempt and non-exempt, are required to record time worked, holidays and leave taken in the time keeping system each pay period.
- Payroll processing and reporting will comply with the rules/laws set forth by state, local and federal regulations.
- Receipt of the Workforce Member Handbook by all employees should be documented. Any revisions to the Workforce Member Handbook will be communicated to staff and access to the revised document made readily available.

Independent Contractors. Contracting with consultants is to comply with the consultant procurement provisions in the Procurement Policy.

FEDERAL AND STATE AWARDS

Preparation and Review of Proposals and Applications. Individual departments are responsible for preparing proposals/applications for projects that the department intends to pursue. All proposals/applications shall be reviewed by the CFO prior to submission to government agencies or other funding sources. Final proposals/application shall be reviewed and approved in writing by the CEO and the Board of Directors in accordance with the Authorization Matrix.

Compliance with Laws, Regulations and Provisions of Awards. As a recipient of federal and state funds, the organization is to be compliant with all applicable laws, regulations, and provisions of contracts and grants.

* Cash Drawdowns. Cash drawdowns from federal or state agencies shall be made as deemed necessary and follow all requirements of the funding agency. All federal or state funds shall be deposited into an interest-bearing cash account-use are paid on a monthly basis.

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- ~~*—Expense invoices are not paid without an appropriate invoice or voucher.~~
- ~~*—The check signing authority approved by the Board will be followed at all times while paying expenses.~~
- ~~*—Hard copies of check vouchers, with attached original copies of paid invoices will be maintained in vendor or grant recipient files. Copies of returned checks will be maintained and filed with the bank statement.~~
- ~~*—Paid expense transaction files are archived as described in the retention schedule and then destroyed.~~

Reimbursable expenses of staff and directors. Expenses incurred in the normal course of COHBE business by the staff and the Board will be reimbursed in a timely manner.

Procurement under Federal and State Awards. Procurement of goods and services to be funded by federal or state funds will comply with the purchasing policies in the Procurement Policy and any additional restrictions specific to the funding source. Vendors will be appropriately screened when federal funds are utilized.

Sub-recipients. COHBE may make sub-awards of federal or state funds to other approved organizations. All sub-awards in excess of \$5,000 shall be subject to the same procurement policies described in the Procurement Policy or the policies of the funding source, whichever is more restrictive. All federally funded sub-recipients will be appropriately screened to receive funds.

Sub-recipient Monitoring. COHBE will comply in all material respects, with laws, regulations and award provisions for the monitoring of sub-recipient expenditures. Specific program policies and procedures will be developed as needed for monitoring compliance with sub-award contractual terms.

Allowable vs Unallowable Costs. It is the policy of COHBE that only costs that are reasonable, allowable and allocable to a federal or state award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to federal or state awards.

Direct Costs. Direct costs include those costs that are incurred specifically for an award or function. COHBE identifies and charges these costs exclusively to each award or program.

Indirect Costs. Indirect costs are those costs that either benefit more than one award (overhead costs) or non-federal function or that are necessary for the overall operation of COHBE (management and general costs). Allocation of indirect costs should comply with all state and federal regulations.

Cost Sharing. It is the policy of COHBE to value contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or federal or state agency regulations identify specific values to be used.

Budget Revisions and Program Reporting. It is the policy of COHBE to follow the requirements of federal or state awarding agencies for program budget revisions and any ongoing program financial reporting.

Program Close Out. COHBE shall follow the close out procedures described in OMB Circular A-110 or 2 CFR 200.343, depending upon the Federal award date, and in the grant agreements as specified by the granting agency.

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