



Unified Carrier Registration Plan

ACCOUNTING GUIDELINES

Version 2

Revised 01/27/2022

Confidential

TABLE OF CONTENTS

Organizational Structure	4
Congressional Structure	4
Tax Exempt Structure	4
Governance	5
Depository Management	6
Depository Structure	6
Basis of Accounting	7
Cash Basis	7
Revenue Recognition	7
Cash Receipts	7
Cash Disbursements	7
Policies & Procedures	8
Reserves	9
Investments	9
Accounts Receivable	10
Accounts Payable	11
Contract Management	12
Vendor Management	13
Travel & Other Expenses	14
Direct Expense Advance Process (DEA)	15
Shared Office Expenses	15
Conflict of Interest	16
Whistleblower	17
Document Retention & Destruction	18
Refunds	19
Suspensions	22
Financial Management	23
Chart of Accounts	23
Budgeting	23
Cash Collected	24

Balance Sheet Reconciliation	25
Internally Generated Financial Statements.....	26
Statement of Financial Position	26
Statement of Activities.....	26
Audit	27
Internal Controls.....	28
Appendices	29
Appendix A – UCR Controller Performance & Independent Review Checklist	29

Organizational Structure

Congressional Structure

The Unified Carrier Registration Plan ("The Plan") was created by the Unified Carrier Registration Act of 2005, which was passed by Congress and signed into law by the President of the United States of America. The Plan is an interstate compact among forty-one participating states in the United States. The program replaced the Single State Registration System (SSRS) that was in place prior to the 2005 legislation and is a cooperative effort among forty-one participating states to collect and distribute revenues between them.

The Plan is part of the federal highway reauthorization bill known as the Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU). It requires individuals and companies that operate commercial motor vehicles in interstate or international commerce to register their business with a participating state and pay an annual fee based on the size of their fleet.

Fees collected are managed at the state level and shall be used for motor carrier safety programs, enforcement, and administration of the UCR Plan and Agreement. The maximum annual fee amount the program can collect and distribute to participating states is \$107,777,060 plus an additional amount for necessary operating costs.

Participating States include Alabama, Alaska, Arkansas, California, Colorado, Connecticut, Delaware, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, and Wisconsin.

Tax Exempt Structure

UCR is not a political subdivision but performs essential government functions which according to the Internal Revenue Service (IRS), may not be subject to federal income tax, pursuant to IRC Code section 115(1). The entity's income is excluded from the definition of gross income as long as the income (1) is derived from a public utility or the exercise of an essential government function, and (2) accrues to a State, a political subdivision of a state, or the District of Columbia. Contributions made to the Plan whose income is excluded income under section 115 may be tax-deductible to contributors.

Governance

UCR is governed by a Board of Directors consisting of fifteen members from state, U.S. federal government, and industry. The program operates under the oversight of the Federal Motor Carrier Safety Administration (FMCSA) which is an agency within the United States Department of Transportation (USDOT). The UCR Secretary selects a Chair and a Vice-Chair, who retain these positions during their terms on the Board. There is no limit to the number of terms a member may serve. The UCR Act gives the Board of Directors broad powers to administer the UCR program such as to conduct repository business and coordinate policies.

The program is set up according to United States federal law. There is no Canadian or Mexican government participation at any level. States may participate and derive revenues from the program however they do not have a role in the governance of UCR. The UCR Board, rather than participating states, has the authority to make and amend, within the limits of the UCR Act, the rules and regulations under which the UCR program operates.

Depository Management

Depository Structure

An integral component of The Plan is the Unified Carrier Registration Depository ("The Depository"), which collects and distributes carrier revenue from participating states, and ensures that each participating state receives its designated total revenue amount each year. The Kellen Company prepares financial reports to represent cash receipts and cash disbursements of the Depository.

When registration fees are collected by the Depository for states that have not achieved their annual entitlement, the Depository disburses the funds to the states on a monthly basis. When a state has reached its annual entitlement, it is no longer eligible to receive fees for that registration year. The Depository retains all excess fees from states that have met their entitlement.

Periodically, the Depository distributes funds collected from states that have achieved revenue entitlements to states that have not achieved revenue entitlements for the same registration year, on a pro-rata basis. If all participating states have achieved revenue entitlements for a registration year, the Depository retains additional fees to cover its operating costs, up to a limit established by the Secretary of the U.S. Department of Transportation.

Fees collected in a given registration year that exceed the cumulative maximum entitlements for the participating states and the amount approved for operating costs are retained by the Depository. The UCR Board of Directors recommends to the Secretary of the U.S. Department of Transportation that the fees in a future registration year be reduced. Excess fees collected in the Depository are distributed to the states in a future year when downward fee adjustments result in lower program revenues.

Internal Controls for the Depository:

The UCR Senior Financial Analyst prepares all fund reports and calculations due to states. The National Registration System (NRS) is the main source of data. The primary report is the "Registration Fees Collected by States" from the NRS which can be generated by an authorized UCR Accounting Staff individual. This report is the basis for the "Depository Transmittal to State" report which is used to determine registration fees payable to states. The Depository Manager reviews and verifies the accuracy of the fund and calculation reports.

Basis of Accounting

Cash Basis

UCR uses the Cash Basis Accounting method. Revenue is recognized only when cash is received, and expenses are recorded only when cash is paid out.

Revenue Recognition

Revenues are recorded based on the registration year, which is a calendar year. Registrants may pay fees for a designated registration year for a period longer than the calendar year. This is specified as the administrative period of the registration year. An administrative period typically lasts 24 months from October 1st of the preceding year to the end of September of the following year. Revenue calculations and related journal entries are reviewed every month by a supervising individual to ensure accuracy after they are prepared by the controller.

Revenues are recognized when cash is received for the excess of the state's revenue cap limit per registration year. The Depository considers funds collected from states under their cap limit as pass-through amounts. UCR receives the cash and remits the same amounts back to the states within 30 days on average. Each month, the UCR Depository Manager reviews and approves the UCR Controller's revenue calculations and related journal entries prior to general ledger posting.

Cash Receipts

Registrations are processed through the NRS. The Depository receives cash daily through the UCR State Funding Bank Account which is held at Truist Bank. Payments from registrants are accepted through the NRS or by a base state. Payments received through the NRS can be made by credit card, ACH, or check. Checks are received by a third-party provider and deposited in the UCR state funding bank account.

Cash Disbursements

All data is aggregated from the NRS during the Depository's Month-End Close process. ACH payments are disbursed to states that have not met revenue entitlements. States eligible for these payments, along with the respective amounts, are based on the "Registration Fees Collected by State" report from the NRS. The report is prepared by the UCR Senior Financial Analyst and reviewed by the UCR Depository Manager.

A "Depository Transmittal to State" report is prepared and used for payments and vouchers. The UCR Depository Manager approves the payments and submits the vouchers to Kellen's Accounts Payable Department for processing. Payments are made from the UCR state funding account. States that have exceeded revenue entitlements do not receive a payment. All fees collected for those states are retained by the Depository.

Effective monthly with the start of the 2022 Registration Year, the UCR Senior Financial Analyst will prepare the Transmittal Report and the UCR Depository Manager will review the calculations. The Transmittal Report has a review section which includes the preparer's and reviewer's signatures and date. The Internal Audit Manager will conduct random sample testing to ensure both parties have completed and signed the Transmittal Report.

The UCR Controller reconciles state funding account ACH payments monthly. The payments are validated against the "Transmittal" report. The UCR Controller keeps track of the total payment

amounts and posts distributions made to “Under Cap” states. The deadline for weekly disbursements is close of business each Tuesday so payments are processed by Friday.

Policies & Procedures

Reserves

The Board approved a Financial Reserve Policy in 2018 that authorized “The Plan” to retain funds equal to the budgets for the next three succeeding years. The Board approved a second reserve fund for unbudgeted expenses that became effective on July 1, 2019, not to exceed \$2.5 million. They established a third reserve in December 2020 to provide self-insurance to board members for potential directors and officers regarding liabilities and cybersecurity for the NRS.

Investments

The Kellen Company and UCR’s Board of Directors have a fiduciary responsibility to assure all investments are managed within the established policies.

Investment Criteria:

- Safety of Principal
- Low Risk Tolerance
- Stability
- Reasonable Rate of Return
- Liquidity
- Ease of Management and Reasonable Fees
- Portfolio Strategy
- Up to one year of operating expenses in highly liquid investments that are FDIC insured

Maturities should be staged and balanced so that funds have flexible and available higher yields.

The Board authorizes the purchase of CDs for two years of budget in the reserve fund. The Board approves the investment into a Daily Liquidity Account (DLA) at Truist Bank to retain, at minimum, the current year’s budgeted amount, unbudgeted expense reserve, and insurance reserve. The DLA is a liquid account and the cash is available within 24 hours.

Annual rate goals are specified for short and long-term investments which are made in certificates of deposits with fixed rates of return. Investment fund asset or portfolio mix depends on available instruments and should be made to give UCR maximum return and minimum risk.

The UCR Controller records interest revenue monthly and balances the General Ledger (GL) Accounts to the investment statements. CD purchases are submitted and approved by UCR’s Board of Directors.

Internal Controls for Investments:

All investment funds, percentages, withdrawals, and financial institution placements must be approved in advance by vote of the UCR Board of Directors. Documents and securities are always maintained in a Kellen safe. Securities interest payment income is closely monitored and collected on a timely basis. Interest is earned monthly and reported to the UCR Board during each board meeting. “Yield on Investments” reports are periodically prepared and submitted to UCR. Pre-termination of investments has never occurred to date and are avoided unless required by service, contract, etc.

In no case should all UCR investment funds be placed in only one bank. Investment funds are split between the Bank of North Dakota (BND) and Truist Bank. They must be as risk-free as possible, such as government securities or certificates of deposit.

Accounts Receivable

When states receive funds directly from registrants and they have exceeded their revenue entitlements, the Depository will issue an invoice to the states to collect funds in excess of their entitlements. UCR's Senior Financial Analyst prepares invoices monthly for any state that exceeds its revenue entitlement and receives UCR fees at the state level.

State payments are submitted via check, wire, or ACH. Check payments are forwarded to Kellen's Accounts Receivable Department for processing. Checks are deposited using a check scanner and recorded directly into the Truist Bank state funding account. For states that remit payments via ACH or wires, funds are deposited into a holding account with the Bank of North Dakota (BND). The UCR Senior Financial Analyst applies all payments to corresponding invoices in the Accounts Receivable system.

UCR's Senior Financial Analyst prepares an Accounts Receivable "Aging Balance" report which is periodically reviewed by the UCR Depository Manager. An aging report is shared at each UCR board meeting.

Internal Controls for Cash Receipts:

Cash, client information, confidential documents, etc., are stored in a Kellen safe with limited access. Total receipts to bank deposits are independently verified by UCR's Senior Financial Analyst daily. Kellen's Accounting Department is notified of UCR billings and collection activities in a timely manner. UCR receivable records are posted only from authorized source documents. Cash receipts are deposited daily. Checks that cannot be deposited on the same day are stored in a safe by Kellen's Accounts Receivable staff. Only designated Kellen Accounts Receivable personnel are authorized to handle cash receipts and make deposits for UCR. The UCR Controller reconciles all deposits and posts each state's revenue payments by "Registration Year" and "State" to the General Ledger on a monthly basis.

Proper segregation of duties for cash receipts are as follows:

- Payments from states are received in Kellen's Atlanta Headquarters by its Accounts Receivable staff who do not have check signing authority.
- Individuals responsible for cash receipts do not sign checks or reconcile bank accounts.
- Individuals responsible for cash receipts are not responsible for non-cash accounting records, such as the general ledger, journals, accounts receivable.
- UCR bank accounts are reconciled monthly by a person who is independent of the cash receipts and disbursements functions.

Accounts Payable

The Kellen Company uses accounting software and bill payment processing systems to maintain UCR vendor information and payments. Invoices are sent to the UCR Depository Manager for review. The UCR Account Coordinator receives and submits all invoices into the Accounts Payable system for approval by the UCR Depository Manager specifying the appropriate general ledger account.

The Accounts Payable Department reviews and processes vendor payments electronically via ACH transactions. Registration fee refunds are processed using the same payment method as the initial fee was received. Payments made by check are refunded by check. Authorized check signers include Kellen's Senior Vice President of Accounting & Finance, Corporate Controller, Group Controller, and UCR's Depository Manager. The UCR Controller performs bank and other reconciliations at the end of each month to ensure all payment transactions have cleared the bank.

Internal Controls for Cash Disbursements:

All cash disbursements are properly supported by receipts, invoices, vouchers. Payments are generally made by ACH. Checks may be issued occasionally for UCR which are system generated. Blank checks are never signed. Issued checks that have not been distributed are kept in a Kellen locked drawer. All invoices are paid and stored electronically. The UCR Controller independently compares disbursement checks to invoices and reconciles them to bank statements monthly.

Proper segregation of duties for cash disbursements are as follows:

- The UCR Executive Director reviews and provides final approval to pay invoices in excess of \$2,500. The UCR Depository Manager has the authority to approve invoices less than \$2,500.
- Separate individuals process invoices, approve invoices, generate payments, and reconcile bank accounts for UCR.
- Only Kellen's Senior Vice President of Accounting & Finance, Corporate Controller, Group Controller, and UCR's Depository Manager are authorized to sign UCR checks.

Contract Management

UCR occasionally enters into contracts with suppliers and vendors to meet UCR Board of Directors or authorized subcommittee business requirements. The subcommittee discusses and votes on identified business requirements.

New service contracts undergo a voting and bidding process established by the Board or subcommittee. The bidding process identifies qualified resources needed to provide services, value-added prices, and the lowest cost provider. The potential contract is added to the agenda as a topic for the next Board meeting which will specify that the subcommittee supports the service and recommended contractor. The Board approves the contract for negotiation or denies it. Contracts may only be approved by the Board. No single board member or subcommittee is authorized to enter into contracts on behalf of the Unified Carrier Registration Plan. The Board works with the appropriate subcommittee, UCR Chief Legal Officer, and other appropriate parties once a contract is approved for negotiation.

Contracts are required to be in writing. Terms and conditions, indemnification, limits of liability, the scope of services, and pricing must be included. The UCR Board does not allow liquidated or consequential damage clauses in any UCR contracts. Various UCR team members conduct final reviews of negotiated contracts which are made available in an “executable format” for all parties to sign. The UCR Board authorizes the Chair during the board meeting to execute and enter into the contract. The UCR Chief Legal Officer or Administrator maintains original contracts. The UCR Administrator stores copies of all contracts electronically for future use as needed. Information is collected regarding material violations with legal and contractual provisions. Compliance with contracts is monitored on a regular and timely basis.

Contracts are used by or for the following business purposes:

- Executive Directors
- Administrators
- Software Development & Maintenance
- State & Motor Carrier Audit Expertise
- Legal & Accounting Services
- Payment Card & Merchant Services
- Partnering Agreements
- Other Professional Services

Vendor Management

The Kellen Company has standard policies that are used for UCR's vendor management. When an approved invoice or check refund request is received from a new supplier, Kellen's Account Coordinator completes a new vendor set-up form and submits it to the Accounts Payable Department for processing. W-9 and banking documentation are submitted with the vendor request. Alternatively, banking documentation is submitted with the payment request if not available on the invoice. Refund vendors do not require a W-9. The Account Coordinator obtains an IRS Form W-9 and executes the payment via an ACH (Automated Clearinghouse) set-up form containing banking details from the vendor. The Account Coordinator submits the ACH set-up form to the Accounts Payable Department for activation in the accounting system.

Travel & Other Expenses

UCR Board and subcommittee members must comply with the Federal Travel Regulations (FTRs) as promulgated by the United States General Services Administration (GSA). The FTRs require all travel be made for a permitted business purpose with the Chair of the Board's approval in advance. The FTRs also require travel to be conducted at rates established by the GSA. The rates are subject to periodic changes. They may be referred to as CONUS (Continental US), per-diem, or government rates. Rates are based on specific regions where travel is occurring and include the following:

- Hotel accommodations (excluding related taxes)
- Meals
- Miscellaneous Sundry

Hotel expenses are submitted for reimbursement at actual cost, including taxes, as verified by a receipt. When it is not possible to obtain hotel accommodations at or below the per-diem rate, the Chair of the Board may issue an exemption to the traveler. All exemptions must be in writing.

Meals and miscellaneous expenses are reimbursed at CONUS rates. Travelers are not allowed to submit receipts for these expense types. Finding suitable dining and miscellaneous items at a reasonable cost is the traveler's responsibility.

The FTRs do not pay for rental vehicles, except when approved in advance by the UCR Chair of the Board in writing. Airfare, public transportation (i.e. trains, buses, taxis, etc.), and other ground transportation are reimbursed at cost.

Authorized UCR Board and subcommittee members complete expense reports for reimbursement online using UCR software. Travelers must attach and submit copies of receipts and invoices via the UCR software to be reimbursed for expenses over \$25.00. Expense reimbursement requests are automatically routed to the UCR Depository Manager for review. The UCR Depository Manager returns requests to travelers when there is an error. The traveler must correct the error and resubmit the reimbursement request. If there are no errors in the expense report, the UCR Depository Manager approves the reimbursement request. Approved expenses are automatically paid to the traveler by the software provider Banking Agent from the UCR operating account.

Pursuant to contractual terms with the UCR regarding travel, UCR contractors submit their own authorized travel expense receipts and invoices for reimbursements. Those not subject to the FTRs will be reimbursed under Kellen's standard Accounts Payable process.

Internal Controls for Travel & Other Expenses:

The UCR Controller verifies all disbursements to the detail extract report from the UCR procured software monthly.

Direct Expense Advance Process (DEA):

The Kellen Company generates and provides the UCR Controller with monthly DEA invoices. The Vice President, UCR Depository Manager, and Account Executive review and approve the invoice before the UCR Controller sends it to the UCR Executive Director for final payment approval.

Shared Office Expenses:

Monthly Shared Office Expenses include general printing, copies, telephone, basic Zoom access, postage, on-site physical storage, digital file storage, bandwidth, and client survey needs. Advanced software, non-basic Zoom usage, and FedEx mailings are not included and are billed to UCR at cost.

Conflict of Interest

A conflict of interest arises when a person in a position of authority over the UCR benefits financially from a decision they make. It includes indirect benefits to family members or businesses with which the person is closely associated. UCR is focused upon material financial interest or benefit to such persons.

Individuals Covered:

UCR Officers, Directors, and Administrator Management Firms are covered by this policy.

Facilitation of Disclosure:

Persons covered by this policy must disclose any potential conflicts of interest to the UCR Chairperson of the Board of Directors. UCR provides a form for individuals to document such matters in writing. If a covered individual is unsure if a conflict of interest may be present, then he or she should disclose all reasonable facts of the matter. The UCR Chairperson and individual will conclude if a written disclosure is appropriate or required under this policy.

Procedures to Manage Conflicts:

For each disclosed conflict of interest, the UCR Chairperson determines to:

- (a) Take no action
- (b) Assure full disclosure to the Board of Directors and other individuals covered by this policy (c) Request the person to recuse from participation in related discussions or decisions
- (d) Ask the person to resign from their UCR position or, if the person refuses to resign, become subject to possible removal according to UCR removal procedures

The UCR Administrator Management Firm monitors proposed or ongoing conflicts of interest transactions and discloses them to the UCR Chairperson.

Whistleblower

The UCR encourages complaints, reports, and inquiries regarding illegal practices or serious violations of its adopted policies. Illegal or improper conduct by the organization, leadership, or others on its behalf should also be reported. The UCR protects individuals from retaliation and encourages individuals to raise matters of alleged discrimination or harassment to the UCR's Board of Directors unless those channels are implicated in the wrongdoing.

Retaliation against individuals for making good-faith complaints, reports, inquiries, or for participating in a review or investigation is prohibited. This protection extends to those whose allegations are made in good faith but prove to be mistaken. The UCR reserves the right to take appropriate actions against persons who make bad faith or knowingly false complaints, reports, inquiries, or who abuse this policy.

Complaints, reports, or inquiries can be made on an anonymous basis and should be described in specific details. When a person is implicated in the complaint, report, or inquiry, the disclosure is directed to a qualified source within a Federal or State Agency, the Administrative Management Firm of the UCR, or the reporting person's Legal Advisor. The UCR will conduct a prompt, discreet, and objective investigation.

Document Retention & Destruction

UCR Directors, Officers, and Administrator Management Firms are responsible for maintaining storage and destruction of UCR's paper and electronic documents, records, and media. All records are supplied at an appropriate time to the Administrator Management Firm for appropriate storage, safekeeping, retrieval, and destruction in accordance with the policy described herein. Records are constructed with the expectation that they may be read by persons other than the intended recipient. Therefore, all documents, including emails, should be drafted courteously and professionally.

The Chairperson of the Board of Directors may authorize documents to be exempt from UCR's Record Retention and Destruction Policy when approved by a majority vote of the Board of Directors. An exemption from this policy must be provided to the UCR Administrator Management Firm in writing prior to the retention expiration date.

No documents will be destroyed or deleted if subject to a court subpoena or is pertinent to any ongoing or anticipated government investigation or proceeding, or threat of litigation.

General Documentation	
MATERIAL TYPE	RETENTION PERIOD GUIDELINES
UCR Agreement	Permanent
Articles of Incorporation	Permanent
Annual Reports	Permanent
Tax Exemption Determination	Permanent
Trademarks and Copyrights	Permanent
Litigation	Permanent
Board Minutes	Permanent
Committee Minutes	7 Years to Permanent
Contracts	10 Years after Expiration or Termination
Meeting Information - General	2 Years
Closed Board Meeting Materials (All, including minutes)	2 Years after meeting date or 1 Year after the conclusion of any proceeding(s) with respect to matters discussed during such meeting, whichever occurs last (Sunshine Act Sec. F2)
Correspondence - Routine	1 Year
Correspondence - Critical	2 Years
Drafts	Destroy after Final

Operating and Financial Documentation	
MATERIAL TYPE	RETENTION PERIOD GUIDELINES
Registration System Transactions	7 Years
Depository Transactions	7 Years
Carrier Registration Data	7 Years
Audit Reports (Registration System)	7 Years
Audit Reports (State System)	7 Years
Audit Reports (Depository)	10 Years
Financial Statements	10 Years
Accounting Ledgers	7 Years
Invoices (Vendor/Supplier)	1 Year
Shipping/Freight Documents	10 Years
Financial Statement Audits	7 Years
Bank Statements	7 Years
Accounting Reconciliations	7 Years

Refunds

Motor carriers, states, or the UCR Helpdesk may request a refund for valid reasons. They submit a request in the NRS which is processed by Kellen's Accounts Payable Department. The refund request is automatically routed in the NRS to the base state. The base state reviews the request for approval.

Rejected Refunds:

Refund submissions that are not approved are sent back to the requestor explaining the reason for the rejection.

Approved Refunds:

Refund submissions that are approved at "Level 1" are automatically routed in the NRS to the UCR Depository Manager who checks SAFER data and inspection records. The UCR Depository Manager approves the request at "Level 2" after confirming it is appropriate and complies with the return policy. The NRS is automatically updated and routed to the UCR Senior Financial Analyst for "Level 3" approval.

The UCR Senior Financial Analyst processes the refund through a third-party merchant or initiates a check request if the original payment was made by check. They approve the refund in the NRS notating the transaction ID or check number.

Refund activity for multiple registration years is summarized and reported to the Board monthly.

Refund Procedure

1. Only (i) carriers, (ii) permitting services, (iii) state users, and (iv) national Seikosoftware (SS) support personnel may request a refund, and even then, only for current open registration year(s)
2. Refund requests are initiated only in the **National Registration System (NRS)**
3. Parties in Item #1 above will be required to submit a valid refund request in the NRS no later than **sixty (60) days** for the most recent registration year, and no later than **thirty (30) days** for any other open prior year registration period(s), after the initial registration was paid and validated in the NRS
 - a. An exception to the timing requirement discussed above may occur when a refund request is created by state UCR staff as the result of an audit that is properly conducted by the base state of a registrant; refunds can only be requested and processed if the registration year under audit is still open in the Administrative portal in the NRS
4. Valid submitted refund requests through the NRS will be captured by SS daily
5. Within two **(2) business days** from the submittal of a valid refund request through the NRS, SS will have completed an interrogation of the request confirming all of the following:
 - a. The party submitting the request is validly authorized to do so based on Item #1
 - b. All required information was reasonably provided in the refund request
 - c. The refund request was initiated sixty (60) days or less from the payment/validation date in the NRS depending on Item #4
 - d. The registrant provided a current DOT or FF number
 - e. The refund request included an acceptable Reason and other information supporting the refund request, if required (may be used for FARs or other audit purposes)
 - f. Confirming the tier the carrier originally registered in
 - g. Confirming the tier a carrier may be retreating to, based on the circumstance
 - h. The amount paid through the most recent registration, including all prior adjustments and refund requests
 - i. The new amount of the revised registration including the refund amount requested
 - j. Identifying the method of payment used for the registration
 - k. Confirming that the funds for payment have been received by the registration banking system (this step shall not apply if the funds for payment were received directly at a state location or through an independent state registration system, however, SS will still confirm that the registration is active in the NRS before proceeding further with the refund process)
6. Once SS had completed each of the steps above and has confirmed the refund request as being reasonably valid, SS will then refer the request to the registrant's base state for additional review and authorization as defined below
7. Base states must review and confirm (i) the existence and validity of the carrier requesting a refund, (ii) ensure the carrier is in good standing and compliant with the UCR requirements, (iii) the refund request is proper in the circumstance, and (iv) in cases when the refund request exceeds USD 1,000 the base state must conduct audit procedures to verify the data from the refund request
8. Base states must complete the review within ten (10) **business** days and either provide authority to proceed or reject the refund request in the NRS
9. The NRS will maintain a log of base states personnel duly authorized to issue an approval of a refund request, and a Reason for a rejection of the request must be provided
10. All refund requests rejected by the base state and returned to SS with a valid reason will be reviewed by SS for reasonableness

- a. Assuming the state has a reasonable basis for rejecting the refund request, then SS will confirm the rejection in the NRS, which will return the rejected request to the originator
 - b. A questionable, or unclear rejection will be referred back to the base state by SS for specific action response
11. All refunds approved by the base state personnel must further be referred for approval to an authorized representative from the UCR Board (typically the UCR Administrator, Kellen) as may be assigned from time-to-time
12. Upon completing all of the above steps for proceeding with an approved refund request, the UCR Board representative will perform the following procedure based on the original payment method:
 - a. For original payment by **credit/debit card**, the representative will initiate the issuance of a credit refund through the appropriate merchant account
 - i. If the refund cannot be applied to the credit/debit card originally used for payment, then the procedures described in Item 12(b) below should be used.
 - b. For original payment by either **E-check or mail-in paper check**, after the representative has confirmed the receipt of funds in the registration banking system:
 - i. The approved request will be assigned to the Depository representative who will complete the refund by check or ACH (via Kellen Company)
 - ii. If funds are not available in the Depository, refund requests will be referred to the base state for review and potential payment
 - iii. The Depository will retain its right to invoice states for refunds issued by the Depository that are in excess of a given states entitlement
13. Refunds must always be payable to the entity that originally submitted the registration payment that gave rise to the refund request
14. Upon successful completion of a refund, the NRS will automatically create a system-generated refund receipt that will be sent to (i) the party that originally submitted the registration (i.e. a carrier or permitting service), (ii) the base state, and (iii) the Depository administrator (Kellen), regardless of the refund method used (i.e. credit/debit card, check or ACH)
15. After the issuance of a refund, either by credit/debit card, ACH or paper check, the board representative will conduct a final review of the refund request and its disposition, and will then close the refund request in the NRS
16. For a refund request to be paid by Kellen via check or ACH, Kellen will review all materials generated by the NRS, SS, and the base state for completeness and accuracy, and upon confirming same, will proceed with the refund payment within seven (7) business days
17. A third party that registers a carrier without the carrier's express consent will not be entitled to receive a refund
18. Refund requests may result in a FARs or audit capture so due care should be given before any issuance of a refund is requested
19. For any of the states operating their own registration system, refund requests must be initiated through the state rather than in the NRS when the registration was made in the state system

Suspensions

Motor Carriers that are voided or no longer registered with UCR are suspended. The most common reasons for suspension are declined transactions due to insufficient account funds, invalid bank account numbers, and credit card chargebacks. A third-party merchant sends an automatically generated email to the UCR Depository Manager and Senior Financial Analyst when this occurs. The emails include the motor carrier's name, DOT number, amount paid, registration year, and reason for the declined transaction.

Upon receipt of the email, the UCR Senior Financial Analyst suspends the registration in the NRS. Only the UCR Depository Manager, Senior Financial Analyst, and SeikoSoft are authorized to process a suspension in the NRS. Suspensions are monitored by the UCR Depository Manager.

Once registration is suspended, the motor carrier is responsible for providing a valid payment for reinstatement. Registrants that have multiple declined transactions for the same reason must pay using a different payment method.

Financial Management

Chart of Accounts

The Kellen Company assigns account codes to maintain a proper flow of billing, disbursement information, and payment systems. Codes are set up for all bank accounts, investments, and participating states by registration year. The UCR Controller maintains and updates the Chart of Accounts as needed.

Budgeting

UCR annually creates a budget of administrative expenses for the next fiscal year. The budget is prepared in detail, including the most likely expenditures by a third-party vendor. It is based on firm contractual obligations or best-known estimates using the most current, relevant, and reliable data available. Other expenses such as Board and subcommittee travel, meetings, and transaction costs are included in the budget.

The budget is a complete and comprehensive estimate of future administrative costs necessary to run the program and help management make informed decisions. UCR aligns its budget with the Federal Motor Carrier Safety Administration's (FMCSA) approved budget for the corresponding fiscal year. UCR staff prepares a draft budget. It is reviewed by the UCR Finance subcommittee and is subject to any changes before being presented to the Board. The UCR Board reviews and formally approves the budget during November or December annual board meetings.

The UCR Board requires a 3-year budget maintenance target to meet its Financial Reserve. This enables the "liquidity reserve" and the "risk of not obtaining administrative funds" reserves.

Cash Collected

The UCR Senior Financial Analyst performs daily and monthly cash collection reconciliations by pulling “Registration Fees Collected by State” reports from the NRS system. The report is analyzed to determine the effective dates that credits (i.e. registration deposits and state payments) and debits (i.e. client returns and refunds) hit the bank. Due to banking cutoffs, holidays, weekends, etc., some transactions may not appear in the bank until the following day or month.

Check, ACH, and Credit Card payments are separated and reconciled. The UCR Senior Financial Analyst reviews the funding date, “DOT” number, fee paid, registration year, transaction number, base state (the state the carrier belongs to), and the receiving state (the state that received the money). Transaction numbers from the report and NRS system should match. Variances are investigated.

Total credit amounts are reviewed to net any refunds. The UCR Senior Financial Analyst notates the amount, date, and reason for returns such as “Suspension of Client Registration” on the “Registration Suspension” report. The total return amount should have a zero variance. Only the UCR Depository Manager, Senior Financial Analyst, and Seicosoft (Vendor) can perform the suspension function.

Check deposit amounts may not match due to currency timing differences. The bank will only accept foreign checks via a counter deposit. In this case, Kellen’s Account Receivables Specialist takes the checks to a bank branch location to physically make the deposit. An additional deposit is later made to balance out the sum.

Balance Sheet Reconciliation

The UCR Controller creates monthly working papers consisting of reconciliations of all Balance Sheet accounts, other revenue, and miscellaneous line items. Financial statements, general ledger account reconciliations and supporting documentation must be completed by the 25th calendar day following the month being closed (i.e. January close must be completed by February 25th).

Current Assets:

Bank reconciliations for current assets such as cash include validating each bank account's balance, outstanding checks, general ledger balance, cash flow report balance, and short-term investments (maturing within 3 months). These line items are reconciled to statements from the corresponding financial institution.

Noncurrent Assets:

The UCR Depository Manager prepares a summary report of long-term investments along with their current values. The report lists details of the investment type, maturity date, value, etc. Securities (i.e. bonds, common stock, and long-term notes), fixed assets not currently used in operations (i.e. land held for speculation), special funds (i.e. sinking and pension funds), cash surrender values of life insurance, and investments are also listed. Fixed, tangible, and intangible assets are depreciated and/or amortized over their expected life to the expense line as required by GAAP. The Plan currently has no noncurrent assets.

Current Liabilities:

The Registration Fees Payable to States general ledger account is reconciled every month and reviewed by a supervising individual. Reserve Funds are listed in detail on the summary report showing all its activity within the fund's current operating cycle. Revenue and expense line items affecting the reserve are listed with the date, vendor, and payer.

Long-Term Liabilities:

Obligations that UCR does not expect to liquidate within the normal operating cycle such as capital leases are listed on the summary report. It is sometimes accompanied by an amortization schedule showing repayment of the debt. The type, purpose, date, and value of the capital lease are also specified.

Internal Controls for Bank Reconciliations:

Only qualified Kellen Accounting and Finance personnel have access to UCR's accounting records. The UCR Controller records cash entries in the general ledger and performs bank reconciliations. Individual deposits are compared on the bank statement with deposits in transit from the preceding bank reconciliation or deposits per company records. The UCR Controller adjusts cash balances as needed to reflect the correct information.

The UCR Controller compares paid or returned checks shown on the bank statement with checks outstanding from the preceding bank reconciliation and checks issued by the company as recorded in the Accounts Payable process. Items in transit or differences are notated and listed in the appropriate section of the reconciliation schedule.

Internally Generated Financial Statements

Financial statements, general ledger account reconciliations and supporting documentation must be completed by the 25th calendar day following the month being closed (i.e. January close must be completed by February 25th). The UCR Controller prepares the following financial statements monthly:

Balance Sheet (Statements of Financial Position):

The Statements of Financial Position similar to a Balance Sheet, represents UCR's Assets, Liabilities, and Net Assets.

Assets are separated into categories by order of liquidity before being totaled and reconciled against Liabilities and Net Assets. Liabilities such as creditors, loans, accounts payable, bonds, and registration fees are separated into categories. Current Liabilities are obligations due within one year. Non-current Liabilities are due after one year. UCR's Net Assets are equal to its Total Assets minus Total Liabilities.

Statements of Activities:

The Statements of Activities report Revenues, Expenses, and the Change in Net Assets for each Registration Year.

Revenues such as registration fees, investment income, and amounts released from restriction are shown by type, and then totaled. Expenses such as administrator fees, legal, software, maintenance, professional service, auditing, accounting, transaction costs, and supply fees are shown by program type, and then totaled.

The Change in Net Assets is the difference between revenues (assets) and expenses (liabilities). Net Income or "The Bottom Line" are also terms used to refer to the change in net assets. The UCR Controller adds Current Period Net Assets to Beginning Period Net Assets to calculate Ending Net Assets. The UCR Controller confirms that the Net Assets reported on the Statement of Activities equal the Net Assets on the Statements of Financial Position. The UCR Controller reconciles the Opening Net Assets of the current year's financial statements to the ending Net Assets of the prior year's financial statements to ensure they match. Variances are interpreted and analyzed as needed.

Internal Controls:

Financial statements are reviewed monthly by the UCR Depository Manager to determine when standardized journal entries were omitted or duplicated. A supervising individual will review journal entries prepared by the controller and accounting staff prior to posting in the general ledger. Adjusting entries are supported by descriptions, underlying accounting records, or documentation. The Depository Manager reconciles the registration revenues per the financial statements to the Depository Transmittal to States Report monthly. The Kellen Company uses checklists to ensure all relevant financial information is included.

Every month, the UCR Depository Manager reviews the UCR Controller's workpapers and verifies they are reconciled to the general ledger. There is a bi-monthly review meeting of the financial statements, bank statements, trial balance, and workpapers attended by the UCR Chair of the Finance Subcommittee, UCR Executive Director, Kellen EVP, and UCR Accounting Leadership. All of the above documents are sent monthly to UCR governance. Kellen utilizes a Controller Performance &

Independent Review Checklist (see Appendix A) as evidence that these tasks are performed on a timely basis.

Audit

External audits for UCR are conducted annually by an outside Certified Public Accountant (CPA) firm which are rotated every 4 years. An audit provides assurance that an organization's financial statements are free of material misstatement and are fairly presented according to Generally Accepted Accounting Principles (GAAP). The CPA firm conducts risks assessments to gain a thorough understanding of UCR's operations. They examine the company's accounting systems to ensure data is not compromised.

The UCR Depository Manager signs an engagement letter that sets forth the contractual obligations of each party.

Upon the completion of the audit, the CPA firm requires a management representation letter addressed to them, acknowledging management's responsibility for the fair representation of the financial statements. The UCR Chair of the Board, Depository Manager, and Controller sign off on the management representation letter.

Internal Controls

The UCR Plan receives all the Best Practices that Kellen provides to its clients. Documented policies are posted on the UCR website: <https://plan.ucr.gov/policies-procedures/>. Policy updates are generally prepared by Kellen Staff and/or the UCR Chief Legal Officer. New policies are developed as necessary and added to the website at the direction of the UCR Board of Directors.

The Kellen Company has an Internal Controls Function to ensure mechanisms, rules, regulations, and procedures are implemented for UCR. Financial and accounting information is monitored daily and monthly to promote integrity, accountability, deter fraud, and provide reasonable assurance that UCR's goals are being met. The Kellen Company places a high value on operational efficiency by improving the accuracy and timeliness of financial reporting.

Kellen's Internal Audit Manager performs risk assessments and conducts questionnaires to gain an in-depth understanding of its control environment. Walkthroughs are done by observing process owners and documenting the steps they take to perform each task. Kellen's Internal Audit Manager makes recommendations for improvements such as minimizing manual processes, detecting material misstatements, and confirming proper segregation of duties. Appropriate segregation of responsibilities is maintained ensuring that custody of assets is held apart from the recording of any financial transaction. No single person initiates and authorizes the same transaction without a separate, qualified individual to execute or record the transaction in the financial statements.

Recommended processes and procedures are presented to Kellen's Senior Vice President of Accounting & Finance for approval. Implemented processes and procedures are formally communicated to departments and process owners. Training is provided and documented with trainee signatures or email confirmations for understanding. Changes to procedures are made as needed based on controls best suited for UCR.

Transactions and events are frequently tracked to determine if they are recorded in the proper accounts. Costs must be properly classified as expenses or assets. Financial information must be presented clearly and properly disclosed. Kellen's Internal Audit Manager checks for the fair value of investments and proper contribution amounts. In addition to the UCR Controller performing daily and monthly reconciliations, Kellen's Internal Audit Manager tests random financial statement samples such as cash receipts and disbursements for accuracy.

Appendix A



Unified Carrier Registration Plan Controller Performance & Independent Review Checklist

The following is a checklist of monthly tasks to be completed by the UCR Controller for Month-End Close:

UCR Controller:

- ☐ Verify that "Transmittal to State" reports for each active registration year have been generated monthly by the UCR Depository Manager or designee
- ☐ Receive all three of the following SunTrust Bank Statements:
 - ☐ Operating Account Statement
 - ☐ State Funding Account Statement
 - ☐ Daily Liquidity Account (DLA) Statement
- ☐ Receive all three BND Bank Statements (received via mail or retrieved online):
 - ☐ Holding Account Statement
 - ☐ Open Savings Account Statements for each registration year
 - ☐ Checking Account Statement (this account has a penny in it to keep it open for needed use)
- ☐ Receive all CD (Certificate of Deposit) Bank Statements (quantities may vary; only come in the mail)
- ☐ Save all the above Bank Statements as PDFs to the K Drive by month under the corresponding year. For example:
 - ☐ K:\ClientData\UCR\Depository\09 Banking\01 Bank Statements\2021
- ☐ Review activities for each bank account
- ☐ Record all the following to create Journal Entries:
 - ☐ Motor Carrier Payments (i.e. Registration Fees Payable to States or Revenue)
 - ☐ State Payments
 - ☐ Interest Income
 - ☐ Transfers In/Out
 - ☐ CD Purchases
 - ☐ Matured CDs
 - ☐ All Vendor Payments (i.e. Legal, ED, Administrator, Seikosoft, etc.)
 - ☐ Transaction Fees Collected
 - ☐ Transaction Fees Paid
 - ☐ Automatic Payments
 - ☐ Registration Fee Refunds
 - ☐ Other: _____
- ☐ Run the "UCR Financials V.2" BI 360 Template to:
 - ☐ Generate a report that includes the Financial Statements & Trial Balance
- ☐ Manually enter the balances from the generated report into the corresponding workpapers (i.e. "Bank Account Balance" tab) to check all ending balances
- ☐ Prepare reconciliations for each of the following Balance Sheet and General Ledger (G/L) Accounts:
 - ☐ All Cash and CD G/L Accounts
 - ☐ Registration Fees Payable to States
 - ☐ Excess Funds Payable to States
 - ☐ Net Asset Rollforward
 - ☐ Revenue by Registration Year
- ☐ If all balances are correct, save the new "Financial Statement Monthly Report" as a pdf to the K Drive
- ☐ Email the report to the UCR Depository Manager

Appendix A (Continued)

Independent Reviewer (UCR Depository Manager):

- ☐ Review the UCR Controller's Reconciliations
 - ☐ Workpapers
 - ☐ Bank Statements
 - ☐ Financial Statements
 - ☐ Journal Entries
 - ☐ Excess Distributions to States
 - ☐ State Funding Bank to NRS
 - ☐ Registration Fees Payable to States to Depository Transmittal to States Report
- ☐ Inform the UCR Controller of the Reconciliation Review Results (Approved or Rejected)
 - ☐ Review Approval Date: _____
 - ☐ Review Rejection Date: _____
 - ☐ Reviewer Signature: _____
- ☐ Complete additional reconciliation reviews until rejected reconciliations are approved
- ☐ Save the "Controller Performance & Independent Review Checklist" to the K Drive in the following format:
 - ☐ "Reviewed UCR (Month/Year) Financials"
 - i. Ex. "Reviewed UCR October 2021 Financials"
 - ☐ K:\ATL\kellendata\Internal Controls\Client Processes & Procedures\UCR\Reviewed UCR Checklists
- ☐ Email the Internal Audit Manager informing them that the checklist is saved to the K drive and include the following summary in the body of the email:
 - ☐ Reviewed UCR (Month/Year) Financials
 - ☐ Review Status (Approved/Rejected)
 - ☐ Review Completion Date

Internal Audit Manager:

- ☐ Enter the summary details received from the Independent Reviewer into the "Master Tracker" ("Financials Master List" tab)
- ☐ Conduct Random Sample Testing by checking for completed monthly checklists on the K Drive
- ☐ Report Findings
 - ☐ Include review status summaries in the "Weekly Master Tracker Update" email to the UCR Controller, Independent Reviewer (UCR Depository Manager), and the Executive Vice President of Shared Services
- ☐ Make recommendations as needed to improve completion/review time and accuracy to help deter material misstatements



UCR ACCOUNTING GUIDELINES

Appendix B

Cross reference of position titles to current names:

1. Authorized UCR Accounting Staff – Abiola Bankole-Hameed, David Scholz, Susan Thompson
2. Depository Manager – David Scholz
3. UCR Senior Financial Analyst – Thomas Lawrence, Kellen Chambers
4. Supervising Individual – Kellen Company management
5. Controller – Katherine Thurmond
6. UCR Account Coordinator – Jessalynne Ku
7. UCR Administrator – The Kellen Company
8. Account Executive – Eric Orr
9. Administrative management firm – The Kellen Company
10. UCR accounting leadership – Abiola Bankole-Hameed, David Scholz, Susan Thompson, Pamela Meadows, Unyime Udowana