

**Austin Chapter
of the
Texas Society of CPAs**

**Executive Board and
Oversight Council**

Fiscal Policies

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I. Governance

a. Overall Board Fiscal Policy Statement

Board Approval Date: December 4, 2015

Effective Date: January 1, 2016

Austin Chapter/TSCPA is required to meet generally accepted standards of fiscal management. Ultimately, the primary responsibility for the overall financial condition of Austin Chapter/TSCPA and adherence to such standards, including maintenance of proper accounting controls, rests with the governing board. Accordingly, it is thus the Executive Board's role to ensure that a set of fiscal policies are in place to provide direction to staff and other individuals. The policies shall reflect the current Board position, and shall be updated, amended, and/or supplemented as needed by approving updated policies.

b. Code of Ethics

Board Approval Date: December 4, 2015

Effective Date: January 1, 2016

Introduction

Austin Chapter/TSCPA is dedicated to supporting the purpose of the TSCPA as stated in Article I of its Bylaws. Its board, staff, and volunteers embrace fairness, inclusiveness, diversity, innovation, and integrity and work to advance Austin Chapter/TSCPA's mission and core values.

Because of this dedication to public service as exemplified in its mission, Austin Chapter/TSCPA is therefore committed to personal and professional integrity, public accountability, transparency in its operations, and good stewardship of its resources.

This code of ethics applies to Austin Chapter/TSCPA's Executive Board, oversight committee, staff, and volunteers. The Executive Board is elected as specified in the governing documents. Staff members are employed by TSCPA and provide services through the Austin Chapter/TSCPA management contract with TSCPA.

Volunteers include those members that serve on the Executive Board, oversight council, committees and participate in community events supported by Austin Chapter/TSCPA.

Austin Chapter/TSCPA is actively committed to informing board, staff, and volunteers about the code of ethics and its application; evaluating the code regularly; and creating policies and procedures that reflect its values.

Mission

The Austin Chapter TSCPA's mission, approved by the Executive Board, is to provide resources to enhance and support opportunities for members to prosper in a changing environment as stated in the Bylaws in Article 1, Section 2.

Personal and Professional Integrity

In their dealings as representatives of the organization, Austin Chapter/TSCPA's staff, board, and volunteers act professionally, with honesty, integrity, and openness. They treat each other and those the organization serves respectfully and fairly. Staff, board members, and volunteers are responsible for being aware of and complying with this policy and other Austin Chapter/TSCPA and TSCPA policies that address their conduct.

Governance

Austin Chapter/TSCPA and its representatives comply with the provisions and structure as set out in the organization's Bylaws dated January, 2011.

Legal Compliance

Austin Chapter/TSCPA's board, staff, and volunteers comply with all applicable laws, statutes, and regulations.

Financial Oversight and Fiscal Responsibility

Austin Chapter/TSCPA manages its funds responsibly and prudently by:

- ensuring that all spending practices and policies are fair, reasonable, and appropriate to fulfill its mission
- generating financial reports that are timely, accurate, complete, and accessible in all material respects

Openness and Disclosure

Austin Chapter/TSCPA provides comprehensive information about the organization and responds in a timely manner to reasonable requests for information.

Program Evaluation

Austin Chapter/TSCPA's directors and applicable officers will annually review its programs to determine that they continue to align with the organization's mission and meet the needs of those to whom the organization has dedicated its service.

Any proposed program or service will also be evaluated for its alignment with the organization's mission prior to its approval.

Inclusiveness and Diversity

To enhance its effectiveness, Austin Chapter/TSCPA promotes inclusiveness, and its staff, board, and volunteers strive to ensure that the diversity of those it serves is reflected in its programs and committees.

Fundraising Practices

Austin Chapter/TSCPA is truthful in its fundraising solicitation materials. Donation information and details about donors are treated with confidentiality to the extent provided by the law. The organization expends funds consistent with donor intent and provides appropriate acknowledgment and recognition.

Scholarships

When granting awards, Austin Chapter/TSCPA

- has procedures in place to ensure fairness and consistency;
- maintains constructive relations with applicants or nominees based on mutual respect and shared goals;
- communicates clearly and on a timely basis; and
- seek to understand and respect the needs of those seeking scholarships

Confidentiality

Austin Chapter/TSCPA's staff, board, and volunteers may have access to confidential and privileged information about the organization's members, its clients, and other individuals served by the organization. Loyalty to the organization and respect for those it serves require that individuals with access to such information comply with privacy and confidentiality policies and treat all information responsibly and appropriately.

Due Diligence

When making decisions about contracts or agreements, Austin Chapter/TSCPA's staff and board members will gather sufficient information to avoid any conflicts of interest and to make informed decisions on behalf of the organization, ensuring that decisions do not result in any private profit or benefit for staff, board members, volunteers, their friends or family members, or their related organizations.

Executive Board and Oversight Council

Austin Chapter/TSCPA has an active Executive Board and Oversight Council that sets the organization's mission, strategic direction, and policies, and has oversight of its finances and operations. The board ensures that (1) its members and the staff act for the benefit of Austin Chapter/TSCPA and its purpose with integrity and honesty; (2) Austin Chapter/TSCPA's resources are responsibly and wisely managed; and (3) Austin Chapter/TSCPA has the capacity to carry out its programs successfully.

Staff

All staff members are responsible for understanding the duties of their positions and executing those duties to the best of their abilities. The organization promotes a working environment that values respect, fairness, and integrity. Open communication among staff is highly valued.

To achieve high ethical standards, sustain the organization, and encourage its growth, the staff model professional conduct and provide leadership, clarity, and respect for individuals and for diverse points of view.

Volunteers

The organization's many volunteers are in direct contact with clients and customers and often are the face of the organization to their peers and the public. When acting on behalf of Austin Chapter/TSCPA, volunteers understand their duties and execute them to the best of their abilities. They convey the mission and goals of the organization and, as its representatives, refrain from promoting their own institutions or businesses.

Use of this Code of Ethics

The Code of Ethics of Austin Chapter/TSCPA is designed to be distributed, used, and updated on a regular basis. The Austin Chapter/TSCPA's Executive Board will establish a schedule to regularly review the code and its distribution. Austin Chapter/TSCPA's staff will:

- incorporate the code into its board and committee orientation materials;
- review the code during volunteer orientations;
- post the code on Austin Chapter/TSCPA's public website; and
- distribute the code to all volunteers via the appropriate vehicles.

c. Conflict of Interest

All volunteers of the Austin Chapter Texas Society of CPAs will make every effort to avoid any conflict between their own personal, company or firm interests and the interests of

the Chapter, in all actions taken by them on behalf of the Chapter.

A volunteer should abstain from voting on issues, policies and decisions which could cause the member to benefit personally or cause the member's company or firm to benefit from the outcome of the vote.

Each member of the Executive Board and the Oversight Council of Austin Chapter/TSCPA shall be required to sign an annual statement that he or she understands the Conflict of Interest Policy and agrees to disclose to the president or the executive director any conflict or potential conflict of interest which may arise during his or her service.

The disclosure of any conflict by volunteers should be in writing, confidentially addressed to the president and executive director, and should describe the facts and circumstances relative to the potential conflict of interest. It will be the decision of the president of the Chapter as to a resolution of the conflict, if a resolution is deemed necessary.

Any volunteer who is aware of a conflict of interest on his/her part and fails to report such shall be subject to appropriate disciplinary action by the Executive Board or its designee.

d. Zero Tolerance for Fraud

Austin Chapter TSCPA requires officers and members to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Such requirements do not allow for any tolerance of fraud. Members involved in any act of fraud will be reported to TSCPA for possible disciplinary action.

e. Whistleblower Policy

The purpose of this policy is to provide a procedure for Austin Chapter/TSCPA officers, directors, volunteers and members to report good-faith concerns about alleged accounting and financial improprieties and/or misuse of Austin Chapter/ TSCPA assets.

Notification Procedures

If an officer, director or member has a good-faith concern, he or she should submit the concern to the Austin Chapter TSCPA Executive Board president, who serves as the Compliance Officer for investigating and resolving all reported concerns. A concern may be submitted anonymously. It is preferred that a concern is submitted in writing, but an oral report is acceptable.

A concern should describe specifically the nature of the concern and should include documentary evidence, if available.

A concern shall be considered “good-faith” if the report is made without malice or consideration of personal benefit and the member has a reasonable basis to believe the report is true. A report does not have to be proven true to be made in good faith. Good faith will be considered to be lacking when the report is known by the reporting member to be malicious or false.

Investigation Procedures

The President, serving as Compliance Officer, shall be responsible for investigating concerns and shall be responsible for ensuring appropriate actions are taken. Depending on the nature of the concern, the President may consult with the Executive Director, Austin Chapter/TSCPA Executive Board, TSCPA management, as well as outside consultants, investigators, fraud examiners or legal counsel.

Confidentiality

When a concern is reported, the information shall be considered confidential to the extent that confidentiality does not hinder the investigation. Austin Chapter TSCPA cannot guarantee confidentiality of the concern. Disclosure of the concern and the person filing the concern will be made to the appropriate parties on a need-to-know basis. If an officer, director or member is being investigated as a result of a concern that has been filed, he or she may be given the circumstances of the concern. Such disclosure may allow the officer, director or member to deduce who filed the concern. In addition, identification of the person filing the concern may be necessary to perform the investigation, to allow law enforcement to perform an investigation, or if the person accused of impropriety is entitled to the information as a matter of legal right in disciplinary proceedings.

Protection of Whistleblower

If an officer, director or member reports a good-faith concern, without malice or information that is known to be false, the officer, director or member shall not suffer retaliation for his or her disclosure.

f. Actions of the Executive Board and Oversight Council via E-Mail

From time to time requests requiring the approval of the Executive Board and Oversight Council prior to a scheduled meeting may surface. Such requests will be forwarded to the Executive Board and Oversight Council for vote via E-mail. Positive voting by a

simple majority will be deemed approval of the request. Any vote taken via E-mail will be reported via meeting minutes or ballot summary

g. Minutes and reports of the Executive Committee

Minutes of any regular or special meetings of the Executive Board and other appropriate reports relating thereto will be distributed to all members of the Board within twenty-one (21) days after each such regular or special meeting has been held.

h. Review of IRS Form 990 by the Executive Board?????

For form 990EZ, the executive director and Secretary/Treasurer will review and approve the return prior to filing. For form 990 (long form), the Executive Board will be provided a copy . The Directors will be asked to acknowledge receipt of said form.

i. Death of a Past President

Upon the death of a past president of the Austin Chapter TSCPA (or other members at the discretion of the president), a resolution to honor and expression of sympathy is usually made by the Executive Board and sent to the surviving spouse or relative of the decedent, if an address is known.

A \$250 donation in memory of a deceased past president will be made to the Austin Chapter TSCPA scholarship fund.

II. Budget and Financial Controls

a. Financial Accounting and Reporting

The Reserve Fund (Chapter and CPE funds) shall equal, at a minimum, 6 months operating expenses from the most recently approved budget for the Chapter and CPE Foundation. Not more than 20% of the difference between the total Reserve Fund less the six months budgeted operating expenses can be used for the expenses in a budget year unless 2/3 of the Executive Board and 2/3 of the Oversight Council approve the expenditure. Additionally, the treasurer will be responsible for verifying quarterly that this requirement is being met. To change this definition of the Reserve Fund, a 2/3 vote of the Executive Board and 2/3 vote of the Oversight Council is required.

b. Internal Controls

We are a nonprofit organization committed to protecting and using our assets for our nonprofit mission. Proper financial practices are very important in doing this, since proper practices help to prevent and detect errors and fraud.

Internal controls are the methods and procedures designed by management to safeguard assets and to manage resources. An internal control plan is a system of checks and balances and includes established ways to prevent and detect intentional and unintentional errors. The system of internal control provides reasonable assurance of the following:

- Reliable financial and operational reports
- Efficient and effective operations
- Compliance with applicable state and federal laws and/or regulations

c. Bank Accounts and Petty Cash

The CFO of the TSCPA has control of the banking relationships as per the Austin Chapter Management Agreement with TSCPA. Authorized signatures for the Chapter bank accounts will be the TSCPA CFO and the Chapter executive director. Authorized signatures for the Chapter brokerage accounts will be the executive director and secretary/treasurer.

d. Budget Policy

The Budget committee which will include the Executive Director, Board Secretary-Treasurer and Secretary-Treasurer-Elect should meet in February to start the budget process. The Executive Director (ED) will contact the committee managers and TSCPA for input on budget amounts. Once the ED has received feedback the committee shall meet to prepare a proposed budget. Once the proposed budget is completed it shall be shared with the Executive Board for their review and input.

Unbudgeted expenditures on the Chapter or CPE Foundation budget that will exceed 10% of the budgeted amount or \$500, must be approved by the Executive Board before being spent.

e. Fixed Asset Policy

Any expenditure in excess of \$5,000 for the purchase of a single item should be capitalized and tracked as a fixed asset. These purchases should have quotes from three (3) vendors, if possible. These bids will be reviewed and approved by Board.

f. Credit Cards

Credit cards issued in the name of the Austin Chapter will be allowed. The cards may not be used for any person expenditures; only business related purchases.

g. Travel and Expense Reimbursement

Reimbursement requests shall be sent to the ED at the Austin Chapter offices. Reimbursement of mileage as a travel expense will be at the prescribed IRS allowable rate, which may change from time to time. **Original** receipts of all expenditures, except for *de minimis* amounts approved from time to time by the IRS, must accompany requests for reimbursement. Arrangements for air travel should be made in sufficient advance to obtain any discount fares available.

h. Document Retention

The following table provides the minimum requirements:

Type of Document	Minimum Requirement
Accounts payable ledgers and schedules	7 years
Articles of Incorporation, bylaws and charter	Permanently
Audit reports	Permanently
Bank reconciliations	3 years
Bank statements	3 years
Checks (for important payments and purchases)	Permanently
Continuing education TSBPA records	3 years
Contracts, mortgages, notes and leases (expired)	7 years
Contracts (still in effect)	Permanently
Correspondence (general)	2 years
Correspondence (legal and important matters)	Permanently
Deeds, mortgages, and bills of sale	Permanently
Depreciation schedules	Permanently
Duplicate deposit slips	3 years
Employment applications	1 year
Expense analyses/expense distribution schedules	7 years
Year End Financial Statements	Permanently

Insurance policies (expired)	3 years
Insurance records, claims, etc.	Permanently
Internal audit reports	3 years
Inventories of products, materials, and supplies	7 years
Invoices (to customers, from vendors)	7 years
Minutes-Executive Board and Board of Directors	Permanently
Minutes-Committee	3 years
Patents and related papers	Permanently
Payroll records and summaries	7 years
Personnel files	7 years after termination
Polygraph test results	3 years
Retirement and pension records	Permanently
Scholarship applications	3 years
Scholarship selection committee records	3 years
Scholarship recipient information- name, address, school	3 years
Tax returns and worksheets	Permanently
Timesheets	3 years
Trademark registrations and copyrights	Permanently
TSBPA continuing education records	3 years
Withholding tax statements	7 years

i. Scholarship Fund

The purpose of the Scholarship Fund is to accumulate monetary and other contributions in a permanent fund whose earnings only will be available for scholarship awards to students demonstrating financial needs enrolled in the Austin CPA Chapter area universities and colleges located within the geographical boundaries of the Austin CPA Chapter with a structured accounting degree program qualifying its graduates to sit for the CPA exam in Texas.

j. Contracts policy

Any multi-year contracts initially will be approved by Executive Board and may be signed by ED; renewals may be signed by ED with update to Board of any changes and date.

k. Risk Management

TSCPA carries Directors and Officers Liability policy (legal term) that includes an extension of coverage to all Board of Directors members.

This policy will pay, on behalf of the insured, all losses for which the insured shall be legally obligated to pay arising from any civil claim or claims first made against them because of a wrongful act while acting as a Board of Directors member of the Society, subject to certain exclusions and deductibles. The limit of liability is \$5,000,000 per loss per year.

Additionally, with regard to any civil claim or claims first made against TSCPA members because of a wrongful act while acting in a TSCPA or chapter volunteer capacity, all members are insured under TSCPA's General Liability Insurance policy with excess coverage provided under the Umbrella Liability Insurance policy. The limit of liability is \$10,000,000 per loss per year.

III. Administration

a. Evaluation of the Executive Director

Since the Austin Chapter/TSCPA has a management contract with the TSCPA, all employees are employees of the TSCPA. TSCPA staff evaluation process is in May, prior to the end of the fiscal year. TSCPA's Managing Director of Governmental Affairs contacts several Executive Board members, including the President and Secretary-Treasurer for input into the performance of the Executive Director. All other employees are evaluated by the Executive Director.

IV. Debt Management

The Austin Chapter TSCPA establishes the following policy concerning the issuance and management of debt. This debt policy, as presented to the Executive Board, was established to improve the quality of decisions in relation to the Chapter's financing activities, provide a comprehensive view of the Chapter's long-term debt picture and make it easier for decision-makers to understand issues concerning debt issuance and management.

b. Conditions of Debt Issuance

Debt should be issued for the purpose of meeting the needs of the membership through funding of capital projects and equipment but without constituting an unreasonable burden to members.

Long-term debt is only issued to finance the acquisition of capital assets and/or construction of capital improvements. Additionally, only capital needs identified in the capital improvement program will be considered.

c. Types of Debt

Leases - Leases may be used to finance major capital purchases major system upgrades and large equipment purchases.

Bank Loans – bank obligations may be used to finance major building improvements.

Other Obligations - There may be special circumstances when other forms of debt are appropriate and may be evaluated on a case-by-case basis. Such as line of credit or use of credit card.

d. Restrictions on Debt Issuance

- The Chapter will not use long-term debt to finance current operations or normal maintenance.
- Derivative products will not be used by the Chapter.
- Swaps will not be entered into without establishment of a Swap Policy.
- Variable rate debt will not be entered into without establishment of a Variable Rate Debt Policy.

d. Limitations on Outstanding Debt

The Austin Chapter/TSCPA cannot enter into any debt obligation that would cause them to be in conflict with the Reserve Policy.

e. Characteristics of Debt Issuance

When the Chapter enters into a debt obligation, it will pay back the debt within standard terms that include the following:

- Term may be up to 15 years depending on cash flow assumptions, or useful

life of asset being financed.

- The Chapter will seek level or declining debt repayment schedules and will avoid issuing debt that provides for balloon principal payments reserved at the end of the term of the issue.
- The Chapter will avoid variable-rate debt due to the potential volatility of such instruments. Therefore, the Chapter will avoid the use of variable-rate debt.

I. Investment Policy - attached

AUSTIN CPA CHAPTER/TSCPA and AUSTIN CPA CPE FOUNDATION INVESTMENT GUIDELINES AND OBJECTIVES

Statement of Objectives

The purpose of this policy is to establish clear guidelines for the management of the Austin Chapter CPA Chapter's ("Chapter") and the Austin CPA Chapter CPE Foundation's ("Foundation") investment portfolios. The investment portfolio includes all investment assets of the Chapter and Foundation. The primary goals for each of the portfolios are preservation of capital and liquidity of funds. The secondary goals for each of the portfolios are generation of current income and capital appreciation. To achieve these goals a professional money manager should protect the portfolio within the guidelines of this policy.

Investment Guidelines

At all times, the assets of the Chapter and the Foundation should be invested in a manner wholly consistent with the principles of the "prudent person" rule which states, "Investments shall be made with judgment and care, under circumstances then prevailing, with discretion and intelligence in the management, not for speculation, but for investment, considering the probable income to be derived."

The amount of cash needed to fund current operations (i.e. not available to acquire CDs, etc.) should be determined by the Executive Director in conjunction with the Treasurer and Treasurer-Elect as part of the annual budget process.

Diversification

Investments should be diversified among industries with the intent to minimize losses by spreading risk. The total portfolio should be constructed and maintained to provide prudent diversification with regard to individual issues, corporations, and industries. The appropriate allocation of assets should be grounded in a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions can be tolerated so long as the Chapter's and the Foundation's annual goals are achieved on a multi-year investment horizon.

Equity Holding

Stock holdings should be restricted to high quality, readily marketable securities of corporations that are actively traded on the major exchanges. Corporate bonds may be held if investment grade or its equivalent from both *Standard and Poor's* and *Moody's*. No

securities should be purchased on margin or sold short, and there should be no trading in commodities or other future contracts. There should be no purchase of any private placements. No more than ten percent (10%) of the portfolio shall be invested in any single issuer of securities provided however, that for the purpose of this sentence such limitation shall not apply to mutual funds invested in diversified securities. No more than twenty percent (20%) of the equity holdings shall be invested in any single industry. The investment objectives of the Chapter and the Foundation, Texas Society of CPAs shall be capital preservation.

Mutual Funds

Investments in mutual funds should meet or exceed the above-defined quality and diversification parameters.

Cash or Cash Equivalents

Acceptable cash and cash equivalent investments include:

- Money market mutual funds
- Money market accounts
- Certificates of deposits
- Interest bearing checking or savings accounts
- U.S. Treasury securities
- U.S. Government agency securities

Contributed Securities

Gifts of contributed securities and other property will be held or sold at the discretion of the Investment Committee.

Responsibility for the Management of Investments

There will be established a standing Investment Committee. This committee will consist of seven members who shall include the Treasurer (who will serve as chairperson), Treasurer-elect, President, President-elect, Executive Director and 2 members of the Oversight Council. This committee shall meet at least quarterly to review the investment portfolio and administer the investment policy in accordance with the above guidelines and the short term cash needs as communicated by the Treasurer. The Executive Director and the Treasurer will have the responsibility for carrying out the investment policy and reporting to the Executive Board and Oversight Council.

Investment Manager

The Austin CPA Chapter's Executive Director is authorized to retain the services of an investment manager to provide expert advice and recommendations for achieving the

chapter's investment objections after approval by the investment committee and the chapter's Executive Board.

The Investment Committee will meet at least annually with the investment manager to review the portfolio status, performance, and future prospects. The investment manager will provide the committee with such reports as may be required.

Approval Process

Changes to the Investment Guidelines and Objectives can only be made with approval from a simple majority of the chapter's Executive Board and Oversight Council.