



## MEMORANDUM

**To: Members of the Rappahannock-Rapidan Regional Commission**  
**From: Patrick L. Mauney, Executive Director**  
**Date: February 15, 2021**  
**Subject: RRRC Financial Management Procedures & Whistleblower Policies**

In January, the Department of Housing & Community Development (DHCD) conducted a Compliance Review for the Virginia Housing Solutions Program (VHSP) grant. Following that review, DHCD staff notified RRRC of two findings requiring Commission attention.

- The agency must adopt written regulations and requirements related to financial management: allowable costs, source documentation, internal controls, budget controls, cash management, cost allocation plans, accounting records, procurements, property asset controls, and audits.
- The agency must adopt whistleblower protections

Financial management procedures have been, and remain, in place related to organizational financial procedures, and are confirmed by Commission financial review and the annual agency audit, among other processes. As a result of the finding, staff are providing the draft RRRC Financial Management Process Policy which places existing procedures into written format and documents the current financial management procedures used by the Commission.

Staff have also developed a draft Whistleblower Protection Policy for consideration. If adopted, this policy will be incorporated into ongoing revisions to the RRRC personnel manual.

**REQUESTED ACTION:** Approval of the RRRC Financial Management Process Policy and RRRC Whistleblower Protection Policy



Terence R. McAuliffe  
Governor

Maurice A. Jones  
Secretary of  
Commerce and Trade

# COMMONWEALTH of VIRGINIA

William C. Shelton  
Director

## DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

February 5, 2021

Patrick L. Mauney  
Executive Director  
Rappahannock-Rapidan Regional Commission  
420 Southridge Parkway, Suite 106  
Culpeper, VA, 22701

Dear Patrick Mauney:

This letter transmits the results of the January 6, 2021 monitoring of Rappahannock-Rapidan Regional Commission's administration of the Virginia Homeless Solutions Program (VHSP) Coordinated Entry and CoC Planning activities in the Foothills LPG. The monitoring visit consisted of a review of the program site, organizational policies, and financial procedures. A total of 10 client case files were also examined to evaluate the level of compliance with grant regulations. This letter outlines in specific detail the preliminary results of findings and concerns that were summarized at the exit interview.

One component of the monitoring visit was the organizational review. The organizational review consisted of a series of interview questions designed to gauge organizational capacity and grant compliance. Coordinated Entry client files were reviewed to evaluate file organization and the effectiveness of provided housing stabilization services. There was a financial review of reimbursable requests, timesheets, and financial policies. The monitoring visit concluded with a staff exit interview regarding findings and concerns.

A finding constitutes a specific identifiable violation of a statutory or regulatory requirement. A concern represents a deficiency in program performance that is considered worthy of your attention along with recommendations for correcting the listed deficiency. The grantee has the opportunity to contest the validity of the finding, undertake the recommended corrective action or propose an alternative corrective action for consideration. **The grantee has 30 calendar days from the date of this letter to respond to the results of our review.** Failure to do so may result in delays or denials of grant payments.

### Organizational Review

#### **Finding #1**

##### Conditions:

- Grantees must have appropriate internal controls in place [for] whistleblower protections (HSNH-VHSP Guidelines, pg. 8). During review of organizational documents provided no written protections were found.
- Grantees must ensure compliance with regulation and requirements pertaining to the following key areas of financial management: allowable costs, source documentation, internal controls, budget controls, cash



management, cost allocation plans, accounting records, procurement, property asset controls, and audits (HSHN-VHSP Guidelines, pg. 7). During review of organizational documents provided, the financial management procedures did not cover all of the required regulations and requirements.

Corrective Actions:

- The agency must adopt whistleblower protections and provide a copy of the board-approved protections to DHCD.
- The agency must adopt written regulations and requirements for all of the key areas covered in the HSHN-VHSP Guidelines and provide a copy of these regulations to DHCD.

**Concern #1**

Condition: The Foothills Housing Network has not established community-wide procedures for diversion to ensure that all providers are applying best practices.

Corrective Action: Diversion practices should be developed and written by the Foothills Housing Network to ensure that strong diversion practices are being applied by all appropriate service providers.

Thank you for your cooperation during the on-site monitoring. DHCD appreciates the efforts of Rappahannock-Rapidan Regional Commission to assist homeless persons in the Commonwealth of Virginia. Should there be any questions, contact me at (804) 371-7018.

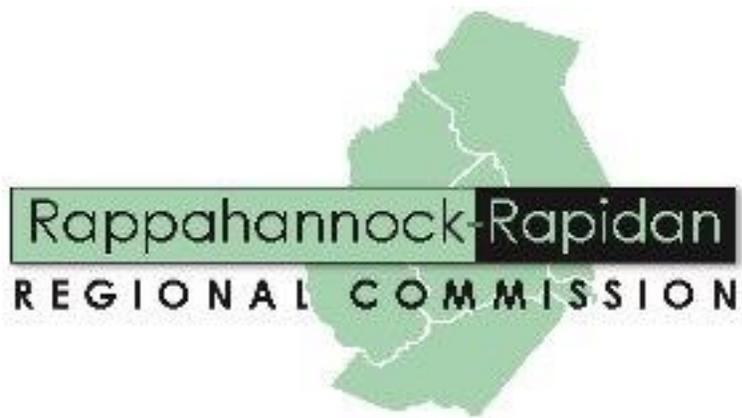
Sincerely,

A rectangular box containing a handwritten signature in black ink. The signature appears to read "Will Kerner" in a cursive script.

Will Kerner  
Program Administrator

Cc: Terry Snead, Grants Administrator/Fiscal Officer  
Rebecca Wareham, CoC Program Coordinator  
Monitoring File

\*Please be advised that in addition to this DHCD program monitoring visit your agency may also receive notice regarding a DHCD financial monitoring visit in the upcoming year.



**FINANCIAL MANAGEMENT PROCESS POLICY**  
**DATE: FEBRUARY 2021**

## **Rappahannock-Rapidan Regional Commission Financial Management Process Policy**

- I. PURPOSE:** The purpose of the Financial Management Process Policy is to establish the process of using funds effectively, efficiently, and transparently and for appropriate purposes only. This process is a combination of procedures, methods, rules of conduct, and standards.
- II. GOVERNING STANDARDS:**
- a. Generally Accepted Accounting Principles (GAAP): RRRC applies this common set of accounting principles, standards and procedures to compile the agency's financial statements.
  - b. Federal Uniform Requirements: RRRC applies cost principles in a manner consistent with the Federal government's Office of Management and Budget (OMB) Uniform Guidance: Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards, 2 CFR Chapter I, Chapter II, Part 200, et al (commonly referred to as the Omni Circular).
  - c. Government Auditing Standards: An independent firm conducts an annual audit, to express opinions on the RRRC financial statements and to consider RRRC's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.
- III. COST PRINCIPLES**
- a. Cost Allowability: RRRC will limit costs applied to projects to those that are necessary and reasonable to carry out the work under the award or contact. These costs are authorized, or not prohibited, under state or local laws and rules, and conform to the Federal Uniform Guidelines. Costs are treated consistently, in accordance with GAAP and federal, state, and local regulations. Costs for federally funded activities will not be used to meet the cost sharing or matching requirements of any other Federal Award, unless specifically allowed by the grantor.
  - b. Cost Reasonableness: Costs incurred will be of types generally recognized as ordinary and necessary for agency operations. RRRC will follow sound business practices, and comply with applicable laws and regulations.
  - c. Cost Allocability: RRRC will limit costs applied to projects to those goods and services that are incurred specifically for the project, benefit the project, and are necessary and assignable to the project. Costs may be allocated as direct or indirect costs, based on timesheets and the chart of accounts.
    - i. Direct costs include:
      - Staff costs, including salaries and fringe benefits, are allocated to projects per the hours shown on timesheets. The hourly rate used to allocate staff costs is based on work hours per year. Total salary and fringe benefits are divided by the expected work hours for the year, taking out annual leave, holiday, and a portion of sick leave.
      - Travel includes the use of a personal vehicle and costs for commercial travel. Staff using their personal vehicle for travel report destination, mileage, and program on expense reports, on a form created for that purpose. Other out-of-pocket expenses such as parking, registration fees, and incidental expenses, are also reported on an expense form, backed up by receipt, and tracked by program.
      - Supplies in support of an identified program, as indicated by the program manager on the receipt.

- Copies are tracked by staff when significant usage is accumulated by means of a spreadsheet or memorandum documenting quantities and assigned program. The rates charged to programs for black and white and color copies are reviewed periodically and established through an analysis of actual costs including equipment maintenance and supply costs.
  - Consultant services: Some projects include work provided through contractual service contracts. These costs will be assigned to programs, if allowed by the funder and included in the project budget. Payment will be made to the consultant based on a submitted invoice, itemizing the cost components and accompanied by a progress report.
  - Advertising: Public notices for meetings, comment periods, or related to procurement for a specific project may be charged directly to a program or project, if allowed by the funder and included in the project budget.
  - Professional Development and Conferences. Staff may attend training or conferences related to a specific project, if allowed by the funder and included in the program/project budget. Costs may include travel by airplane, train, or other available means, hotel stays, conference registration, and incidental costs backed up by receipt and tracked by to the program or project.
  - Equipment and data use may be charged to a specific program for office equipment less than \$5,000, software, web hosting, and domain costs, if these are specifically dedicated to the project or program, allowed by the funder, included in the project budget, and backed up by receipt.
- ii. Indirect Costs: RRRC's indirect cost rate is based on the agency's annual audit, and is calculated on an annual basis, using the actual indirect rate for the most recently audited year. The indirect cost rate is determined by a relation of total administrative costs to program salary costs, and is applied to direct staff costs charged to individual programs based on salaries and fringe benefits. The Virginia Department of Transportation (VDOT) serves as the cognizant agency for the RRRC and approves the indirect cost rate on an annual basis. VDOT acts as the agent on behalf of the Federal Highways Administration (FHWA). Indirect costs include:
- Administrative staff time: financial management and overall management of the agency, charged to administration on timesheets. This includes some of the Executive Director's and Finance Director's time, and incidental time by other staff members.
  - Staff time for general activities: This includes staff meetings and retreats, research, and other activities not directly supporting specific projects.
  - Staff time for network management: Time spent on Informational Technology issues, including equipment procurement, routine operations, and working with the IT support provider.
  - Supplies are generally included as part of indirect costs, except for items purchased for a particular event or purpose in support of an identified program. This is tracked in Quickbooks by account.
  - Printing costs are tracked by monthly invoices from the service contractor. Total costs for operation of the copier are charged to administration, offset by the cost of copies recovered through programs.

- Equipment and data use includes office equipment less than \$5,000 (computers, printers), software, web hosting and domain costs, and costs related to the server and plotter.
  - Contractual costs consist of IT and financial support services, including the payroll service charges.
  - Occupancy expenses including interest on mortgage, utilities, office park costs, maintenance and janitorial services.
  - Other costs include the audit, legal costs, advertising, insurance, bank charges, dues, and expenses for Commission and staff meetings and retreats.
- iii. Other Costs: RRRC incurs some costs that are not included in either direct or indirect costs allocated to projects. These include:
- Capital expenses are reflected on the balance sheet, but are not reflected in direct or indirect costs on profit and loss statements. Capital expenses are not included in the indirect cost pool.
  - Staff time related to non-billable programs is tracked on timesheets for that purpose. These costs are not charged to any program, and are not included in the indirect cost pool. Local funds are used for this purpose.

#### IV. BUDGET

- a. Agency Budget: The following procedures are used by the Commission to establish the agency budget:
- i. Prior to April 30, the Executive Director submits a proposed budget for the upcoming fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. This budget proposes the member allocations, to be used in budget submissions to the member localities, on the basis of an equal per-capita rate as established by the Commission and population figures adjusted each year as defined in Section 15.1-1402(f) of the 1950 Code of Virginia as amended. The per capita dues rate must be approved by vote of the Commission at a meeting with a quorum of the Commission present. The Executive Director, or designated staff, submits budget requests to the local governing bodies.
  - ii. The budget amounts depend on staff securing grants and contracts throughout the year. Appropriate budget revisions are proposed and approved by the Commission during the year. The Commission adopts the final budget for use in financial reporting at the June meeting.
  - iii. The approved budget is utilized as a management control device.
  - iv. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. Project Budget: RRRC typically prepares the project or program budget as part of the application process for funding. RRRC reflects all anticipated project revenues and expenses in the project budget. Revenues include the requested funding and any state, local, or private funds applied as match. Expenses include personnel costs, contracts, materials and supplies, travel, indirect costs, and other costs authorized by the regulations governing the particular award. After award, there may be a process of budget adjustment undertaken between RRRC and the funder.

**V. INTERNAL CONTROLS:** RRRC has instituted internal controls to protect its financial assets, to ensure that resources are used for authorized purposes, and are protected against waste, mismanagement, and loss. RRRC's financial policies, procedures and practices also provide mechanisms to record information on the source, amount, and use of funds in a reliable and timely fashion, readily available through reports and records.

- a. Segregation of Duties: RRRC has developed an agency organizational structure that provides an effective work environment and provides the framework for planning, directing and controlling operations to achieve its objectives. RRRC delegates authority and responsibility throughout the organization. The following groups and individuals have specific duties for internal controls related to financial management:
- i. RRRC Commission as a body
    - Will review and accept all financial reports
    - Will review and approve the annual budget, including revisions or amendments during the fiscal year
  - ii. RRRC Chair
    - Will be a signatory on all RRRC accounts, and sign expenditure checks in the Treasurer's absence
    - Will review all vouchers and invoices for those checks which require his or her signature
    - Will serve as Chair of the Executive Committee
  - iii. RRRC Treasurer
    - Will be a signatory on all RRRC accounts, and sign expenditure checks
    - Will review all vouchers and invoices for those checks which require his or her signature
    - Will serve as a member of the Executive Committee
    - Will review agency budget with Executive Director in advance of Commission consideration in April and June
  - iv. RRRC Executive Director
    - Will be a signatory on all RRRC accounts, and sign expenditure checks
    - Will review approval of invoices by project/program managers, or approve vouchers and invoices for those checks which require his or her signature
    - Will draft the annual budget for review by the Treasurer and Executive Committee, and present to the Commission for adoption
    - Will acknowledge independent bank reconciliation by designated staff and review bank statements upon receipt
    - Will review financial reports prepared by the Finance Director or other staff prior to presentation to the Executive Committee or Board
  - v. RRRC Finance Director
    - Will process checks based on invoices received and reviewed by the program/project manager, or on contracts in place
    - Will reconcile monthly bank statements using QuickBooks software
    - Will prepare financial reports
    - Will document all checks received and make bank deposits
    - Will prepare checks for mailing, with a copy of the invoice as appropriate, retain check stubs and invoices for RRRC records, and provide all materials to the Executive Director

and Treasurer for review and signature, prior to mailing and for filing

vii. RRRC Planning/Administrative Assistant

- Will receive and open all incoming mail, including the bank statements

b. Financial and Organizational Reports

i. Upon request, the RRRC Finance Director shall prepare:

- A balance sheet showing cash accounts, accounts receivable, accounts payable, pre- paid expenses, deferred revenue and the cost and depreciation of any owned property, equipment and fixtures, and equity accounts
- A consolidated income statement showing income received, expenses incurred and the balance for the month and year to date, with a comparison to the budget
- A chart showing accrued revenues by program
- A financial dashboard report, displaying key indicators in a visual way to convey the financial condition of the RRRC

ii. Financial Reports to the Commission: Financial reports will be provided at each meeting of the Commission for review and acceptance

iii. The Executive Director will provide a report to the Commission at each meeting, highlighting and analyzing RRRC's activities

c. Controls for Incoming Funds

i. Checks Received: The majority of the money received by the RRRC is in the form of electronic deposits or checks received through the mail. The following procedures will be used for checks received:

- The Planning/Administrative Assistant receives and opens the mail. Checks are passed on to the Finance Director. Bank statements are passed to the Executive Director for review before receipt by Finance Director
- The Finance Director records all deposits in Quickbooks, indicating date received, date deposited, check number, payer name, and amount of deposit.
- All checks are stamped "For deposit only," and recorded on a deposit slip before the deposit is taken to the bank.
- Funds in a single institution should not contain more than \$250,000, the current FDIC limit. All cash accounts owned by the RRRC will be held in financial institutions which are federally insured and have received a favorable CRA (Community Reinvestment Act) rating. Reserve funds may be held in Jointly-administered investment pools, such as VIP, which are now recognized as an allowable investment in the Investment of Public Funds Act by a unanimous vote of the General Assembly in 2017.

ii. Electronic Deposits: Payments for grant-funded programs may be made in the form of electronic deposits directly into RRRC's primary Money Market account. The following procedures will be used for electronic deposits:

- Electronic notification by the funder will be sent to the Finance Director
- The Finance Director will record all electronic deposits in Quickbooks, indicating the date received, payer name, amount of deposit and associated program

iii. Cash Received: On occasion, RRRC receives some incidental payments by cash. The following procedures will be used for cash:

- The Administrative Assistant or Finance Director receives all cash payments and provides a hand- written receipt slip to the payee, retaining the carbon copy.
- The Finance Director deposits cash payments over \$10 into the bank, keeping a copy of the deposit slip, and attaching the bank deposit receipt to the copy after making the deposit.
- The Finance Director records all cash bank deposits in Quickbooks, indicating date deposited, payer name, and amount of deposit.
- For cash payments under \$10, the cash may be added to petty cash, accompanied by a receipt to be used in the reconciliation. An entry will be made in Quickbooks to reconcile.

d. Controls for Payments

- i. The Planning/Administrative Assistant will open incoming invoices received by mail and forward these to Finance Director for review and processing. Invoices for recurring expenses, such as phone bills and newspaper subscriptions, and credit card statements will be forwarded directly to the Finance Director.
- ii. Each employee has a dedicated credit card. Staff may use their credit card for purchases as needed. Each staff member with credit card charges for the month provides receipts and/or materials on credit card activity to the Finance Director by the 5<sup>th</sup> of the month. RRRC makes one payment for the agency monthly, drawn directly from the Checking account by the bank.
- iii. The Finance Director will review invoices received, approved by the Program/Project Manager or Executive Director, and prepare checks for payment, using QuickBooks software. The Finance Director will arrange for signatures by the Executive Director and Treasurer, or other signatories as appropriate
- iv. The check signers review the checks and associated invoices. Any questions are directed to the Finance Director. After any issues are resolved, the signatory signs the checks and returns these to the Finance Director.
- v. The Finance Director prepares checks and appropriate paperwork for mailing and filing.
- vi. The Finance Director reviews materials prior to mailing, and retains the check stub and copies of the invoice and other back-up materials for RRRC files.
- vii. The Finance Director will maintain supporting documentation in appropriate vendor files. These files will be utilized to respond to any discrepancies which arise with vendors or other payees.

e. Petty Cash:

- i. The Finance Director maintains cash on hand for use in incidental purchases. The following procedures will be used for petty cash:
  - The Administrative Assistant keeps petty cash in a locked bank box, stored in a locked office. The maximum amount of petty cash maintained is \$200.
  - Staff may use petty cash for incidental purchases as needed. Receipts for purchases, with appropriate account codes noted, are retained in the locked box until petty cash is reconciled.
  - Any cash received under \$10 is noted with a hand-written receipt identifying the source of the funds, and kept in the locked box until petty cash is reconciled.
  - As needed, the Finance Director reconciles petty cash based on the receipts and remaining cash.

f. Bank Reconciliations:

- i. The RRRC Finance Director will reconcile the monthly bank statements within 10 days of

receipt using the accounting software. Bank statements for accounts without checks drawn are not mailed; the Finance Director will access these bank statements on-line.

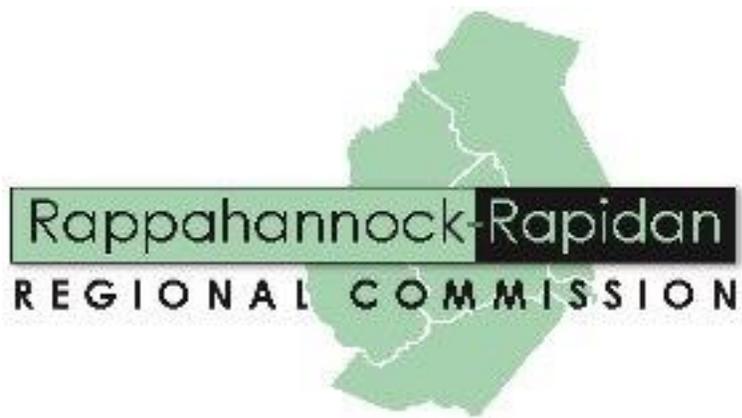
- ii. The RRRC Finance Director shall provide the bank statement(s), check registers, general ledger, payroll records and any voided checks (clearly marked as voided to avoid re-use of the check) to the Executive Director to do an independent reconciliation of the bank statement upon request.

## **VI. ACCOUNTING SYSTEM:**

- a. Software: RRRC utilizes QuickBooks to track revenue and expenditures on a cash basis and to produce monthly financial reports.
- b. Fund Accounting: RRRC uses a chart of accounts to classify transactions to clearly identify fund sources and uses. Governmental financial statements are produced at the end of the fiscal year.
- c. Fiscal Year: RRRC's fiscal year runs from July 1 to June 30.

## **VII. OTHER CONTROLS:**

- a. Controlled Access to Records: Financial records are kept in a cabinet in the Finance Director's office which is kept locked when unoccupied. A separate computer is dedicated to financial files, with access limited to the Finance Director and Executive Director.
- b. Control of Physical Assets: Physical assets include furniture and equipment. The following controls are in place:
  - i. The Finance Director, with assistance from staff, maintains a spreadsheet of all equipment, with serial number, date purchased, and assigned user.
  - ii. All physical assets are covered by an appropriate insurance policy.
  - iii. Keys to the office are provided to staff members, lessees, and the janitorial staff. Keys are returned to the RRRC upon termination of employment, lease or contract.
  - iv. Equipment, including laptops or other computer hardware, may, on occasion and with approval of the Executive Director, be removed from the office to support remote work of employees. The Executive Director, and other staff as assigned, will maintain a listing of equipment used outside of the office in support of remote work.



**WHISTLEBLOWER PROTECTION POLICY**  
**DATE: FEBRUARY 2021**

**Rappahannock-Rapidan Regional Commission  
Whistleblower Protection Policy**

**I. PURPOSE**

The purpose of the Whistleblower Protection Policy is to ensure that the Rappahannock-Rapidan Regional Commission provides for protections for employees consistent with § [40.1-27.3](#) of the Code of Virginia, as amended. The Commission requires employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. All employees are expected to practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

**II. REPORTING RESPONSIBILITY**

This policy is intended to encourage and enable employees and others to raise serious concerns internally so that the Commission can address and correct inappropriate conduct and actions. It is the responsibility of all employees to report concerns about violations of the Commission's code of ethics or suspected violations of law or regulations that govern the Commission's operations.

**III. NO RETALIATION**

It is contrary to the values of the Commission for anyone to retaliate against any employee who in good faith reports an ethics violation, or a suspected violation of law, such as a complaint of discrimination, harassment or suspected fraud, or suspected violation of any regulation governing the operations of the Commission. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment.

**IV. REPORTING PROCEDURE**

The Commission has an open-door policy and suggests that employees share their questions, concerns, suggestions or complaints with their supervisor. If an employee is not comfortable speaking with their supervisor or are not satisfied with their supervisor's response, employees are encouraged to speak with the executive director. If you are uncomfortable with communicating with either your supervisor or the executive director, you may contact the Chair of the Commission to discuss your concerns.

Supervisors are required to report complaints or concerns about suspected ethical and legal violations in writing to the executive director who has the responsibility to investigate all reported complaints.

**V. CONFIDENTIALITY**

Violations or suspected violations may be submitted on a confidential basis by the complainant. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.