

**American Pecan Promotion Board Policy and Procedure Book**

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## Code of Ethics

Board Members will:

1. Maintain loyalty to the mission of the American Pecan Promotion Board, as stated in the American Pecan Promotion Board Order, and support the mission of the American Pecan Promotion Board (Board) in the eyes of the American Pecan industry and the public.
2. Maintain the highest standard of personal and professional conduct when representing the Board, this includes reviewing Board materials and being prepared for all Board meetings.
3. Cooperate with other members of the Board/Committee, contractors, vendors, and agencies for the advancement of the goals and objectives of the Board.
4. Serve all members of the industry impartially, providing no special privilege to any member of the industry or public.
5. Always communicate the Board's internal and external statements in a truthful and accurate manner.
6. Use only legal and ethical means in Board/Committee activities.
7. Hold in confidence and not use for personal gain any information about the Board's programs before such plans are announced to the industry.
8. Use Board funds only for expenses incurred specifically for Board business and within guidelines set by the Board such as notated in the travel policy.
9. Recognize that the services of the contractors, agencies, and vendors are to serve the entire industry equitably.
10. Comply with the provisions of the American Pecan Promotion, Research, and Information Order and USDA Guidelines for AMS Oversight of Commodity Research and Promotion Programs.

## **Confidentiality Policy**

Members of the Board have a fiduciary duty of care, which includes a duty of confidentiality. In connection with Board service, members may be given or have access to confidential information of the Board or third parties. Confidential Information is all information that the Board considers to be confidential or proprietary information of the Board or third-party sources. Members will not disclose or permit to be discussed any Confidential Information, and will not appropriate, photocopy, reproduce, or in any fashion replicate any Confidential Information without the prior written consent of the Board Chairperson or Executive Director. Disclosure of Confidential Information in violation of this policy can cause immediate and substantial damage to the Board or any parties that provided the Confidential Information to the Board. Members will use reasonable efforts to maintain the confidentiality of the Confidential Information and agree to not use any Confidential Information for their personal benefit unless authorized in advance in writing by the Board Chairperson. All information obtained from books, records, or reports will not be shared with Board members, producers, importers, or first handlers and will be kept confidential as required in the Act (7 U.S.C. 7414(i)(4)) and Order (7 CFR 1223.62).

## Conflict of Interest Policy

All Board members will sign a Conflict of Interest and a Code of Ethics statement annually.

Members must act at all times in the best interests of the Board and not for personal or third-party gain or financial enrichment. When encountering potential conflicts of interest, Board members are required to identify the potential conflict and, if directed, remove themselves from all discussion and voting on the matters. Specifically, members of the Board will:

- Avoid placing (and avoid the appearance of placing) one's own self-interest or any third-party interest above that of the Board.
- Not abuse their Board membership by improper use of Board membership or staff, services, equipment, materials, resources, or property for personal or third-party gain or pleasure, and shall not represent to third parties that their authority as a Board member extends any further than it legally exists.
- Not engage in or facilitate any discriminatory or harassing behavior directed toward independent contractors, employees, members, officers, meeting attendees, exhibitors, advertisers, sponsors, suppliers, or others in the context of activities relating to the Board.
- Not solicit or accept gifts, gratuities, free trips, honoraria, personal property, or any other item of value from any person or entity as a direct or indirect inducement to provide special treatment to such donor related to Board business.
- Not provide goods or services to the Board as a paid vendor without full disclosure to, and advance approval by, the Board and USDA, and pursuant to any related procedures adopted by the Board.

## Donations Made by the Board

The Board's policy regarding donations utilizing funds derived from assessments or donations is as follows:

- The Board is prohibited from making financial and gift contributions to any organizations, even in honor or memory of an individual.
- The Board may expend funds up to \$200 per board member per event, for cards, flowers, plants, or similar tokens for special events or occasions. The amount allowed will be determined by the Finance Committee.
- The Board may expend funds up to \$300 per board member or officer per term to recognize the board member's service. The Board may only expend funds for board members, not for contractors' service to the Board. The amount allowed will be determined by the Finance Committee.
- The Board may expend funds up to \$200 per board contractor, as part of regular business practices, to include flowers, plants, or similar tokens for special events or occasions (e.g., birth/adoption of a child, death of a family member, celebration of marriage, etc.).
- The Board may make donations of commodity, product, or funds, provided the donation is tied to a public relations or promotional effort promoting the commodity and/or image of the industry.
- The Board may provide monetary gifts, gifts that function as money, or other gifts as part of a research or promotion project because such restitution is common practice and doing so benefits the Board's collection of information or extends the reach of a promotion.
- The Board may provide funds to an organization if the funds are for a direct allowable expense. The Board may pay membership or sponsorship fees to industry associations or other groups, but the association or group must certify by letter or other documentation that those funds were not used for the purpose of influencing government policy or action.

## **Contributions to the Board**

The Board can receive contributions as per 7 CFR 1223.50(f). However, the Board cannot receive funds for a specific project or action. The donated funds will be placed into the Board general operating funds, and the Board will determine how the funds will be disseminated.

Contributions must be clearly listed in the budget and incorporated into the budget process to be used for activities permitted under the authorizing legislation, and USDA/AMS will review and approve those budgets, including budget amendments, before funds are expended. The Board must not accept contributions which create a conflict-of-interest situation or a situation which could reasonably be perceived by a third party as a conflict of interest.

## **Civil Rights and Equal Employment Opportunity Policy**

The American Pecan Promotion Board's policy is to provide equal employment opportunity for all applicants and contractors based on job-related qualifications and their ability to perform. The Board does not unlawfully discriminate on the basis of a person's race, color, sex, age, religion, national origin, disability, or reprisal. The Board will fully comply with any and all applicable Federal, State, and Local equal employment opportunity statutes, ordinances, and regulations, including but not limited to Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, Genetic Information Act of 2008, and the Equal Pay Act of 1963.

In accordance with these policies, boards must maintain a work environment where:

- All persons are treated with respect and in a professional manner.
- Conflicts and complaints are resolved quickly.
- All persons can discuss concerns openly without reprisal or retaliation.
- All persons demonstrate a commitment to civil rights and equal opportunity for everyone through their work and actions.

## Policy Against Sexual and Other Unlawful Harassment

The American Pecan Promotion Board provides a high level of service to its members and to the public with whom it works. In achieving this goal, the Board wishes to promote the health, well-being and mutual respect of all contractors hired and members involved in Board functions. The Board is committed to maintaining a work environment that is free of unlawful harassment. In keeping with this commitment, the board will not tolerate unlawful harassment of its employees by anyone, including managers, supervisors, co-workers, or contractors.

Harassment consists of unwelcome conduct, whether verbal, physical, or visual, that is based on a person's race, religion, color, age, gender, national origin, disability, or any other classification protected by law. Harassment involves conduct that denigrates or shows hostility or aversion toward an individual because of his/her race, religion, color, age, gender, national origin, disability, or any other classification protected by law, and that: (i) has the purpose or effect of creating an intimidating, hostile, or offensive work environment; (ii) has the purpose or effect of unreasonably interfering with an individual's work performance; or (iii) otherwise adversely affects an individual's employment benefits or opportunities. Harassing conduct may include but is not limited to: (i) derogatory remarks, epithets, slurs, negative stereotyping, offensive jokes, or threatening, intimidating, or hostile acts; (ii) written or graphic material that denigrates or shows hostility or aversion toward an individual or group and that is displayed or circulated in the workplace; and (iii) offensive physical actions.

Sexual harassment deserves special mention. Sexual harassment is detrimental to working in a positive and healthy environment. The Board strives for a work environment that promotes safety and dignity and that is free from the affronts of sexual harassment.

Sexual harassment is prohibited by State and Federal law and by this statement of Board policy. It applies in the workplace or at any event sponsored by the Board.

**Definition** Sexual harassment occurs when unwelcome verbal or written communication or physical conduct is of a sexual nature or is gender-based, that is, directed at a person because of his/her gender. Sexual harassment includes:

- Sexual gestures, comments, innuendos, or jokes
- Unwelcome invitations to sexual activity
- Unwelcome touches, pinches, hugs
- Pressure to engage in sexual activity as a condition of employment or promotion
- Sexual assault

Sexual harassment occurs when such conduct has the purpose or effect of interfering with an individual's work performance or creating an intimidating, hostile, or offensive work environment.

No contractor or member shall be retaliated against in any way for bringing a potential incident of sexual harassment to the attention of the appropriate party, to include, but not limited to contractors, Board Chairperson, or USDA/AMS.

**Reporting of Alleged Violations**

If the Board receives or obtains information regarding an alleged violation of any statute that USDA administers, USDA regulations, or any Federal or State criminal law involving the Board or its contractors while on duty, while on the Board's premises or using or accessing Board property, or the use of checkoff assessments, the Board must report the information or allegation to AMS as soon as possible but no later than five business days after receiving or obtaining the information or allegation.

The Board prohibits retaliation against any individual who reports discrimination or harassment or participates in an investigation of such reports. Retaliation against an individual for reporting harassment or discrimination or for participating in an investigation of a claim of harassment or discrimination is a serious violation of this policy and, like harassment or discrimination itself, will be subject to disciplinary action.

Any person may report alleged violations to AMS (202) 720-9915 or to USDA's Office of the Inspector General at (800) 424-9121.

## Development of Programs Policy

The American Pecan Promotion Board welcomes any State or Regional Pecan organization to petition the Board for funding for promotion, research, or information projects. The funds from these requests are subject to the same restrictions and parameters including fiscal, budget, and audit controls that all assessment funds are subject to.

Each request for funding must:

- Include a budget that specifies the cost to be incurred to carry out the activity
- Account for funds received and expended in connection with the contract or agreement
- Have a section identifying how the request satisfies a part of the Board's strategic plan or the Board's mission
- Show how the proposal will be evaluated for effectiveness.

All spending is subject to approval by the Secretary, the Commodity Promotion, Research and Information Act of 1996, the Final Rule of the Board Order, and any other USDA rulings affecting the Board before becoming effective.

In compliance with 7 CFR 1223.46(e), each recipient must keep accurate records of all its transactions relating to the contract or agreement, account for funds received and expended in connection with the contract or agreement, make periodic reports to the Board of activities conducted under the contract or agreement, and make such other reports available as the Board or the Secretary considers relevant.

These activities are prohibited as stated in 7 CFR 1223.47:

- any action that would be a conflict of interest
- using Board funds under the order for any action undertaken for the purpose of influencing legislation or governmental action or policy, by Local, State, National, and Foreign governments, other than recommending to the Secretary amendments to the order
- any advertising, including promotion, research, and information activities authorized to be carried out under the order that may be false, misleading, or disparaging to another agricultural commodity. Pecans of all origins shall be treated equally.

## Travel Policy

Board members, committee members, staff, and contractors are eligible to seek reimbursement for reasonable and necessary expenses incurred in connection with travel on authorized Board business. Necessary travel expenses include airline tickets, mileage, meals, and lodging. When other travel-related expenses are incurred, the traveler must provide an explanation and receipts, if they are seeking reimbursement for such expenses. Personal and guest expenses are not reimbursable.

Travel authorization for the Executive Director and staff must be obtained from a member of the Executive Committee prior to travel. A meeting notice of an upcoming meeting will serve as travel authorization for Board members. Members must obtain Executive Committee approval prior to attending a seminar, convention, conference, lecture, or other event of a business nature on behalf of the Board.

Members may be required to book and pay for all airfare, travel, and hotel room charges. Travelers will be reimbursed by the Board for these approved expenses along with actual costs for mileage, taxi or shuttle to and from airport, parking, and tolls. Expense claims, with copies of all receipts for any expenses, must be sent to the Board office for full reimbursement and shall be filed within 30 days following the date expenses were incurred. Expenses should be submitted to the American Pecan Promotion Board using a BOARD REQUEST FOR REIMBURSEMENT OF EXPENSES form.

The Treasurer shall approve all expense vouchers of the Executive Director. The Executive Director will approve all other member and committee member expenses, as well as those of the Board's employees under supervision of the Executive Director.

Air Transportation: All air travel should take place on Domestic (U.S.) carriers whenever possible, with coach service utilized on all domestic flights. Business class may be utilized for international flights over 8 hours. When the ticket is purchased by cash or personal credit card, the original itinerary issued by the airline, travel agent, or website shall be attached to the expense claim. The Board will reimburse airline baggage fees for up to one standard checked bag. Preapproval to check additional bags at Board expense with written justification from the Board Chairperson may be approved.

Automobile Transportation: Any travel by personal vehicle will be reimbursed at the current official IRS rate from home to the meeting site and return. However, should a claim for automobile mileage reimbursement exceed \$400, the roundtrip cost by auto will be compared to the most recent and lowest roundtrip price available for airfare to and from these same locations. The lower of these two costs will be awarded to the claimant. When a personal vehicle is used for Board business, it must carry the minimum insurance coverage required by law for bodily injury and property damage.

Travelers obtaining a rental vehicle should rent a compact or intermediate car. Rental cars will only be covered from point of arrival to and from the meeting location if the cost is lower than using a taxi or shuttle, or if a taxi or shuttle is not available. Car rental insurance, in-car navigation systems and

electronic toll payment options for rental cars are considered reimbursable. All other convenience options, e.g., satellite radio is considered non-reimbursable.

Lodging: Board members, committee members, staff, and contractors are authorized to use midrange priced hotels. It is their responsibility to cancel a reservation before the cancellation deadline. “No show” charges are not reimbursable unless it results from an unavoidable circumstance. Reimbursement for the cost of hotel accommodations shall be supported by an original receipt issued by the hotel which will contain the occupant’s name, date the receipt is issued, the arrival and departure dates, and the rate per day.

Business Meals and Entertainment: Board members will turn in their receipts for reimbursement in a timely manner. Authorized expenses do not include alcohol.

Meal and entertainment expenses for other persons are allowed only when directly related to Board business. The expense report must clearly indicate the purpose of the entertainment, dates, places, names of those entertained, their business affiliation, and their relationship to the Board.

Seminars, Conferences, and Conventions: Board members, committee members, staff, and contractors must obtain Board approval prior to attending a seminar, convention, conference, lecture, or other event of a business nature. Expenses will only be reimbursed for the length of the event, which may include the day before and the day after the event for traveling.

The following expenses will not be reimbursed:

- Personal expenses (i.e., movies, entertainment tickets, alcohol, minibar, open bar, etc.)
- Spouse and/or family expenses
- Traffic tickets or parking fines

## **Antitrust Compliance Policy**

It is the policy of the American Pecan Promotion Board and its members to comply strictly with all laws applicable to Board activities. Those activities may involve cooperative undertakings and meetings of members that are employed by companies that may have competing, and sometimes opposing, economic interests. For this reason, it is important to emphasize the ongoing commitment of the Board and its members, to full compliance with applicable antitrust laws in the United States, as well as comparable laws in other countries that may apply to the Board.

A free exchange of ideas on matters of mutual interest to Members is necessary for the success of all meetings. Such an exchange of views is essential to the successful operation of every research and promotion Board. It is not the purpose of this Antitrust Compliance Policy to discourage the exploration in depth of any matters of legitimate concern to meeting participants. Nevertheless, to ignore certain antitrust ground rules, either through ignorance or otherwise, is to create a hazard businesspeople cannot afford.

The Sherman Antitrust Act, the Clayton Act, the Federal Trade Commission Act, and the Robinson-Patman Act comprise the basic Federal antitrust laws which set forth the broad areas of conduct considered illegal as restraints of trade. In general, agreements or understandings between competitors that operate as an impediment to free and open competition are forbidden.

The broad language of these laws suggests the scope of Federal antitrust prohibitions by forbidding any "agreement or understanding ... to substantially lessen competition ... in any line of commerce." In particular, the U.S. antitrust laws prohibit:

1. Discussing the fixing or regulating of prices, markups, or the conditions or terms for sale.
2. Discussing the establishment of geographic trading areas, allocation of markets or customers, or classification of certain customers as being entitled to preferential treatment.
3. Discussing or participating in any plan designed to induce any manufacturer or distributor to sell or refrain from selling to, or to discriminate in favor of or against, any particular customer or class of customers.
4. Discussing limiting or restricting the quantity of products to be produced.
5. Discussing or participating in any plan designed to control the means of transportation or channels through which products may be sold.
6. Discussing or participating in any plan which has the effect of discriminating against or excluding competitors.

Board contractors, staff, officers, and members are required to comply with the spirit and requirements of the antitrust laws.

## **Accounting and Internal Control Policy**

### **Monthly and Quarterly Accounting Procedures**

#### **Bank Reconciliation**

Bank statements for the American Pecan Promotion Board will be reconciled monthly within the accounting software. The bank statement and reconciliation are to be kept and used for the annual audit.

#### **Financial Reports**

Board administration will prepare the standard reports from the accounting software. These reports include: Assessments Received, Statement of Financial Position, Statement of Activities, Statement of Cash Flows, and a Budget-to-Actual detailed report for the month just ended. These reports will be reviewed by the Executive Director then submitted to the Board Chairperson and Treasurer in summary form not disclosing any individual assessment payer information and will note any exceptional items. Reports may be printed, filed in PDF format, or stored within the accounting software system.

#### **Monthly Reports**

Monthly reports will be prepared for distribution to Board members and USDA within 30 days of the completion of the month. Reports will include, but not be limited to current fiscal year assessments received, Statement of Financial Position, Statement of Activities, Statement of Cash Flows, and a Budget-to-Actual Summary Report for the current fiscal year. A similar report will be presented to the Board at each of its meetings through the end of the most recent completed month. On recommendation by the Executive Committee, the Board will vote whether to accept the report.

## **Annual Accounting Procedures**

### **Annual Budget**

The Board will meet each year to create a program of work and accompanying budget. Before August 1, the Board will submit to USDA-AMS for review and approval the Board-approved budget with accompanying Marketing Communications, Research, and Finance Committees' narratives for the new fiscal year. After the budget has been approved by USDA, a summary version will be posted on the Board's website for the public.

### **Vendor Contracts or Agreements**

Once USDA approves the new fiscal year budget and program of work plan, the Executive Director or designee will prepare contracts for any vendors who may be engaged to carry out approved programs and projects. All contracts must meet USDA requirements and must be submitted to and approved by the USDA-AMS prior to final execution by all parties.

All contracts submitted to the USDA for review and approval will include a prohibition on lobbying. The Board will provide a statement why contract was awarded to a particular contractor, including justification when lowest bid is not awarded or when non-competitive contracts are awarded. The Board will notify potential contractors that any work they undertake prior to contract approval by AMS is at their own risk as the Board is not financially liable if the contract is not approved.

When the Board receives approval from USDA, contracts are sent in duplicate to the vendor for vendor signature. Once the contract is fully executed, original copies with original signatures are maintained at the Board's office and mailed to the vendor, and a PDF file copy of the contract is sent to USDA-AMS via email.

All contracts must be reviewed and approved by USDA-AMS, and USDA-FAS when applicable and be fully executed by all parties in duplicate with appropriate signatures before any money or invoice can be paid against the contract.

## Audits

- *Annual Financial Audit.* Within 90 days after the end of each fiscal year, the Board will engage an independent audit firm to conduct a financial audit of the just-ended fiscal year in accordance with Generally Accepted Auditing Standards (GAAS) in the United States of America. Once the firm has been identified, a contract must be fully executed. AMS staff will review the board's letter of engagement with the auditors, participate in any entrance and exit conferences, and participate in the resolution of findings. AMS participation may be via conference call. AMS shall review these annual audits to determine if the auditor identified any misuse of board funds and if the audit adequately addressed whether (1) funds were discovered to be used for influencing government policy or action, (2) the board adhered to the AMS investment policy (Appendix 3), (3) internal controls over funds met auditing standards, (4) funds were used only for projects and other expenses authorized in a budget approved by USDA, and (5) funds were used in accordance with this guidance.

Once the financial audit is complete, a written report as well as report of the findings will be sent to AMS for review and approval followed by an exit interview with AMS, Board's management staff, and board chair or designee. Once the draft report is reviewed and approved by AMS, the audit will be presented to the full Board. This may be in person at a Board meeting or via conference call. An original copy of the final audit report as provided by the audit firm is provided to the USDA. A copy will be filed and maintained at the Board office. The Finance Committee will determine when a review or bid process will be made to identify other possible external auditors to maintain effectiveness of the audit and to ensure competitive rates.

- *Compliance Audit.* The Board shall annually provide a collection report demonstrating that the collection of check-off funds has been analyzed to determine if collections are being paid and collected per the Order. Based on the analysis, the Board may decide to conduct field visits or audits at its discretion. The Board may contract with an outside CPA firm to conduct these field visits or audits. The results are reported to the Executive Director who then verbally reports to the Executive Committee without mention of the names of the Producers audited. Copies of the original written analysis audit report are provided to the Board, given to the USDA and one is kept in the Board's files.
- *USDA Management Review.* USDA-AMS audits the Board operations (programmatic, financial, and compliance) at least once every three years. The USDA will notify the Executive Director when the review will be conducted, and the materials needed. USDA provides the Executive Director a report of the results and reports to the Board at the next regularly scheduled full Board meeting of any suggestions, needed changes or improvements. Board staff will always keep all documentation current and in full compliance with all USDA guidelines and rules. The office of Inspector General or USDA may request audits at any time deemed appropriate.

## **Cash Disbursements**

### **General**

All financial transactions of the American Pecan Promotion Board are governed and handled in accordance with the American Pecan Promotion, Research, and Information Order. The processes in this section involve reviewing, coding, and disbursing Board funds in accordance with the Board's Bylaws, policies and procedures, and USDA guidelines. All invoices, reimbursement payments, purchase orders, check requests, wire transfers, and any other payments should be directed to the Board office for initiation of payment processing. All invoices must be authorized as appropriate payment requests by the Chairperson and Treasurer. All payments must be approved per the General Payables Documents Flow policy.

### **Approval for Expenditures**

All expenditures initiated by contracted staff are approved prior to initiation by one or more of several means: Vendor Contract or Letter of Agreement, purchase order, travel authorization, or through email as part of carrying out the Board program of work.

### **General Payables Document Flow**

1. Vendor Invoices and Check Disbursement
  - a. All vendor invoices are received at the Board location by mail or electronically. All mail is sorted by the Board designee. All vendor invoices and requests for payments are forwarded to the assigned Board management personnel.
  - b. The assigned Board management personnel will first check to see if the vendor is under contract with the Board and has a fully executed contract. If the invoice appears accurate, has the correct supporting documentation, and is within the budget, then the invoice will be uploaded into Bill.com, coded, and sent on for proper approval.
  - c. The Board will require dual signature on checks with the Chairperson, Treasurer, and Executive Director designated as signers. Confidential treatment transactions can only be signed by the Executive Director.
  - d. As needed but not less than once every 30 days, invoices will be uploaded to Bill.com for approval by the Chairperson and Treasurer. Upon electronic approval by the Chairperson and Treasurer, Board staff will schedule the payments, and Bill.com will print and mail the checks. All voided checks are filed for future reference. All approvals and associated records will be retained as part of the Board accounting system.

If the payee for any check is a producer or importer the transaction must maintain confidentiality. Board staff presents account coded invoices to the Executive Director for approval. Board staff prints the checks, and the Executive Director reviews invoices, signs

checks, and mails the checks. During the annual audit, the auditor will review all confidential treatment transactions.

2. Reimbursement of Board Expenses

- a. Board Members are required to file an expense report for reimbursement of out-of-pocket expenditures associated with approved travel or Board related expenses (see Board Policies and Procedures).
- b. All individual item claims of \$25 or more must have a receipt or appropriate supporting documentation. In the rare instance that an expense of \$25 or more is not supported by a receipt, a detailed explanation of the charge and why a receipt is not available must be provided.
- c. All expense reports submitted by Board members must be approved by the Executive Director and processed as all other approved invoices.

3. Board-issued Credit Card Invoices

- a. As of this time, the Board does not have any credit cards.

4. On-line Banking Transactions

- a. In some instances, there will be a need to pay a bill electronically. The Board has access to electronic banking for its checking account. This service allows bills to be paid electronically either through on-line checks or wire transfers.
- b. All vendor invoices that are to be paid through an Automatic Clearing House (ACH) wire transfer or electronically are to be handled in the same manner as those paid by check except for the payment method.

**Receipts**

Assessment collections are sent to the Board's post office box. Board staff deposits the assessment payments, records a listing of each payment, and retains a copy of the assessment form. The Executive Director or designee reviews the producer's or importer's report for possible late payment of the assessment and determines if all required information has been included in the report. The producer's or importer's report must show for each transaction: crop year, total number of American pecans cut and sold or imported. If the producer's or importer's report is incomplete or there appears to be a calculation error, a call is made to the producer or importer by the Executive Director or designee to get the required information. This contact is noted in the producer's record. If the required information is not obtained from the producer or importer within two weeks of the original call, a follow-up letter is sent to the producer detailing the requested information. If the information does not arrive within two weeks after the letter, another letter detailing the matter will be turned over to USDA-AMS as a compliance issue, is sent. The USDA-AMS is cc'd on the letter. The matter is then turned over to AMS compliance. A master compliance form-letter approved by the USDA is kept on file for consistent use for late payments.

Each producer's assessment payment will be entered into the accounting system as well as a database of assessment payers, recording assessment payments for each reporting year. The deposit amount is coded by domestic or imported product and fiscal year.

## **Board Record Retention and Destruction Policy**

The records of the Board are important assets. The records include essentially all records produced during business. All Board contractors are responsible for keeping detailed files of the work conducted in their areas of responsibility. All files are property of the Board and are governed and subject to USDA audit. All contractors are responsible for safeguarding materials of a confidential and sensitive nature.

Questions regarding document retention should be directed to the Executive Director. Law requires a company to maintain certain types of records, usually for a specified period of time. Failure to retain those records for those minimum periods could subject the Board to penalties and fines.

The Board document retention and destruction policy is set to ensure that documents are retained only so long as they are:

1. Necessary to the conduct of the organization's business
2. Required to be kept by statute or regulation
3. Relevant to pending or foreseeable investigations or litigation

The Board will maintain all program records for at least 3 years, complying with AMS Guidelines. The Board expects all contractors to fully comply with the Board's record retention or destruction policies and schedules. If the policy says seven years, it means seven; not less and not more unless it falls into the exception category.

There are two exceptions:

1. Litigation: If it is believed that specific company records are relevant to litigation, or potential litigation, then those records must be preserved until they are no longer needed.
2. History: Documents relevant to the history of the American Pecan Promotion Board should be kept indefinitely.

Current and relevant documents should be filed systematically and accessibly. Placing documents in an electronic format provides easy access and properly secures them. The Board will maintain files of all completed materials as well as USDA approvals for those materials. All contractors should become thoroughly familiar with the practice of providing completed materials to the Board on a timely basis.

### **Types of Records**

### **Number of Years to Retain**

#### **Accounting**

Audit reports	Indefinitely
Bank statements and deposit slips	3
Producer and Importer Reports	7
Invoices, statements, expense reports and receipts	7
Financial Statements	7

Computer accounting records	7
General ledgers and journals	Indefinitely
AP Vouchers (vendors, employees & others)	7
Budget reports	7

**Corporate**

Bylaws and policies	Indefinitely
Board meeting minutes and agendas	Indefinitely
Board nomination ballots, forms, correspondence	3
Compliance records	Indefinitely
Signed contracts	7
FOIA materials (after FOIA resolved)	3
Legal and tax issues, settlements	Indefinitely
Litigation records	Indefinitely
USDA Budget and Policy approvals	Indefinitely
Historical items and documents	Indefinitely
General correspondence	3

**Insurance**

Accident reports	5
Insurance claims (after settlement)	10
Insurance policies (all types – expired)	3
Safety reports (after termination)	5

**Marketing**

General promotional materials, USDA approvals	5 years
Historic files of campaigns	Indefinitely

**Research**

General research materials, USDA approvals, and progress reports	5 years
Research final reports	Indefinitely

**Electronic Documents**

Electronic files that fall into the above referenced categories will be held to the same retention schedule as outlined above.

## **Cash Management Procedures and Investment Policy**

Effective cash management and investment practices are recognized as essential to good fiscal management. This policy is intended to provide formal rules and guidelines for the prudent cash management and investment of funds.

The American Pecan Promotion Board has the authority to invest funds collected through assessments authorized under the American Pecan Promotion, Research, and Information Order (hereinafter referred to as the "Order").

### **Delegation Of Authority**

The Executive Committee shall establish, revise, and recommend as necessary to the Board appropriate cash management and investment policies, procedures, objectives, and strategies with approval from USDA. It will review the implementation of the policies and monitor the achievement of financial and investment objectives, in compliance with the Act, Order, AMS Guidelines, and the Bylaws.

The Board may enter into contracts for administrative services, as may be required to conduct its business as approved by the Board. The Executive Director is charged with providing administrative services to the Board to implement the Board's approved policies and plans which includes but is not limited to managing all financial and administrative affairs and implementing and administering the Cash Management Procedures & Investment Policy. The Executive Director will act as an agent for the Board in all investment and financial matters as approved by the Board (i.e., opening bank accounts; withdrawing, transferring, or investing funds; paying bills; receiving and depositing funds; acquiring loans; opening letters-of-credit; etc.) and will serve as dispenser of funds for the Board at the Board's direction. The Executive Director serves as the primary contact with bankers, brokers, money managers, custodians, and consultants.

### **Performance Standards**

The Cash Management Procedures & Investment Policy shall be designed with the objective of receiving a reasonable rate of return on investments consistent with risk limitations identified in this policy and prudent investment principles and AMS Guidelines.

### **Financial Management Procedures**

In order to comply with the Cash Management Procedures & Investment Policy of the Board, the following procedures are to be followed:

1. Exercise prudent cash management of funds collected by the Board. Funds include but are not limited to: fees for services; assessments collected from producers and importers; and interest income.
2. Maintain all funds, belonging to or in custody of the Board, in risk-free (fully insured or collateralized with Federal Government securities) and short-term (one year or less) accounts. In accordance with AMS Directive 2210.2.

- If under \$250,000, in FDIC insured instruments or accounts. If above \$250,000, in instruments listed under “Acceptable Collateral for 31 CFR Part 202”
3. Invest, pending disbursement under a program, plan, or project, funds collected through assessments authorized under the Order only in:
    - a. Obligations of the United States (U.S.) or any agency of the U.S.
    - b. General obligations of any State or any political subdivision of a State
    - c. Any interest-bearing account or certificate of deposit of a bank that is a member of the Federal Reserve System
    - d. Obligations fully guaranteed as to principal and interest by the United States, except that income from any such invested funds may be used only for a purpose for which the invested funds may be used.
  4. Funds needed for immediate operating use shall be maintained in a checking account that meets the above requirements.
  5. Funds not needed for immediate use may be moved from the checking account to an approved investment instrument whenever:
    - a. The incremental return justifies the transfer, or
    - b. The account balance exceeds \$250,000

### **Investment Policy**

The primary objective of investment activities shall be: (1) Safety of Principal (Risk Free), (2) Liquidity (Short-term), and (3) Yield (Interest Bearing).

- Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. The objective will be to mitigate credit risk (the risk of loss due to failure of the financial institution, broker/dealer default, or erosion of market value) and interest rate risk (the risk that the market value of securities in the portfolio will fall due to changes in general interest rates).
- Liquidity of the portfolio shall remain sufficient to meet all operating and capital requirements that may be reasonably anticipated.
- Yield or rate of return shall be designed with the objective of attaining a reasonable rate of return throughout budgetary and economic cycles.

### **Prudent Person Standard**

All participants in the investment process shall seek to act responsibly and professionally as custodians of the industry’s trust. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes, considering first the safety of their capital, then the probable income to be derived.

### **Ethics and Conflict of Interest**

Participants involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Participants involved in financial decisions/transactions will have to sign a “conflict of interest” agreement.

## Safekeeping

All investments shall have the Board as the registered owner, and all interest and principal payments and withdrawals shall indicate the Board as the payee. All investments shall be kept safe with a qualified financial institution. A formal agreement or Memorandum of Understanding shall be signed between the Board and the financial institution before funds are deposited with the financial institution. Certificates of Deposits, or a copy thereof, will be delivered to and held by the Board. Whenever possible, settlements will be made electronically.

## Security of Funds

Board funds deposited in a financial institution covered by the Federal Deposit Insurance Corporation (FDIC) must be secured at all times. Funds are considered sufficiently safe if the total amount of deposits in a single financial institution is less than the recognized FDIC deposit insurance limit of \$250,000, including both principal and interest; and/or the Board ensures that the financial institution pledges acceptable collateral prior to making a deposit that exceeds the recognized deposit insurance limit of \$250,000.

Funds that are not needed for immediate operating use may be invested in instruments that are interest-bearing, short-term (one year or less), and risk-free. Risk-free requires that:

1. All accounts must be federally insured or collateralized with Federal Government securities. In the absence of collateral, accounts must be established at financial institutions that are insured by FDIC insurance. FDIC insurance coverage applies to the Board's total deposits at a single financial institution, regardless of how many accounts the Board has at that financial institution; and deposit accounts maintained by the Board are not separately insured at different branches or offices of the same insured financial institution.
2. The Board must monitor its deposits to ensure that its account balance never exceeds the recognized FDIC insurance limit of \$250,000, including both principal and interest, unless appropriate collateral security is pledged, or unless a higher balance is needed to process a payment through the Board checking account. Only those securities noted in U.S. Department of Treasury Regulations, Title 31, CFR, Part 202 (Attachment A) are acceptable. They include collateral issued, fully insured or guaranteed by U.S. Government Agencies or U.S. Government sponsored corporations. No declining balance securities, regardless of issue, are acceptable.

Investments currently **not acceptable** may include but are not limited to:

- Common and Preferred Stock
- Consumer Paper or Consumer Notes
- Foreign Currency-Denominated Securities
- Indexed Securities (except as otherwise noted)
- Mutual Funds and Insurance Funds
- Construction Loans
- Raw Loans
- Obligations that have been issued by the pledging bank or by affiliates of the pledging bank
- Obligations of foreign countries (i.e., Sovereign Debt)

- Collateralized Bond Obligations (CBO's), Collateralized Loan Obligations (CLO's), and Collateralized Mortgage-Backed Securities (CMBS) except as otherwise noted
- Real Estate Mortgage Notes
- Commercial Loans (Including real estate and agricultural loans)
- Sinking Fund Securities
- Stripped and Zero-Coupon Securities: Some of the securities listed may be offered in stripped or zero-coupon form. Securities in these forms are NOT acceptable except those where market prices are available and that are specifically listed. In addition, U.S. Government agencies securities may also be stripped into their separate components. These securities would be acceptable, provided market prices are available.

## **Reporting**

Complete, accurate, and timely records of all investment activities shall be maintained. A monthly report shall be prepared detailing all investments. This report will be submitted to the Executive Committee and USDA monthly and to the Board at each meeting. This report shall include the following:

- A listing of investment securities
- Amortized book value
- Purchase Date
- Maturity date
- Interest Rate/Return
- Market Value

The report will also include a statement that the investments are in compliance with the Cash Management Procedures & Investment Policy and AMS Guidelines.

## **Indirect Costs Policy**

Any funding provided by the Board to a research institution, university, government entity, or any other organization for the purpose of research must be used solely for the objectives set forth in such entity's research proposal and may not be used in any percentage or form to cover administrative or overhead costs of the entity.

## **Board Diversity Policy**

The Board's nomination process should demonstrate outreach to multiple groups and should encourage nomination of a diverse slate of Board candidates. It is the Board's intent that The Board should reflect the diversity of the pecan industry in terms of the experience of members, methods of production and distribution, marketing strategies, and other distinguishing factors, including but not limited to individuals from historically underserved communities, that will bring different perspectives and ideas to the table.

The American Pecan Promotion Board sees the pursuit of diversity in Board membership as an opportunity for embracing new ideas and growth that will enable the Board to better serve the industry. Central to this effort is the goal of growing new leadership to serve on the Board that reflects a diversity of perspective and opinions. The industry that pays the marketing and promotion assessment and others in the marketing chain are diverse and the Board should reflect that diversity in the size of operations, methods of production and distribution, and other distinguishing factors that will bring different perspectives and ideas to the table.

Action steps will include, but not be limited to the following: mailings to all industry members notifying them of upcoming elections and the opportunity to serve on the Board; posting notices on the Board website; outreach to State and Regional associations; and outreach to resources recommended by AMS.

## **Board Member Election Procedure**

In accordance with §1223.41, the Board shall reach out to the industry to solicit nominations for each vacant Board position. The Board staff will notify the industry of the open positions through press releases, posting on the Board website and email to respective state and regional associations.

The Board staff will seek nominations by February 15 for each vacant producer seat from each region from producers who have paid their assessments to the Board in the most recent fiscal period and who produced more than 50,000 pounds of inshell pecans (25,000 pounds of shelled pecans) on average for four fiscal periods (the fiscal period for which nominations are being conducted and the previous three fiscal periods). Producer nominees may provide the Board a short background statement outlining their qualifications to serve on the Board. The Board will verify nominees are qualified in accordance with the Order.

The Board will place the qualified nominees on a ballot to be sent to producers in each region by March 1. Ballots will be sent to producers in each region who have paid assessments in the most recent fiscal period and have paid all past assessment payments in full. Producers who produce pecans in more than one region may only vote in the region in which they produce the majority of their pecans. Ballots must be received by the Board office by March 15. The votes shall be tabulated for each region with the nominee receiving the highest number of votes at the top of the list in descending order by vote. Two candidates for each position shall be submitted to the Secretary. The Board staff will assist the nominees from each region to complete their nomination packet and submit the packet to the Secretary by April 1.

The Board will solicit importer nominations by February 15 from qualified national organizations representing importer interests. In the event there are no qualified national organization, individual importers who have paid assessments to the Board in the most recent fiscal period and imported more than 50,000 pounds of inshell pecans (25,000 pounds of shelled pecans) on average for four fiscal periods (the fiscal period for which nominations are being conducted and the previous three fiscal periods) may submit nominations. Importer nominees may provide the Board a short background statement outlining their qualifications to serve on the Board. The Board office will place qualified nominees on a ballot that will be sent to importers for a vote by March 1. Ballots must be received by the Board office by March 15. The votes shall be tabulated with the nominee receiving the highest number of votes at the top of the list in descending order by vote. Two candidates for each importer Board position shall be submitted to the Secretary. The Board staff will assist the importer nominees to complete their nomination packet and submit the packet to the Secretary by April 1.

No two members shall be employed by a single corporation, company, partnership, or any other legal entity. The Secretary of Agriculture shall appoint the members of the Board. Members will serve until their successors have been appointed by the Secretary of Agriculture.

## **Nominating Process for Officer Election**

At the first meeting of each fiscal year, the Board will select a Chairperson and Vice Chairperson and appoint committee membership throughout that period. The Chairperson will call the meeting to order and conduct roll call. The USDA Representative or Executive Director will ask for nominations from the floor for the election of the Chairperson and Vice Chairperson. Once appointed, the new Chairperson will ask for nominations for the election of the Treasurer and Secretary.

If there is only one candidate nominated, a motion to dispense with balloting and cast a unanimous ballot is in order. If there are multiple candidates, voting will be by secret ballot. In case of a tie, the vote will be re-taken until one candidate receives a majority of the votes present.

The new officers will take on their responsibilities immediately upon election.

If an office is vacated, the position may be filled at the next meeting of the Board using these election procedures.

## INTERNAL CONTROLS POLICY – 2017-2018

### **I ABOUT THE POLICIES**

a) These Internal Control Policies are recommended by the Executive Committee, approved by the American Pecan Promotion Board (Board or APPB), implemented by the Executive Director and presented to all applicable staff or contractors.

### **II ACCOUNTING PRINCIPLES**

a) The Board will maintain its General Ledger in accordance with Generally Accepted Accounting Principles (GAAP).

### **III CASH RECEIPTS AND DEPOSITS**

a) The Board provided authority for the Treasurer of the American Pecan Promotion Board to open a checking account with First Financial Bank in San Angelo, Texas with Executive Director and Treasurer of the American Pecan Promotion Board as primary signers. Approved signers: APPB Chairman, APC Vice-Chairman, APC Treasurer, and APC Executive Director.

b) All remitting handlers will mail checks directly to America Pecan Board, P. O. Box 100398, Fort Worth, Texas 76185 for deposit.

c) Mail is delivered to a central point and date stamped when received.

d) Executive Staff will receive and make deposits within 14 days of receiving. Deposit slips will omit any handler identifiable information. Deposit slip will identify handlers with a unique ID number. APPB sends deposit slip and supporting documentation via Share File to Armstrong, Backus & Co. LLC. APPB Executive Staff maintain unique User ID's and/or passwords. APPB Executive Staff must sign in using their unique User ID and/or Password.

e) Armstrong, Backus & Co. LLC will maintain and hold a confidential ledger of said receipts from handlers, which will only be available to the Board Executive Staff and Armstrong, Backus and Co. LLC personnel. Information on said ledger will include the name of the remitting handler, pounds of improved, Native/Seedling, and Substandard pecans purchased. Information from said ledger can only be shared with approved members of USDA personnel and Board Executive Staff, to assure proper accounting and remittance of all handler funds. Detailed information from said ledger is held in strict confidence and will not to be provided to any member of the American Pecan Promotion Board except as an aggregate in the monthly financial accounting report.

f) Checks are restrictively endorsed ("for deposit only") upon receipt.

g) Checks are kept in a secure locked location.

h) APPB will handle delinquent assessment payments in accordance with the APC Handler Policy.

**IV** All supporting documentation is kept for each item in a bank account. Documentation is maintained electronically and/or in a secured locked location in the Board permanent office.

## **V BANKING, PAYMENT AND APPROVAL OF EXPENSES**

**a)** American Pecan Promotion Board provided authority for Treasurer to hire the accounting firm of Armstrong, Backus & Co. LLC to oversee the collection and disbursement of funds in accordance with the direction of the APPB Executive Director, with oversight by the APPB Treasurer. All checks issued by the APC require two authorized approvals. Any physical checks written by the Executive Director must contain two signatures on the physical check. Disbursement of funds is controlled by the following specific controls. **i)** The Bank Signature Card and Board minutes that authorize the check signers are kept up-to-date and in agreement. A facsimile signature or rubber stamp will not be used by the Board and/or Armstrong, Backus & Co. LLC.

**ii)** All invoices for payment will be reviewed by the Executive Director for accuracy and in compliance with the authorized charge. Invoices, with the Executive Director's authorized approval, will then be sent directly to Armstrong, Backus & Co. LLC and/or uploaded in bill.com by Executive Assistant. APPB Executive Assistant will have a unique User ID and/or Password to log in to bill.com to upload invoices. Armstrong, Backus & Co. LLC will code and send for approval through bill.com.

**iii)** APPB Chairman, APPB Treasurer, APPB Vice-Chairman, APPB Executive Director and APPB Executive Assistant will have unique User ID's and/or Passwords for bill.com. APPB Chairman, APPB Treasurer, APPB Vice-Chairman, APPB Executive Director and APPB Executive Assistant must sign in using their unique User ID and/or Password.

**iv)** An email will be generated from bill.com to the Executive Director, Treasurer of the Board and the Chairman of the Board notifying there is an invoice for approval. Once the Executive Director has logged in and approved the invoice, the Treasurer will log in and approve the invoice, then the Chairman will log in and approve the invoice for the outgoing payments. If the Treasurer of Chairman is unable to review and approve, an email will be generated from bill.com to the Vice-Chairman of the Board, who will log in, review, and approve for payment.

**v)** Upon receipt of approvals, Armstrong, Backus & Co. LLC will schedule the bills for online payment.

**vi)** A limited number of sequenced blank checks will be kept at the APPB Permanent office, 3880 Hulen Street, Suite 650, Fort Worth, Texas 76107. Blank checks may not be presigned. Checks are restricted from being made to "Cash". Prior written authorization/approval by one officer of the Board (Chairman or Treasurer) will be required for any checks over \$15,000. Sequenced checks will be recorded by Armstrong, Backus & Co. LLC. Handwritten checks are scanned and uploaded via Share File to Armstrong, Backus & Co. LLC along with all back-up documentation for disbursements.

**vii)** Committee funds are not commingled with any other organization's funds, including other federal or state programs.

## **VI FINANCIAL REPORTING & BOARD FINANCIAL RESPONSIBILITIES**

**a)** Armstrong, Backus & Co. LLC will provide the APPB Executive Director and APPB Treasurer with a monthly financial statement prepared in accordance with GAAP.

**b)** APPB Executive Director and APPB Treasurer will have online access to view all bank account activities. APPB Treasurer and APPB Executive Director are assigned an individual unique User ID and/or password by the bank and each must sign in using their bank issued User ID and/or Password.

- c) APPB Executive Director and APPB Treasurer will be provided a hard copy and/or electronic access of the monthly bank statement. The bank shall provide Armstrong, Backus & Co. LLC a monthly bank statement.
- d) Armstrong, Backus & Co. LLC, will redact proprietary information and send directly to Treasure for review and reconciliation.
- e) Treasure shall initial and return the approved bank statement to Armstrong, Backus & Co. LLC.
- f) Armstrong, Backus & Co. LLC's designated employee reconciles bank statements monthly.
- g) The APPB shall post the monthly financial statement on the Board's website and maintain a copy of the file after review
- h) At the end of the fiscal year, the books shall be reconciled and closed no later than 35 days after the completion of the Fiscal Year.
- i) Each Board member is responsible for understanding the financial reports.

## **VII CREDIT CARDS**

- a) Credit cards will be issued in the name of the APPB Executive Director and designated APPB employees/contractors.
- b) Maximum limit on the card will be \$25,000 for Executive Director and \$15,000 for Director of Marketing, and \$10,000 for Director of Industry Relations.
- c) Employees agree that the credit cards are to be used exclusively for American Pecan Promotion Board business with personal use of the card prohibited. APPB staff or contractors that are assigned cards will sign acknowledging issuance of the card and restricted usage.
- d) Log of issued credit cards will be maintained by Administrative Assistant which will list card number, individual issued the card, with spending limit and signature of acknowledging receipt of credit card.
- e) All personnel with issued cards must use prudence and a "reasonable person" standard when using APPB issued credit cards.
- f) APPB Business accounts shall not be used for personal use. Personal Business accounts are for personal use and not for APPB use.
- g) Invoices and receipts with noted detail for credit card usage will be required by the Board. All personnel who are issued the cards are required to submit all receipts to Armstrong, Backus & Co. LLC for reconciliation with the credit card statement. Armstrong, Backus & Co. LLC's designated employee will submit the statement through bill.com for approval, as stated in said Internal Controls Policy Item V. Banking, Payment and Approval, iv.
- h) Credit card billings will be paid monthly and kept current with no carry over balance.
- i) APPB cards that contain rewards or amenities earned for credit card usage will be for the direct credit and usage of the American Pecan Board and not for the personal benefit of the staff issued the card.
- j) In the event of termination of an employee with a credit card, that card is to be canceled immediately and the remaining balance of the card paid, and the card account closed.

## **VIII GENERAL**

- a) The Executive Director will maintain an organizational chart and appropriate job descriptions for each position. Appropriate hiring policies and proper training policies will be followed.

- b)** The Governance Committee consists of the Chairperson, Vice Chairperson, Treasurer, Secretary, and other individuals appointed by the Chairperson to the Board.
- c)** The Governance Committee shall be responsible for hiring the Executive Director.
- d)** The Executive Director shall be responsible for hiring additional staff and contractors. The Executive Director is advised, but not required, to seek the advice and counsel from the Governance Committee on all hires, be they an employee or a contractor.
- e)** A system will be maintained where employees may report unethical, suspicious, or fraudulent activity, including a whistleblower protection policy.
- f)** A clear and concise budget is developed and appropriately updated prior to each fiscal year-end, September 30.
- g)** Board officers, members, and employees must disclose any interests they have in companies doing business with the Board, to avoid any conflict of interest.
- h)** Travel & Entertainment expenses are covered in Travel & Entertainment Reimbursement Policy adopted February 23, 2017. Travel expenditures by Board Members are approved as stated in said Internal Controls Policy Item V. Banking, Payment and Approval, iv. **k)** The Board maintains a written Code of Ethics & Business Conduct Policy adopted February 23, 2017.
- l)** The Board contracts with Armstrong, Backus & Co. LLC to provide all functions associated with payroll.
- m)** The APPB does not use petty cash.
- n)** Postage stamps will be kept for APPB business use only. Postage stamps will be kept in a locked cabinet.

#### **IX COMPUTER AND RECORDS SECURITY**

- a)** Passwords are used to log on to computers, when appropriate, to limit access to specific systems/programs. APPB employees each have a unique login and/or password. Each APPB employee must sign in using their unique login and/or password.
- b)** Computers auto-lock after 5 minutes of inactivity and require a password to reactivate.
- c)** In the event of employee termination, computer access shall be terminated, and employee access codes of terminated employee shall be changed immediately.

All records are maintained in accordance with AMS record retention policy.

#### **X FIDELITY BOND/EMPLOYEE DISHONESTY INSURANCE**

- a)** Fidelity bond coverage/employee dishonesty insurance shall be maintained by the limits as outlined by USDA Compliance.
- b)** The Board requires proof of Professional Liability Coverage with an organization and/or individual with whom the Board has entered a Memorandum of Understanding, Contract and/or Engagement Letter.
- c)** Armstrong, Backus & Co. LLC maintains Professional Liability Coverage.

#### **XI INVESTMENTS**

- a) The APPB may only invest its funds in accordance with AMS policies regarding the investment of public funds.
- b) The Board Executive Director maintains a detailed record of each investment, with oversight by the Board Treasurer, and verifies the Board has received all income due from investments.
- c) The Board is responsible for ensuring investments are in accordance with AMS policy.

## **XII AMS COLLATERAL POLICY**

- a) Funds more than \$250,000 are fully collateralized with federal securities in a Federal Reserve Bank.
- b) Collateral is pledged at face value and equals 100% of the uninsured balance.
- c) The Board's financial institution is notified of collateral requirements for all Board funds. A tracking system is maintained for monitoring account levels, and the financial institution is immediately contacted to verify that the full collateral has been posted as soon as required.

## **XIII FIXED ASSETS AND SUPPLIES**

- a) All property and equipment \$500 or more is recorded at acquisition cost and is capitalized and depreciated in accordance with Generally Accepted Accounting Principles (GAAP).
- b) Control procedures are in place to ensure that supplies and fixed assets are used properly and for authorized purposes.
- c) Detailed records are kept for all fixed assets and other property.
- d) A physical inventory of assets and property is conducted and compared to accounting records prior to compliance review.

## **XIV AUDITS**

- a) The Board must hire an independent CPA to conduct an annual financial audit of the Board.
- b) Upon completion of the audit, the approved auditor or company shall mail a copy of the financial audits to the Chairman, Treasurer, USDA representative, and the Executive Director.
- c) After completion of the audit, the approved auditor or company shall present its completed audit report before the Board of Directors.