MOSCOW FOOD CO-OP
General Manager Monitoring Report

General Manager's Monitoring Report – March 29, 2017
Policy Type: **Executive Empowerment** Policy Title: B3 – Asset Protection
**I report compliance with all parts of this policy.**

**Melinda C. Schab, GM Moscow Food Co-op**

Attachments:

1. Employee Handbook
2. HR Manual for Managers
3. Emergency Action Plan
4. Emergency Map
5. Evacuation Map
6. MOD Handbook

**Policy Language**
*The General Manager shall not allow assets to be unprotected, unreasonably risked, or inadequately maintained.*

**Interpretation & Operational Definitions**
In the sub-policies below, the Board has fully interpreted this policy for all assets. See each individual section below for interpretations, operational definitions and data.

**Data:** Compliance with the primary points of all the sub-policies will demonstrate compliance.
**I report compliance with the top level policy.**

**Policy Language**
*The GM must not:*

*B3.1 Allow equipment and facilities to be inadequately insured, or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.*

**Interpretation**
The Co-op will have in place insurance that would be considered usual and normal for a retail grocery business of our size.

**Operational Definition**

- The Co-op will have sufficient insurance to cover property, inventory, and business interruption.
- Our insurance policies are reviewed annually to determine adequacy.

**Data**

| Category | Insurer | Coverage Amount |
|---|---|---|
| Property (facilities & equipment) | Mid Century | $1,579,000 |
| Inventory | Mid Century | Included w/Property |
| Commercial auto | Not necessary at this time | NA |
| Business Interruption | Mid Century | 30 days |

**Data supports compliance.**

**Policy Language**
*The GM will not:*

*B3.2 Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.*

**Interpretation**
*Unnecessary exposure to liability* refers to insurable risks that could have been prevented by knowledge of and adherence to labor laws and personnel regulations, safety procedures for staff and customers, and all policy and procedures of the Co-op.

Adequate liability insurance reasonably protects the Co-op's assets in the case of a legal judgment against the Co-op.

**Operational Definition**
- The Co-op has written policies regarding harassment, equal opportunity, progressive discipline, and safety.
- Insurance coverage for business liability insurance and Directors and Officers liability is deemed sufficient by the Co-op's insurance brokers. Additionally insurance carriers must have a Financial Strength rating of "A" or better as determined by Best Credit Rating Center.

**Data**
- Policies: The Co-op's Employee Handbook details our policies for harassment (pg. 27), equal opportunity (pg. 8), progressive discipline (pg.11) and Safety (pg. 29). Employment policies were updated in 2014 and reviewed by legal counsel. The HR Manual for Managers that was developed to supplement formal HR training for Managers also includes information about harassment (pg. 19), equal opportunity (pgs. 4 & 29), and progressive discipline (pg. 15).
- The Co-op has a comprehensive Emergency Action Plan. The plan was reviewed by a fire chief and a police officer, and a Red Cross representative was consulted during development. Orange binders in each department detail the specific procedure to follow in each kind of emergency. Monthly safety trainings starting in 2017 will require each department head to review one section of the plan with their staff each month.
- The Co-op's MOD (manager on duty) Handbook and training cover the contents included in the EAP, as well.

- Insurance: The Co-op carries the specified coverage and was deemed customary and reasonable by the Co-op's insurance broker, as stated in the Insurance Broker Memo 2009.
- Summary of Liability Insurance Coverage, March 2017

| Type | Individual Occurrence Limit | Aggregate Limit | Carrier | Rating |
|---|---|---|---|---|
| General liability | Varies | $4,000,000 | Mid Century | A |
| Workers Compensation | $100,000 | $500,000 | Truck Insurance | A |
| Directors & Officers | $1,000,000 | $500,000 | US Liability | A++ |
| EPLI | $2,500 | $50,000 | Farmers | A |
| Fiduciary Liability | $1,000,000 | $1,000,000 | Colonial | A- |
| Umbrella Coverage | Varies | $3,000,000 | Truck Insurance | A |

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**Policy Language**

*The GM will not:*

*B3.3 Allow deposits or investments to be unreasonably risked*

**Interpretation**
The Co-op's investments and deposits mush be protected from unreasonable risk.

**Operational Definitions**
- A system for protecting the Co-op's retirement benefits plan exists. Specifically the system will include identification and education of fiduciaries, a qualified third party administrator, and annual audit of plan performance, and insurance to protect the fund.
- Deposits: The Co-op's funds should be fully insured with limited exceptions. Compliance will be achieved by evidence that all cash holdings and investments are
    - Less than $250,000 in an FDIC or NCUA insured institution; or
    - Less than $250,000 per account in an ASI insured institution
    - More than $250,000 in a single primary checking account in an institution that has the highest rating from a national rating service; or
    - Investments in other cooperatives made to further our Ends accomplishment.

**Data**
- Retirement Plan – The Co-op's 401k plan meets each of the criteria:
    - The Co-op contracts Retirement Plan Consultants as its third party administrator.
    - The Co-op contracts MG Trust to ensure that funds are safe & available at all times.

- The Co-op contracts Timothy Yee of Green Retirement Inc. to provide licensed investment assistance to participating employees and to provide fiduciary advice to plan administrators Sandra Hughes, Deborah Reynolds, and myself, and to assist with fund performance review.
- The Co-op reviews performance, expenses and diversification annually.
- The plan is audited annually by Hayden & Ross to ensure compliance with all ERISA laws.
- Total plan assets = $299,006 as of 3/29/2017.

- Summary of Cash Holdings as of December 31, 2016

| Institution | Rating | Rating Service | Amount on deposit | Amount Insured | Notes |
|---|---|---|---|---|---|
| Banner Bank | 4-stars | BankRate | $733,117 | $250,000 | We are in the process of moving money out of Banner Bank and into LCU |
| LCU | 4-stars | BankRate | $222,335 | $750,000 | |
| P1FCU | 4-stars | BankRate | $80,465 | $250,000 | |

**Data supports compliance.**

**Policy Language**
*The GM will not:*

*B3.4 Allow inadequate security of premises and property*

**Interpretation**
We will have procedures for security of cash handling, inventory, payables, payroll, fixed assets, and our building security. In addition, we will have no material losses due to inadequate security.

**Operational Definition**
- Documented procedures will be reviewed by management and auditors on a periodic and as-needed basis.
- We will keep written material concerning any breaches of security and will notify outside auditors of changes to be made.
- Any losses will be documented. Losses greater than $1000 are considered material.

**Data**

- Summary of procedures

| | Proper Documentation exists? | Date of most recent review/by whom? | Record kept? |
|---|---|---|---|
| Cash handling | Y | Daily, FE & Finance | Y |
| Inventory | Y | Annually, Finance & Auditors | Y |
| Payables | Y | Ongoing, Finance | Y |
| Payroll | Y (outside service) | Ongoing, Finance | Y |
| Fixed assets | Y | Ongoing, Facilities & Finance | Y |
| Building security | Y | | |

- In this reporting period there were no "breaches of security" and therefore no reason to notify our auditors.
- No losses above $1,000 to report in this reporting period.

**Data supports compliance.**

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**Policy Language**

*The GM will not:*

*B3.5 Allow data, intellectual property, or files to be unprotected from loss, theft or significant damage.*

**Interpretation**

Sensitive Co-op information must be given adequate protection.

**Operational Definitions**

- Paper records will be kept in locked files.
- Electronic records will be regularly backed-up.
- Access to sensitive Co-op information will be determined and restricted by job description.
- There will be no reports of failure to protect data.
- Precautions will be in place to protect key intellectual property.
- The credit processing environment at the Co-op will be PCI compliant.

**Data**

- Sensitive printed information including employee records and other data are kept in locked filing cabinets.
- Electronic data, including POS data and business files, is backed up according to best practices, including daily offsite backup for business-critical data.

- Access to sensitive Co-op information is determined and restricted by job description. Only Human Resources staff has access to confidential employee records.
- There have been no reported instances of employee files being left unprotected.
- Our business name is protected.
- The Co-op was not PCI compliant in the reporting period.

**Explanation & Plan for PCI Compliance**
To enter compliance, the Co-op has invested substantially in hardware and software necessary to conform to the Payment Card Industry (PCI) Data Security Standards (DSS). These voluntary standards are designed for use by merchants and service providers to enhance payment account data security. The Co-op has subscribed to Trustwave's Merchant SecureAssist program to assist PCI compliance efforts. The Co-op has currently completed action plans to address areas of non-compliance. We anticipate being PCI compliant by 7/01/2017. While this work is a top priority, our risk of breach is mitigated greatly as we do not under any circumstances store cardholder data or transmit any unencrypted cardholder information.

**Data supports compliance.**

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**Policy Language**

*The GM will not:*
*B3.5a Allow improper usage of members' and customers' personal information*

**Interpretation**
No member or customer should ever worry that their personal information is collected unnecessarily or is used improperly. This is an integral part of maintaining a trusting relationship with our members and customers.

**Operational Definition**
- The Co-op has in place clear guidelines for what information we collect from members and customers, who has access to the information, and proper usage of the information.
- No member or customer will submit a valid complaint regarding the use of their personal information.
- All complaints (valid or not) and any infractions of this policy will be investigated and reported to the board.

**Data**
- Our operating procedures and department trainings define the limits for collecting and using personal information.
- No complaints were received during this reporting period.
- Because no complaints were received, nothing needs to be reported to the board.

**Data supports compliance.**

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**Policy Language**

*The GM will not:*
*B3.6 Allow purchasing that is uncontrolled or subject to conflicts of interest.*

**Interpretation**
Co-op assets are protected via a complete set of purchasing controls for all aspects of purchasing, including products for sale, supplies and capital items.

**Operational Definition**

- The Co-op will have purchasing procedures and controls in place.
- Beginning in 2018, the auditor's notes or management letter included in the independent auditors report will contain no significant criticism regarding receipt, processing or disbursement of funds.
- No material violations have occurred. Material violations are those that, according to existing procedure, require an employee be placed on probation or terminated due to the violation, or are included in the audit report.

**Data**

- Each new vendor is screened for legitimacy by a department representative, the Store Manager, and the General Manager, which is documented using the Internal Vendor Approval Form.
- Purchasing authority is limited according to an employee's position.
- Purchasing is monitored by managers in each department and further screened by the Finance Department.
- No material violations to report.

**Data supports compliance.**

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**Policy Language**

*The GM will not:*
*B3.7 Allow lack of due diligence in contracts.*

**Interpretation & Operational Definition**
Prudent investigation and evaluation will determine risk to the Co-op's assets when entering into contracts. This investigation and evaluation may include the management team, legal counsel, industry experts, Co-op peers and consultants and others as necessary.

In addition, *due diligence in contracts* requires that the General Manager and other management staff will not sign any long term contracts without review by the Co-op's legal counsel providing input.

**Data**

- Evidence of due diligence investigating risk to Co-op assets is presented on a per contract or acquisition basis.

- Summary of due diligence

| Date | Contract | Summary of Risk | Determination of appropriate level of due diligence by (management team, expert) | Outcomes |
|---|---|---|---|---|
| 9/2016 | Kronos (payroll & HR services) | Cancellation penalty | Management Team, industry peer reviews | Annual renewal |
| 9/2016 | Helbling Insurance | None | Management Team | Annual renewal |
| 11/2016 | Retirement Plan Cons. & Timothy Yee | None | Management Team, Hayden & Ross | Annual renewal |

**Data supports compliance.**

**Policy Language**

*The GM will not:*
*B3.8 Allow damage to the Cooperative's public image.*

**Interpretation**
The Co-op will maintain its position as a trusted agent for members and the public. Evidence of this trust will be maintenance of our member and customer base. Also, because negative publicity could lead to decreased trust, there should be an absence of negative publicity in local media or other public arenas.

**Operational Definition**

- Our number of members will be at least as high as it was at the same time last year.
- Our total number of customer transactions for the year will be at least as high as it was at the same time the previous year.
- For the past 12 months, there will be no instances of valid negative stories about our business in local news media outlets.

**Data**

- Membership

| **Date** | 12.31.2016 | 12.31.2015 | 12.31.2014 |
|---|---|---|---|
| **# of members** | 7871 | 7574 | 7293 |

- Total Customer Count

| **YE** | 12.31.2016 | 12.31.2015 | 12.31.2014 |
|---|---|---|---|
| **Customer Count** | 572,223 | 557,689 | 527,387 |

- News Stories

| **YE** | 12.31.2016 | 12.31.2015 |
|---|---|---|
| **# of stories** | 71 | 75 |
| **# of negative stories** | 2 | 2 |

**Data supports compliance.**