

NEW YORK STATE RELIABILITY COUNCIL, L.L.C. (“NYSRC”)

POLICY NO. 3-12

ACCOUNTING PROCEDURE

1.0 Introduction

This document explains the NYSRC procedures associated with the handling of receipts, disbursements, bank statements, financial reports, and the NYSRC funding mechanism. Responsibilities of the NYSRC Executive Committee Treasurer (“Treasurer”), the NYSRC Accountant (“Accountant”), NYSRC Auditor (“Auditor”), and NYSRC members are delineated in this Procedure. The Treasurer’s duties are described in more detail in Appendix A.

2.0 Receipts

In December of the each fiscal year, January 1 – December 31, the Treasurer will present the Cash Flow form as mentioned in Appendix A. The monthly estimated cash flow is based on the approved annual budget and funding mechanism for the following year. This is used to estimate the quarterly call-for-funds requirements for the next fiscal year.

The NYSRC Executive Committee shall authorize Calls for Funds, normally on a quarterly basis, in accordance with the annual Funding Mechanism (see Section 6.0). Affiliated Members have two options for making payments for towards their quarterly assessments: (1) via check and (2) via electronic funds transfer. For the latter option, the Treasurer shall provide the appropriate NYSRC ABA routing and bank account numbers. Affiliated Members using the electronic fund transfer option shall notify the Treasurer via e-mail when a payment has been made, providing the amount and date of payment.

The NYSRC shall maintain a regular checking account with a bank approved by the NYSRC Executive Committee.

All checks received by the Treasurer shall be deposited expeditiously in the checking account. Copies of the checks and deposit slips shall be forwarded to the Accountant in the current month. Copies shall be retained by the Treasurer.

3.0 Disbursements

The Accountant shall prepare the checks for authorized signature by the Treasurer, or such other individuals as the NYSRC Executive Committee may designate, after appropriate approval for payment. The Treasurer shall process ACH payments to individuals who requested electronic payments for invoices.

The Chairperson of the NYSRC Executive Committee, or his/her designee, must authorize all payments, with the exception noted below. Appropriate documentation for expenses will be required as follows:

3.1 Annual Retainer Fee for Unaffiliated Members - The dates of payment and amounts

to each individual shall be set forth in an annual document, approved by the NYSRC Executive Committee consistent with the NYSRC Operating Agreement. Payments shall be made quarterly on or before January 15, April 15, July 15, and October 15. The amount of Unaffiliated Member retainer fees shall be approved by the NYSRC Executive Committee and documented in accordance with Section 7.0. Authorization of the NYSRC Executive Committee Chairperson for retainer fee payments is not required.

- 3.2 Meeting Fees for Unaffiliated Members – Meeting fee amounts to be paid to the Unaffiliated Members of the NYSRC Executive Committee for participation in all NYSRC committee, subcommittee, and working group meetings shall be approved by the NYSRC Executive Committee in accordance with Section 7.0. Meeting fee rates shall vary depending on the type of Unaffiliated Member meeting participation, as follows:

- 3.2.1 Personal attendance at and participation in meetings by Unaffiliated Members. The meeting fee rate for these meetings are on a per Meeting Day basis. A Meeting Day is a normal calendar day in which one or more meetings are held. The Unaffiliated Member is expected to attend essentially all of a meeting to qualify to receive compensation and attendance is for an official purpose for the NYSRC.
- 3.2.2 Participation by Unaffiliated Members in a regularly scheduled NYSRC Executive Committee, Subcommittee, or Working Group meeting through teleconferencing. The Unaffiliated Member is expected to be on-line for essentially all of the meeting.
- 3.2.3 Participation by Unaffiliated Members in other (special purpose) prearranged conference calls in which it is required to have a quorum.
- 3.2.4 Participation by Unaffiliated Members in (conference or other) calls, which are merely for information or for discussion purposes, shall not be compensated for.

The payment of meeting fees and associated travel expenses for participation in Subcommittee or Working Group meetings by an Unaffiliated Member is subject to prior approval by the Executive Committee. Unaffiliated Members shall submit an invoice, for the appropriate fee, as in the same or similar format as shown in Appendix B, to the Chairperson of the NYSRC Executive Committee for approval. After the Chairperson has approved the invoice for payment, he/she shall forward it to the Accountant for processing.

- 3.3 Travel and Other Expenses – Travel and other expenses by the Unaffiliated Members or other authorized personnel, which are to be reimbursed, must be submitted to the Chairperson of the NYSRC Executive Committee as in the same or similar format as shown in Appendix B. After approval the travel/other expense invoice shall be forwarded to the Accountant for processing. Mileage shall be reimbursed at the current Internal Revenue Service (“IRS”) approved mileage reimbursement rate. Appropriate backup expense documentation and receipts shall be submitted to the Treasurer.

- 3.4 Other Expenditures – Invoices for all other expenditures, including fees for services from other authorized personnel, shall be approved by the Chairperson and supported by appropriate evidence of services or goods provided. Appendix B or similar forms should be used to submit these expenditures for payment.
- 3.5 When the Chairperson of the NYSRC Executive Committee is an Unaffiliated Member, expenses under 3.2, 3.3 and 3.4 above shall be approved by the Vice Chairperson of the NYSRC Executive Committee.

4.0 Bank Statements

The Treasurer shall review the monthly bank statements and forward them to the Accountant for reconciliation.

5.0 Annual Budget

The NYSRC Executive Committee shall annually prepare and approve a budget no later than August 15 for the following calendar year.

6.0 Annual Funding Mechanism

The NYSRC Executive Committee shall annually prepare and approve a Funding Mechanism no later than August 15 to cover budget expenses for the following calendar year.

7.0 Compensation Reviews

The NYSRC Executive Committee shall annually review no later than July 15, compensation for the following calendar year, covering: Unaffiliated Members (retainer and meeting fees), Consultants, the Executive Secretary, the Administrative Assistant, and other individuals that provide professional services for the NYSRC. Any compensation changes shall be approved and documented by the NYSRC Executive Committee. Unaffiliated Members may be excused from any portion of an Executive Committee meeting during which their compensation is reviewed. A Compensation Subcommittee, appointed by the NYSRC Executive Committee, shall provide the Executive Committee with a report on compensation, as described in Appendix C, prior to the annual compensation review to facilitate the Executive Committee's consideration of compensation levels. Appendix D is guidelines to be used by the Compensation Subcommittee for preparing annual compensation adjustments for NYSRC personnel.

8.0 Reporting

The Accountant shall prepare monthly summaries of receipts and expenses, including a comparison with the NYSRC budget, by the first of the month, in a format agreed upon with the NYSRC Executive Committee. This monthly report shall be presented to the NYSRC Executive Committee.

The Auditor shall prepare a year-end financial statement and annual audit, and present them to the NYSRC Executive Committee by March 31 of the following year. The Accountant

and Treasurer shall forward to the Auditor appropriate documentation, as required, for the annual audit.

The Accountant or Auditor shall prepare tax exempt organization returns for filing with the IRS and State, as determined necessary.

The Accountant shall prepare IRS Form 1099 individual income statements, as determined necessary.

APPENDIX A

NYSRC TREASURER'S DUTIES

	Procedure	Policy 3 Section No.
Receipts	<ol style="list-style-type: none"> 1. Recommend quarterly call-for-funds to the EC. Recommendations are made at the EC meeting before the beginning of the quarter. 2. Issue call-for-funds letter immediately following EC call-for-funds approval. 3. In December, prepare a monthly estimated cash flow based on approved annual budget and funding mechanism for the following year. This is used to estimate quarterly call-for-funds requirements for the next year. 4. Deposit checks received from members and maintain electronic deposits. 5. Send deposit information and bank statements to Accountant. 	2
Disbursements	<ol style="list-style-type: none"> 1. Sign and mail checks prepared by the Accountant. Ensure check amount is consistent with invoice. 2. Process ACH payments. 3. Prepare letter to the Accountant in December authorizing quarterly retainer amounts for the following year. 	3
Annual NYSRC Budget & Funding Mechanism	In July, or when requested by the EC, prepare a proposed annual budget and funding mechanism for the following year for EC approval.	5 & 6
Tax Returns	<ol style="list-style-type: none"> 1. Review 1099 Forms prepared by the Accountant. 2. Review, sign, and submit IRS Tax Exempt Organization Form 990 prepared by the Auditor. 	8
Accountant	<ol style="list-style-type: none"> 1. Recommend to the EC, when required, retention of an Accountant. 2. Accountant duties: <ol style="list-style-type: none"> 2.1 Prepare checks and mail to the Treasurer for signature. 2.2 Prepare monthly Treasurer's report. 2.3 Maintain records. 2.4 Provide the auditor with the requested documentation. 2.5 Prepare Form 1099 every January. 	8
Auditor	<ol style="list-style-type: none"> 1. Recommend to the EC, when required, retention of an Auditor when required. 2. Provide the auditor with the requested documentation, including monthly bank statements and payment checks and invoices. 3. Auditor duties: <ol style="list-style-type: none"> 3.1 Prepare annual audit and year-end financial statement. 3.2 Prepare IRS Form 990. 	8
Reports	<ol style="list-style-type: none"> 1. Review and approve monthly Treasurer's report prepared by the Accountant. This report includes summaries of receipts and expenses, and a comparison with the annual budget. The report is submitted monthly to the EC. 2. Review draft auditor report prior to finalization and submission to the EC. 	8
Records	<ol style="list-style-type: none"> 1. Payment check stubs and invoices (provided to auditor). 2. Monthly bank statements (provided to auditor). 3. Summary of affiliated member quarterly payments. 	4

APPENDIX B
NEW YORK STATE RELIABILITY COUNCIL, L.L.C.
REIMBURSABLE EXPENSES & COMPENSATION

Submitted by: _____ Signature: _____ Date: _____

ALLOWABLE EXPENSES*

Date(s) of Travel	
Purpose of Trip(s)	
Mileage @ Current IRS Rate	
Car Rental	
Gas	
Airfare	
Hotel	
Meals	
Other (describe)	
TOTAL EXPENSES	

*Attach receipts to support all expenses in excess of \$25.

COMPENSATION (INCLUDING MEETING FEES & OTHER SERVICES)

Dates and Descriptions of Meetings, Services, etc. (use additional sheets if necessary)	
TOTAL COMPENSATION	

TOTAL COMPENSATION + EXPENSES	
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Approved for Payment by: _____ Date: _____

Print Name

Signature: _____

APPENDIX C

GUIDELINES FOR ANNUAL COMPENSATION REPORT

As part of the NYSRC compensation review process, the Compensation Subcommittee shall prepare a report to facilitate the Executive Committee's annual review of compensation levels, as follows:

1. Each year the Compensation Subcommittee will prepare the report to be circulated prior to the July Executive Committee meeting. The report will include a schedule of existing compensation levels for each individual or group for which the NYSRC provides compensation, and the dates on which compensation was last revised for each individual or group.
2. The report will provide information, from a relevant inflation index, on increases in inflation for the period between the year in which compensation was last increased for any individual or group to the present.
3. The report will provide recommendations with respect to compensation levels for each individual and group for which the NYSRC provides compensation; and may include comments on the recommendations.
4. The report provided by the Compensation Subcommittee and its recommendations will be purely advisory and will not in any way bind the Executive Committee. Further, the provision of inflation information in the report will not in any way imply that the Executive Committee is obligated to provide compensation increases based on inflation, or that it may not approve increases higher or lower than inflation based on performance, work load, or any other factor the Executive Committee considers relevant.

APPENDIX D

NYSRC COMPENSATION GUIDELINES

The NYSRC Executive Committee has adopted the following guidelines for annual compensation adjustments for NYSRC personnel:

1. The Executive Committee will authorize the Compensation Subcommittee to submit a report regarding compensation adjustments to be effective January 1 of the following year. The Compensation Subcommittee will undertake to submit its report to the Executive Committee for consideration at its June meeting. Unless otherwise determined by the Executive Committee Chairperson, the Compensation Subcommittee will be comprised of the Chairperson and Vice Chairperson of the Executive Committee and the NYSRC Counsel. The NYSRC Treasurer will provide assistance to the Compensation Subcommittee as it requires.
2. An annual inflation adjustment will be applied to all compensation categories, with a 2.0% CPI floor. Individual personnel hourly rates will be rounded to the nearest cent and Unaffiliated Member meeting fees and retainers will be rounded to the nearest dollar.
3. The Compensation Subcommittee report will provide the annual inflation increase for the Northeast Region for the previous 12 months. However, the subcommittee may recommend an inflation adjustment different from the inflation increase for the Northeast Region. It may also recommend adjustments different from the inflation increase for certain compensation categories or individuals. The Compensation Subcommittee will include in its report its reasons for any such recommendation.
4. The report also will include a chart showing the history of compensation increases and the recommended increases. The Treasurer will provide an estimate of the impact of the proposed increases on the NYSRC budget for the following year.
5. The Executive Committee will consider the Compensation Subcommittee Report in executive session by the July meeting. The Executive Committee may accept the Compensation Subcommittee's recommendations or may revise those recommendations as it deems appropriate. The Executive Committee may also request the Compensation Subcommittee provide additional analysis or information for consideration by the Executive Committee at its next meeting.