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Interstate Medical Licensure Compact Policies

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#1 – Policy on Policies

ADOPTED: April 1, 2016

EFFECTIVE: April 1, 2016

POLICY REVIEWED: February 16, 2021

AMENDMENT HISTORY (LIST WHEN AMENDED AND CITE SECTION NUMBER):
- Paragraph III was modified by adding a new definition called “Policy review” by the Executive Committee on March 2, 2021

I. Policy Statement

The Interstate Medical Licensure Compact (IMLC) Commission is committed to providing policies that clearly interpret and provide guidance on its actions in the interpretation, application and administration of the IMLC. Policies are not legally binding, but are intended to provide clarity, guide decisions, or implement a procedure or protocol.

II. PURPOSE

The purpose of this policy is to establish:

1. A formal mechanism to create, approve, rescind and periodically review IMLC policies.

2. A central policy archive that is accessible and easy to use.

III. DEFINITIONS

**Policy** – A policy is a governing set of principles that guide the IMLC Commission in its actions in the application and administration of the IMLC. It helps to ensure compliance with applicable laws and regulations, promotes operational efficiencies, and provides a basis for consistent decision-making, resources allocations or a method of action selected to guide and determine present and future decisions. It mandates actions or constraints and contains specific procedures to follow.

**Policy action** – A policy may be created, amended or rescinded.

**Policy development** – Commissioners or IMLC Commission committees may propose policy action. The IMLC Commission will determine the need for policy
action pertaining to the interpretation or application of the language and provisions of
the IMLC. The IMLC Commission may delegate authority to the executive director to
determine the need for policy action for the administration of the IMLC.

**Policy approval** – The authority to determine which policy action requires approval
of the IMLC Commission rests with the executive committee, which shall review
proposed policy action and decide to recommend it with or without amendments,
return it for further study and analysis, or reject it all together. The Commission may
review any approved or rejected policy and choose to vote to approve, rescind or
reject such action of the executive committee.

**Policy maintenance** – All polices will be maintained centrally and will be accessible
to all interested persons through the IMLC Commission website. Anyone
responsible for creating, distributing or revising IMLC policy shall follow the
procedures outlined in this policy.

**Policy review** – The Rules and Administrative Committee is charged with
conducting a regular review of the IMLCC policies. These reviews should occur at
least every five (5) years. Recommendations for change should be made to the
Executive Committee for action.

IV. DEVELOPMENT

Proposed policy actions shall be presented in a format that includes:

1. **Policy Statement** – This is a summary of the policy action.

2. **Purpose** – This section addresses what the policy action intends to accomplish.

3. **Definitions** – This section lists and defines specific terms in the policy action.

4. **Development** – This section lists the format of a policy action.

5. **Requirements** – This section delineates the requirements of a policy.

V. REQUIREMENTS

1. An IMLC policy shall be clearly written and understandable and be accessible to
   the IMLC Commission, member states, and the public.

2. An IMLC policy shall be consistent with applicable laws and regulations and
case law.

3. An IMLC policy is effective upon adoption, or shall express an effective date,
   and the policy shall remain in effect until amended or rescinded by the
   authorized authority, or as expressed in the policy, such as a sunset clause.
The date of amendment(s) to an existing policy shall be expressed, but the original policy adoption date shall be retained.

4. All IMLC policies shall be reviewed and updated every five fiscal years or earlier as needed.

5. All IMLC policies shall be maintained on the IMLC Commission’s website. Policies that are rescinded shall be removed on the effective date of the policy action.

6. An IMLC policy action shall be announced in a press release created and distributed by the communications committee.

VI. RESPONSIBILITY

The executive committee shall be responsible for ensuring that all IMLC policies are current, compliant with all statutory requirements and case law, and consistent with other applicable standards. The executive committee may delegate this responsibility to the executive director.

#2 – Policy on Conflict of Interest

ADOPTED: June 24, 2016
EFFECTIVE: June 24, 2016
POLICY REVIEWED: February 16, 2021

AMENDMENT HISTORY (LIST WHEN AMENDED AND CITE SECTION NUMBER):
• None

I. POLICY STATEMENT

Interstate Medical Licensure Compact (IMLC) commissioners and staff members occupy positions of trust and good faith and are obligated to act in the best interest of the IMLC and its member boards without regard to their personal benefit or the interests of other organizations with which they are associated. IMLC commissioners and staff member shall disclose all actual or perceived conflicts of interest and shall recuse themselves from all discussions and decisions when a conflict of interest has been disclosed or identified, unless a majority of the quorum of the IMLC Commission determines otherwise.

II. PURPOSE
The purpose of the conflict of interest policy is to foster public confidence and trust in the IMLC Commission and to protect the interests of the IMLC Commission as it conducts its business. This policy is intended to prevent actual or perceived conflicts of
from influencing IMLC commissioners or staff members in the performance of their duties.

III. DEFINITIONS

Conflict of Interest – An actual or perceived conflict of interest exists when a financial or other relationship might directly or indirectly benefit the private or personal interests of an IMLC commissioner or staff member, or prejudice an IMLC commissioner or staff member in business before the IMLC Commission. A majority of the quorum of the IMLC Commission may determine if an actual or perceived conflict of interest exists for an IMLC commissioner or staff member

Financial Interest – Is an interest, whether through commitment, investment, relationship, obligation, involvement, loan, donation, exchange transaction, or otherwise, direct or indirect, that may influence a person’s judgement.

Gift – Is any item or service with monetary value in excess of $50.00 offered to the IMLC Commission, an IMLC commissioner or an IMLC staff member without the expectation of compensation to the contributor. The gift might be tangible or intangible.

IV. REQUIREMENTS

1. Duty to Disclose. IMLC commissioners and staff members have a duty to disclose all actual and perceived conflicts of interest for themselves or other IMLC commissioners or staff members.

2. Personal recusal. IMLC commissioners and staff members who disclose a personal conflict of interest shall recuse themselves from all discussions and decisions, on the matter, unless otherwise determined by a majority of the quorum of the IMLC Commission, or by a majority of a committee designated by the IMLC Commission. The recusal shall be recorded in the IMLC Commission minutes or in a disclosure form provided by the IMLC Commission at the initiation of a meeting.

3. Commission-directed recusal. If an IMLC commissioner or staff member becomes aware of the existence of an actual or perceived conflict of interest, the IMLC commissioner or staff member shall provide this information to the IMLC Commission or a committee designated by the IMLC Commission. Upon the commissioner’s own motion, or motion of a party, a majority of the quorum of the IMLC Commission may recuse a commission upon a determination that the actual or perceived conflict of interest raises an unacceptable risk of bias or prejudgment in matters before the IMLC Commission. The recusal shall be recorded in the IMLC Commission minutes or in a disclosure form provided by the IMLC Commission at the initiation of a meeting.
4. **Gifts.** The IMLC Commission shall maintain a public listing of all gifts.

5. **Annual review of this policy.** Each IMLC commissioner and staff member shall annually sign a statement which affirms such person:
   a. Has received a copy of the conflict of interest policy,
   b. Has read and understands the policy, and
   c. Has agreed to comply with the policy.

6. **Administration of this policy.** The IMLC Commission executive committee shall be responsible for administering this policy and ensuring that this policy is current, compliant with all statutory requirements and case law, and consistent with other applicable standards. The executive committee may delegate administration and maintenance of this policy to the IMLC executive director.

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**#3 – Policy on Executive Committee Spending Authority**

ADOPTED: February 22, 2017
EFFECTIVE: February 22, 2017
POLICY REVIEWED: February 16, 2021

AMENDMENT HISTORY (LIST WHEN AMENDED AND CITE SECTION NUMBER):
- The policy was rescinded by the Executive Committee on March 2, 2021.

I. **POLICY STATEMENT**

The Interstate Medical Licensure Compact (IMLC) commissioners and staff members are committed to efficiently and responsibly procuring goods and service necessary to carry out the operations of the IMLC; paying bills and expenses; and monitoring all expenditures for compliance with applicable laws, regulations and policies. In order to assure timely, effective business operations, it may be advantageous to delegate limited spending authority to certain groups or individuals.

II. **PURPOSE**

The purpose of this policy is to establish:
- A formal mechanism to empower the Executive Committee spending authority for goods and services up to $5,000 without IMLC Commission approval.
- A formal process for the Executive Committee to delegate signature authority to appropriate parties for purchasing goods or services pursuant to this policy.
III. DEFINITIONS

Qualified expenditure—Any type of goods or services totaling **up to $5,000** necessary to carry out the day-to-day operations of the IMLC.

Signature authority—Delegation to a designated individual or individuals to sign contracts or other documents authorizing expenditures made pursuant to this policy.

IV. REQUIREMENTS

1. Documentation of expenditures. All expenditures made in accordance with this policy shall be immediately documented in a format established and approved by the IMLC Commission and maintained by the Executive Committee.

2. Report. The Executive Committee shall prepare a report of all expenditures made under this policy to be presented to the IMLC Commission annually, or more frequently if requested by the IMLC Commission.

3. Annual review of this policy. The IMLC Commission Bylaws and Rules Committee shall review this policy each year and make recommendations to the IMLC Commission for continuation or modification of this policy.

4. Administration of this policy. The Executive Committee shall be responsible for administering this policy and ensuring that this policy is current, compliant with all statutory requirements and case law, and consistent with other applicable standards. The Executive Committee may delegate administration and maintenance of this policy to the IMLC executive director.

#4 – Policy on Annual Report

ADOPTED: March 20, 2018

EFFECTIVE: March 20, 2018

POLICY REVIEWED: February 16, 2021

AMENDMENT HISTORY (LIST WHEN AMENDED AND CITE SECTION NUMBER):

- None
VII. Policy Statement

The Interstate Medical Licensure Compact (IMLC) Statute Section 12, paragraph “q” states that the Interstate Commission shall report annually to the legislatures and governors of the member states concerning the activities of the Interstate Commission during the preceding year.

VIII. PURPOSE

The purpose of this policy is to:

A. Assign to the Communications Committee the responsibility for creation, production, and distribution of the annual report.

B. Establish the date the annual report shall be released.

C. Identify the mandatory content of the annual report.

IX. DEFINITIONS

Year – The annual report shall cover the activities of the Interstate Commission during the established fiscal year which is the period of time between July 1 of a given year to June 30 of the following year.

X. DEVELOPMENT

Proposed policy actions shall be presented in a format that includes:

A. The Communications Committee shall be responsible for the creation, production and distribution of the annual report. The committee may delegate responsibilities to the executive director.

B. The annual report shall be released not later than 120 days after the end of the fiscal year. The 2017 Annual Report will be considered a transition report as the reporting cycle moves from a calendar year reporting cycle to a fiscal year cycle. The result is that the 2017 Annual Report will reflect the activities of the Interstate Commission from January 1, 2017 to June 30, 2017.

C. Content of the annual report shall be determined by the Communications Committee, which will include as a minimum:

1. Reports of financial audits and any recommendations that may have been adopted by the Interstate Commission;
2. A report of the budget;

3. A summary of policies, amendments to the bylaws, amendments to the rules, and advisory opinions that were issued or renewed by the Interstate Commission;

4. Information on licenses issued, including renewals, through the Compact;

5. Information on compliance actions through the Compact;

6. A Roster of Compact member boards and their appointed commissioners;

7. A summary of committee activities; and

8. A report from the executive director.

XI. RESPONSIBILITY

The executive committee shall be responsible for administering this policy and ensuring that this policy is current, compliant with all statutory requirements and case law, and consistent with other applicable standards. The executive committee may approve the publication of the annual report as presented by the Communications Committee. The executive committee may delegate administration and maintenance of this policy to the executive director.

#5 – Policy on IMLCC Reserve Funds

ADOPTED: May 18, 2018
EFFECTIVE: July 1, 2018
POLICY REVIEWED: February 16, 2021
AMENDMENT HISTORY (LIST WHEN AMENDED AND CITE SECTION NUMBER):

• None

I. Policy Statement

The Interstate Medical Licensure Compact (IMLC) Statute Section 13 establishes the Interstate Commission with financial powers, including the establishment of an annual budget. IMLC Bylaws, Article VIII, establishes the fiscal years and covers matters of IMLCC finance. The IMLCC budget intends to establish reserve funds to provide for contingency funding and large item purchase funding. These reserve funds are necessary to ensure that financial resources are sufficient and available to prevent the creation of debt obligations.
II. PURPOSE

The purpose of this policy is to:

A. Define the types of reserve funds to be developed and maintained.
B. Define how the reserve fund amount(s) are to be determined.
C. Define the authorization required to use the cash fund.
D. Define how unexpended reserve funds are to be handled.

III. DEFINITIONS

Cash – Money that is held in an account, including certificates of deposit and other secured financial instruments, owned and controlled by the IMLCC at a Federal Deposit Insurance Corporation (FDIC) member bank.

Reserve Fund – An amount of cash set aside to meet future liability.

IV. DEVELOPMENT

The IMLCC can create multiple reserve funds. The creation of a reserve fund is initiated as a motion from the Budget Committee, reviewed by the Executive Committee, and requires the approval of a majority of IMLC commissioners present during a regularly scheduled IMLCC meeting. The reserve funds may be built during a single fiscal year or may be built over multiple fiscal years. These funds include:

A. General Reserve Fund – A specific amount of cash held in anticipation to meet unforeseen financial obligations or budget shortfalls. Expenditures from this fund require a motion from an IMLCC committee and requires the approval of a 2/3rd majority of the IMLC commissioners present during a regularly scheduled meeting.

B. IT Reserve Fund – An amount of cash to be established as part of the budget development process of the Budget Committee. A specific IT project must be identified, such as to reserve funds to pay for the replacement or upgrade the current Data Management System, and the funds are only available to pay for that identified project. There can be more than one IT Reserve Fund created and maintained. Expenditures from this fund require the approval of the Executive Committee. Funds that are not used shall revert to the IMLCC General Reserve Fund.

C. Capital Project Reserve Fund – An amount of cash to be established as part of the budget development process of the Budget Committee. A specific project...
must be identified, and funds are only available to pay for that identified project. There can be more than one Capital Project Reserve Fund created and maintained. Expenditures from this fund require the approval of the Executive Committee. Funds that are not used shall revert to the IMLCC General Reserve Fund.

D. Special Project Reserve Fund – An amount of cash to be established as part of the budget development process of the Budget Committee. A specific project must be identified, and funds are only available to pay for that identified project. There can be more than one Special Project Reserve Fund created and maintained. Expenditures from this fund require the approval of the Executive Committee. Funds that are not used shall revert to the IMLCC General Reserve Fund.

V. RESPONSIBILITY

The executive committee shall be responsible for administering this policy and ensuring that this policy is current, compliant with all statutory requirements and case law, and consistent with other applicable standards. The executive committee may delegate administration and maintenance of this policy to the executive director.

#6 – Policy on Records and Information Requests

ADOPTED: September 18, 2018
EFFECTIVE: September 18, 2018
POLICY REVIEWED: February 16, 2021

AMENDMENT HISTORY (LIST WHEN AMENDED AND CITE SECTION NUMBER):
  • None

I. POLICY STATEMENT

The Interstate Medical Licensure Compact Commission is a public body made up of representatives from the various states that have joined the IMLC.

Because the IMLCC is not a federal, state, municipal or other government agency, or an incorporated private entity, it is not subject to the federal Freedom of Information Act or to any public records law of a particular state. The IMLCC is subject only to the language of the Compact and its own rules and policies.

II. AUTHORITY
Interstate Medical Licensure Compact Statute, Section 12 – Powers and Duties of the Interstate Commission, includes the following provisions, specifically in subparagraphs:

(a) oversee and maintain the administration of the compact;

(k) establish personnel policies and programs relating to conflicts of interest, rates of compensation, and qualifications of personnel;

(s) maintain records in accordance with the bylaws;

(u) perform such functions as may be necessary or appropriate to achieve the purposes of the compact.

This policy also in compliance with Chapter 2 (Information Practices) of the IMLCC’s administrative rules and with IMLCC Policy #1 (Policy on Policies.)

Further Interstate Medical Licensure Compact Statute, Section 11 – Interstate Medical Licensure Compact Commission, subparagraph (j) states that “The interstate commission shall make its information and official records, to the extent not otherwise designated in the compact or by its rules, available to the public for inspection.”

III. PURPOSE

The IMLCC recognizes that individuals or entities may make requests for information from the IMLCC. This policy outlines what is considered IMLCC information and what is information held by the member states and, therefore, subject to the individual laws of those states. This policy also outlines the procedures that IMLCC personnel will follow after receiving requests for information from the IMLCC.

IV. DEFINITIONS

“Board” means a state medical or osteopathic board from a state that is a member of the Compact.

“IMLCC information” includes the following:

a) Lists of member states.
b) Lists of appointed commissioners to the IMLCC.
c) Lists of IMLCC employees and/or contractors.
d) Meeting agendas and minutes.
e) Meeting materials (excluding those considered confidential under terms of the Compact, IMLCC rules, or IMLCC policies.)
f) Financial reports of IMLCC revenues and expenses.
g) Reports regarding grants, gifts, loans or non-monetary contributions to the IMLCC.

h) Total numbers of physician applications to the IMLCC for Letters of Qualification.

i) Total numbers of physicians granted a Letter of Qualification.

j) Total numbers of physicians denied a Letter of Qualification.

k) Total numbers of state licenses requested by physicians with Letters of Qualification.

l) Total numbers of state physician licenses granted via the Compact.

m) Total numbers of state physician licenses renewed via the Compact.

n) Total numbers of revoked Letters of Qualification.

“Requestor” means any individual, organization or entity that contacts the IMLCC with a request for information.

“State” means a state which has joined the Compact through legislation.

“State-held information” includes the following:

a) Total numbers of requests to a state for a Letter of Qualification.

b) Total numbers of physicians granted a Letter of Qualification by a state.

c) Total numbers of physicians denied a Letter of Qualification by a state.

d) Total numbers of physician licenses granted by a state to applicants using the Compact.

e) Total numbers of state physician licenses renewed by a state to physicians licensed via the Compact.

f) Total numbers of reported disciplinary actions by a state against physicians licensed via the Compact.

h) Total numbers of Letters of Qualification revoked by a state.

i) Total numbers of licenses granted via the Compact that have been revoked, suspended or otherwise sanctioned by a state as the result of a disciplinary adjudication.

i) Individual information about a physician who has been approved, denied, licensed or disciplined by a state under terms of the Compact that is considered public record under the laws of an individual state.

“Working days” means Monday, Tuesday, Wednesday, Thursday and Friday, excluding federal or state holidays.

V. PROCEDURES

A. All requestors of IMLCC information shall submit a request in writing to the IMLCC executive director. The written request, which also includes via email, shall include the name, address and other contact information of the
requestor, as well as a detailed description of the information sought. If the IMLCC approves a form for this purpose, it shall be available on the IMLCC website.

B. The IMLCC executive director shall make a record of each request as it is received.

C. The IMLCC executive director shall determine whether the request is for IMLCC information or state/board information.

D. When the requestor seeks state/board information, the IMLCC executive director shall refer the requestor to the state(s)/board(s) where that information is located.

E. When a requestor seeks IMLCC information and has submitted the request in writing, the IMLCC executive director shall notify the requestor that the request has been received. If the information is available on the IMLCC website, the executive director shall refer the requestor to the website. If the information is not available on the website, the executive director shall notify the requestor that further communication will be forthcoming.

F. For those requests that involve information not on the IMLCC website, the IMLCC executive director shall assess the nature of the request and the resources required to fulfill it.

G. The IMLCC executive director shall fulfill a request for IMLCC information as soon as possible after sending the notification of receipt.

H. The IMLCC executive director shall charge a fee of $50.00/hour for information searches, with the first hour free of charge.

I. For requests that the IMLCC executive director determines will require extensive time, money or other resources to fulfill, the executive director may bring the request to the IMLCC Executive Committee for consultation.

J. For requests that require extensive time, money or other resources to fulfill, the IMLCC executive director shall work cooperatively with the requestor regarding when the request shall be fulfilled.

K. The preferred method of providing information to requestors shall be e-mail, including attachments if needed. The IMLCC executive director also may provide information on a portable memory device supplied by the requestor or via a file transfer service approved by the IMLCC Executive Committee.
VI. RESPONSIBILITY

The executive committee shall be responsible for administering this policy and ensuring that this policy is current, compliant with all statutory requirements and case law, and consistent with other applicable standards. The executive committee may delegate administration and maintenance of this policy to the executive director.

#7 – Policy on Changes to the IMLCC webpage or public facing media

ADOPTED: November 5, 2020

EFFECTIVE: November 5, 2020

POLICY REVIEWED: March 16, 2021

AMENDMENT HISTORY (LIST WHEN AMENDED AND CITE SECTION NUMBER):
  • None

I. Policy Statement

The Interstate Medical Licensure Compact Commission (IMLCC) Statute, Section 11, paragraph (c), creates the Interstate Commission as a body corporate and joint agency of the member states. The Interstate Commission is further charged in IMLCC Statute, Section 11, paragraph (j) to make its information and official records available to the public for inspection. Through this policy the Interstate Commission has determined that the process to provide information and make available the official records is an authority retained by the Interstate Commission not to be delegated to the IMLCC executive director or staff, unless outlined in this policy.

II. PURPOSE

The purpose of this policy is to:

A. Establish the process and guidelines to be used to authorize changes to the IMLCC’s webpage and other public facing media; and

B. Delineate the delegated authorization to IMLCC staff.

III. DEFINITIONS

Communications Committee – A standing committee established by the Interstate Medical Licensure Compact Commission pursuant to IMLCC Bylaws, Article VII, Section 2.
**IMLCC Website** – The public website hosted and maintained by the Interstate Medical Licensure Compact Commission to provide information to the public, applicants, commissioners, and member board staff. The website is also used to access the application process.

**Public facing media** – Any publication, print or electronic, where information is distributed to the general public to provide information about the IMLC/IMLCC or its activities.

**IV. PROCESS**

A. All substantive information provided on the IMLCC website or other public facing media must be approved by the Communications Committee in advance.

B. The Communications Committee delegates to the executive director, or staff authorized by the Executive Director, the authority to make non-substantive updates or changes to the IMLCC website or other public facing media which are ministerial or technical in nature, as deemed necessary to conduct business. Examples include, but are not limited to:

   a. Posting minutes of Interstate Commission and its committees approved during the normal course of business;
   b. Posting notices of meeting dates and times as approved by the Interstate Commission and its committees during the normal course of business;
   c. Posting of public documents as approved by the Interstate Commission or its committees;
   d. Posting of press and information releases approved by the Interstate Commission and its committees during the normal course of business;
   e. Posting of reports and audit results approved by the Interstate Commission and its committees during the normal course of business;
   f. Posting of updates to the information regarding the level of participation by member board and legislation introduced by states or territories to join the IMLCC;
   g. Posting of support contact and fee information provided by a member boards;
   h. Posting of contact information about the IMLCC;
   i. Posting of rulemaking information as approved by the IMLCC Rules and Administrative Procedures Committee;
   j. Technical updates as they relate specifically to the IMLCC application processes; and
   k. Specific actions authorized by the Communications Committee as it deems necessary.

**V. RESPONSIBILITY**
The executive committee shall be responsible for administering this policy and
ensuring that this policy is current, compliant with all statutory requirements and
case law, and consistent with other applicable standards. The executive committee
may delegate administration and maintenance of this policy to the executive director.

#8 – Policy on Capital Assets

ADOPTED: November 17, 2020
EFFECTIVE: November 17, 2020

POLICY REVIEWED: March 16, 2021

AMENDMENT HISTORY (LIST WHEN AMENDED AND CITE SECTION NUMBER):
   • None

I. Policy Statement

The Interstate Medical Licensure Compact (IMLC) Statute Section 12, paragraph (m),
states that the Interstate Commission may purchase property and other fixed assets.
This policy established how the IMLCC will account for the costs related to obtaining
and maintaining the fixed assets, including the process to dispose of the fixed assets.

II. PURPOSE

The purpose of this policy is to:

• Ensure a uniform understanding of the IMLCC’s capitalization of fixed assets.
• Establish a methodology of depreciation for fixed assets.

III. DEFINITIONS

Building -- Purchase or construction – 50-year life. All direct costs of construction
should be included in calculating the capitalized cost of the asset. Direct costs
include architect/engineering/legal fees, permits, interest incurred as a result of the
building project, as well as actual construction costs. Included with this category
are all permanently attached fixtures, machinery, and other components that
cannot be removed without damage resulting to the building. If a component can
be removed without damage, then it should be considered equipment and not
included in the cost of the building. The cost of a building should not be adjusted
for repairs, maintenance, or replacement of component parts that do not extend
the building’s original useful life or significantly enhance its net value. For example,
work to maintain buildings in their existing condition, such as painting, repairs, or
roof repairs should be expensed in the period in which the work is completed.
**Building Improvements** -- Capitalized if $15,000 or more – 20-year life. Building improvements are significant alterations, renovations, or structural changes that meets or exceeds $15,000 and that increase the usefulness of the asset, enhance its efficiency, or prolong its useful life. For example, the complete replacement of a roof would be capitalized if the cost exceeds the capitalization threshold ($15,000). Building improvements may include interior or exterior construction of a building or building systems, such as communication wiring, electrical or plumbing systems. They may also include the completion of interior or exterior appointments or finishes, so long as they are done as part of a significant alteration or renovation. Material remodeling or renovation that exceeds $15,000 in cost should be capitalized as a building improvement. Maintenance, renovations and costs below the threshold should be expensed. It is important to distinguish between an expenditure that is a repair versus an expenditure that is an improvement to extend the useful life of the asset.

**Capital Leasehold Improvements - $5,000 or greater** – Depreciate for the remaining life of the lease. Construction of new buildings or improvements made to the existing structure by the lessee, who has the right to use these leasehold improvements over the term of the lease. These improvements will revert to the lessor at the expiration of the lease. Moveable equipment or office furniture that is not attached to the leased property is not considered a leasehold improvement.

**Computer Equipment - $5,000 or greater per unit** – IT equipment that is purchased with a unit price greater than $5,000 including but not limited to servers, telecommunications equipment, copiers, printers and multi-functional machines are capitalized.

A group of assets that in total cost $5,000 or more (e.g., 10 computer $800 each) is not capitalized unless the criteria in the “Exceptions to Per Item Thresholds” are met.

**Equipment & Furnishings - $5,000 or greater** – 8-year life. Capital equipment/furnishings are a movable or fixed unit of furniture or furnishings, instrument, machine, apparatus or set of articles which generally meets all of the following conditions:

- It retains its original shape and appearance with use.
- It is nonexpendable; that is if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to repair it than to replace it within an entirely new unit.
- It represents a substantial investment of money.
- It does not lose its identity through incorporation into a different or more complex unit or substance.
- It must be non-expendable, tangible personal property having an economic useful life of more than one year.
Exceptions to Per Item Thresholds – For new construction, renovations or remodeling projects where the total cost of the furnishing and/or equipment exceeds $25,000, the $5,000 threshold is waived for the purchase of moveable equipment and furnishings provided they meet the following requirements:

- During the normal course of business, these items would be expensed solely because they did not meet the IMLCC’s $5,000 capitalization threshold. This exception allows for the capitalization of an original complement of low-cost equipment, furnishings, computer and IT equipment, media and network equipment as part of the outfitting of a tangible capital asset or operational unit, or an expansion, renovation, or remodeling.

- Acquisitions eligible for this exception should be budgeted and expensed using the appropriate accounting code (ACCT) for the capitalization category (i.e. equipment, furnishing, computers, etc.) greater than $5,000. Expenditures for items that do not meet these requirements should be expensed using the account code for non-capital (less than $5k).

A record of the individual items must be compiled and submitted for tracking.

If any of the furniture or equipment being replaced is not fully depreciated, the net value would be written off.

Fixed assets – Any item purchased, rented, leased by the IMLCC intended for use by the IMLCC staff, contractors, or commissioners to be used for the benefit of the IMLCC.

Fixed Asset Disposal – IMLCC equipment cannot be thrown away or discarded. To dispose of an asset, the Executive Director must complete the appropriate forms to record this action. This form must be completed whenever the custody of the fixed asset changes due to the item returned to vendor, traded, junked, missing, stolen or determined to be surplus.

Internal Use Software – Software having the following characteristics:

- The software is acquired, internally developed, or modified solely to meet the entity’s internal needs.

- During the software’s development or modification, no substantive plan exists or is being developed to market the software externally. A substantive plan to market software externally could include the selection of a marketing channel with identified promotional, delivery, billing and support activities.

Land improvements – Capitalized if cost is $20,000 or more—15-year life. Land improvements and infrastructure includes assets such as parking lots, fencing, gates, utility distribution systems, cabling and networking between buildings,
sidewalks, roads, drainage and sewer systems. All direct costs of construction or alteration should be included in calculating the cost of the land improvement.

Work to maintain land improvements in their existing condition, for example, resurfacing a parking lot or repairing a fence should be expensed.

**Leases** – Accounting standards classify leases as either an operating or capital lease. Capital leases are treated as the acquisition of assets and the incurrence of obligations by the lessee. Operating leases are treated as current operating expenses. All lease agreements must be reviewed and approved by the Executive Director - IMLCC who will determine the classification of the arrangement.

**Media - $5,000 or greater per unit and/or system** – This includes stand-alone units or a combination of equipment for a system. This includes conference/meeting room media installations where the total cost of the components that make up the media “system” are $5000 or greater.

**Missing or Stolen Assets** – If an item is identified as stolen or missing the Executive Director must submit a completed Equipment Disposal Form. If the item has been stolen the IMLCC should notify law enforcement and a copy of their report pertaining to a theft should be attached to the form. Complete the appropriate forms to note this action if IMLCC-owned capital assets are sold, transferred or disposed of. This form does not grant approval to dispose of equipment it only serves to update the capital asset inventory. Upon completion of this form, please forward to the Executive Director.

**Pooled Assets** – A pooled asset is defined as a group of assets (furniture, furnishings, equipment, and fixtures) that individually do not meet the capitalization threshold but are purchased in a large quantity for a specific space that will transform or upgrade the space. The pooled asset method provides for small dollar/large quantity assets to be appropriately reflected on the financial statements without imposing the unnecessary tracking of each asset individually as a practical expedient. All purchases handled under the pooled asset method are to be capitalized into a pool that is given a unique name for tracking purposes. The cost should include full acquisition cost, including, where applicable, such items as design costs, outside installation costs, furniture assembly, freight charges, warehousing, and insurance. The total cost of the pooled assets must be greater than $25,000.

**Remodeling** - Changing of existing facilities by rearrangement of spaces and their use.

**Renovation** - Rejuvenating or upgrading existing facilities by installation or replacement of materials and equipment and includes, but is not limited to, interior or exterior reconditioning of facilities and spaces, air conditioning, heating, or ventilating equipment.
Returned/Exchanged Assets – If the IMLCC returns to a vendor an asset which has been capitalized for either credit or a replacement asset, the IMLCC staff should complete an Equipment Disposal Form and attach a copy of the credit memo, check received from the vendor, or a copy of the documentation and submit to the Executive Director.

Software Capitalization – Capitalization of costs should begin when both of the following occur:

- Preliminary project stage is completed.
- Management, with the relevant authority, implicitly or explicitly authorizes and commits to funding a computer software project and it is probable that the project will be completed and the software will be used to perform the function intended.

Capitalizable Software costs include:

- External direct costs of materials and services consumed in developing or obtaining internal-use computer software.
- Payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project, to the extent of the time spent directly on the project.
- Interest costs incurred while developing internal-use software. (Interest should be capitalized in accordance with the provision of FASB Statement No. 34, Capitalization of Interest Cost.)
- Upgrades and Enhancements: In order for upgrades and enhancements to be capitalized it must be probable that those expenditures will result in additional functionality.
- General and administrative costs and overhead costs should not be capitalized as costs of internal-use software. These costs include data conversion and migration, as well as training.
- Capitalization should cease no later than the point at which a computer software project is substantially complete and ready for its intended use. Computer software is ready for its intended use after all substantial testing is completed.

Surplus and Junked Assets – When the IMLCC determines that an asset is considered to have no remaining useful value, the Executive Director - IMLCC should determine if the asset can be repurposed or disposed of. If the decision is made that there is no repurpose value, the asset can be disposed of in accordance with IMLCC policy. However, the Executive Director must submit a completed Equipment Disposal Form.

IV. Stages of Computer Software Development
There are three stages of computer software development:

- Preliminary Project Stage,
- Application Development Stage, and
- Post-Implementation/Operation Stage.

**Preliminary Project Stage**

During this stage, strategic decisions are made to allocate resources to a new project, performance requirements and system requirements are proposed, vendors are explored and selected. Internal and external costs incurred during this stage are expensed. Examples of costs related to this stage are:

- Conceptual formulation of alternatives
- Evaluation of alternatives
- Determination of existence of needed technology
- Final selection of alternatives

**Application Development Stage**

Internal and external costs incurred to develop internal-use computer software during this stage should be capitalized. Costs to develop or obtain software for data conversion should also be capitalized. The process of data conversion from old to new systems may include purging or cleansing of existing data, reconciliation or balancing of the old data and the data in the new system, creation of new/additional data, and conversion of old data to the new system should be expensed as incurred. Examples of costs related to this stage are:

- Design of chosen path, including software configuration and software interfaces
- Coding
- Installation to hardware
- Testing, including parallel processing phases

**Post-Implementation/Operation Stage**

Internal and external training costs and maintenance costs should be expensed as incurred. Examples of costs related to this stage are:

- Training
- Data Conversion
- Application maintenance

V. **Capitalization Thresholds and Useful Life**
<table>
<thead>
<tr>
<th>ASSET CATEGORY</th>
<th>THRESHOLD</th>
<th>USEFUL LIFE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Improvements</td>
<td>$15,000</td>
<td>20 yrs.</td>
</tr>
<tr>
<td>Land Improvements &amp; Infrastructure</td>
<td>$20,000</td>
<td>15 yrs.</td>
</tr>
<tr>
<td>Building Purchase or Construction</td>
<td>$25,000</td>
<td>50 yrs.</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td></td>
<td>Once completed</td>
</tr>
<tr>
<td>Capital Leasehold Improvements</td>
<td>$5,000</td>
<td>Life of Lease</td>
</tr>
<tr>
<td>Equipment/Furnishing</td>
<td>$5,000</td>
<td>8 yrs.</td>
</tr>
<tr>
<td>Pooled Asset - Equipment/Furnishing</td>
<td>$25,000</td>
<td>8 yrs.</td>
</tr>
<tr>
<td>Computers &amp; IT</td>
<td>$5,000</td>
<td>4 yrs.</td>
</tr>
<tr>
<td>Media &amp; Network Equipment</td>
<td>$5,000</td>
<td>5 yrs.</td>
</tr>
<tr>
<td>Internal Use Software</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minor</td>
<td>$5,000 – $50,000</td>
<td>5 yrs.</td>
</tr>
<tr>
<td>Major</td>
<td>Over $50,000</td>
<td>10 yrs.</td>
</tr>
</tbody>
</table>
VI. RESPONSIBILITY

The Treasurer shall be responsible for administering this policy and ensuring that this policy is current, compliant with all statutory requirements and case law, and consistent with other applicable standards. The Treasurer may delegate administration and maintenance of this policy to the Executive Director.

#9 – Policy on Investment Strategies

ADOPTED: June 8, 2021
EFFECTIVE: June 8, 2021
REVIEWED: N/A

AMENDMENT HISTORY (LIST WHEN AMENDED AND CITE SECTION NUMBER):
- None

I. Policy Statement

The Interstate Medical Licensure Compact (IMLC) Statute Section 12, paragraph (u), states that the Interstate Medical Licensure Compact Commission (IMLCC) may perform such functions as may be necessary or appropriate to achieve the purpose of the Compact.

This policy establishes the fiduciary process for investing its cash assets in order to maximize the return on investment while minimizing risk and expense. All transactions will be for the sole benefit of the IMLCC.

II. PURPOSE

The purpose of this policy is to promote the stability of the IMLCC as it moves forward toward the goal of self-sustainment through the moderation of its revenue and efficiency of its financial management. Pursuant to that purpose is the development and growth of five key reserve funds to be managed collectively and set aside for the support and unfettered use by the IMLCC for its growth and sustainability, namely the Restricted Capital Reserve Fund, the Restricted Special Project Reserve Fund, the Restricted IT Reserve Fund, the Restricted Reserve Fund and the Unrestricted General Fund. Paramount to this purpose are these overriding objectives:

- Ensure a uniform understanding of the IMLCC’s cash assets.
- Establish a methodology for investing the cash assets.
- Define responsibilities.
- Authorize the IMLCC Treasurer and Executive Director to take the actions necessary to implement this policy and manage the investment portfolio.
Create a process to identify target asset allocations, permissible investments and
diversification requirements.
Facilitate the Professional Fund Manager’s understanding of liquidity needs
related to the IMLCC’s growth assumptions for the next ten years, namely
consistent growth leading to full state acceptance and ultimate sustainability.

III. DEFINITIONS

Cash Assets – Assets consisting of cash and items readily convertible to cash,
such as funds held in saving and checking accounts.

Investment Strategy – A prudent methodology for investing cash in investment
vehicles, such as stocks and bonds, and other financial investments.

Investment Risk Factor – The risk of investments declining in value because of
economic developments or other events that affect the entire market. The
applicable types of market risk are equity risk, sector risk, liquidity risk, interest rate
risk, and currency risk.

Professional Fund Manager – An organization or individual responsible for the
day-to-day management of an investment portfolio.

Expense Ratio – The yearly cost of a fund investment, whether it makes or loses
money. It covers investment management, marketing and administrative costs.

Fund Return – The amount a fund earned during a specified time period (1, 3, 5,
10 years), minus the management fees and other costs. Often stated as a
percentage of the money invested. For future return estimate purposes, investors
may consider how the fund has done over various time periods in the past.

Asset mix – The percentage distribution of assets in a portfolio among the three
major asset classes: cash and cash equivalents, fixed income (bonds) and equities
(shares)

IV. General Provisions

1. All transactions shall be for the sole benefit of the IMLCC.

2. The Budget Committee will conduct an annual review of the IMLCC’s
investment assets to verify the existence and marketability of the underlying
assets or satisfy themselves that such a review has been conducted in
connection with an independent audit (if one should exist) of the IMLCC’s
financial statements.
3. Any investment that is not expressly permitted under this Policy must be placed on the agenda and approved by the full commission at a regularly scheduled meeting.

4. The Treasurer and Executive Director will endeavor to operate the IMLCC’s investment program in compliance with all applicable state, federal and local laws and regulations concerning management of investment assets [including IRC §4944 if the IMLCC is classified as a private foundation for federal tax purposes.]

5. Investments will be diversified with a view to minimize risk.

V. AUTHORITY TO ACT AND DELEGATION OF RESPONSIBILITY

1. The Commissioners of the Interstate Medical Licensure Compact Commission have the ultimate responsibility for the investment and management of the IMLCC’s investment assets.

2. This responsibility is exercised by the Commissioners through the IMLCC Budget Committee.

3. The Budget Committee may authorize the Treasurer and the Executive Director to act on its behalf in the execution of this policy and the Budget Committee’s directives; including but not limited to retaining a Professional Fund Manager and implementing the investment of cash assets.

4. The Budget Committee shall establish a regular reporting process for:
   a. Monitoring compliance with this policy;
   b. Reviewing the performance of the investment strategy; and
   c. Considering changes to the policy or investment strategy.

5. The Budget Committee may authorize the Treasurer and the Executive Director to hire or retain the services of outside experts such as investment consultants or investment managers.

VI. RESPONSIBILITIES OF THE TREASURER AND EXECUTIVE DIRECTOR

The Treasurer and Executive Director are charged with the responsibility of managing the investment assets of the IMLCC. The specific responsibilities, as applicable, include:
1. Communicating the IMLCC’s financial and liquidity needs to the Professional Fund Manager on a timely basis;

2. Determining the IMLCC’s risk tolerance and investment horizon;

3. Establishing reasonable and consistent investment objectives, policy guidelines and allocations which will direct the investment of the assets, to be reviewed by the Commissioners on an annual basis and communicated to the Professional Fund Manager;

4. Prudently and diligently selecting one or more qualified investment professionals, including investment managers(s), investment advisor(s), and custodian(s), collectively referred to as “Professional Fund Manager”;

5. Routinely evaluating the performance of the Professional Fund Manager to assure adherence to policy guidelines and to monitor investment objective progress; and

6. Developing and enacting proper control procedures; e.g., replacing investment manager(s) due to a fundamental change in the investment management process, or for failure to comply with established guidelines.

VII. RESPONSIBILITY OF PROFESSIONAL FUND MANAGER

1. The Professional Fund Manager will invest assets placed in their care in accordance with this policy;

2. The Professional Fund Manager must acknowledge in writing, acceptance of responsibility as a fiduciary;

3. The Professional Fund Manager will have full discretion in making all investment decisions for the assets placed, while operating within all policies, guidelines, constraints, and philosophies outlined in this Investment Policy.

4. The specific responsibilities include:
   
   i. Discretionary investment management, including decisions to buy, sell, or hold individual securities, and to alter allocation within the guidelines established in this statement;
   
   ii. Reporting, on a timely basis, monthly investment performance results;
iii. Communicating any major changes in the economic outlook, investment strategy, or any other factors that may affect implementation of investment process or performance of invested assets;

iv. Informing the Commissioners, or if authority is delegated, the Treasurer and Executive Director, regarding any changes in portfolio management personnel, ownership structure, investment philosophy, etc.;

v. Voting proxies, if requested by the Commissioners, or if authority is delegated, the Treasurer and Executive Director, on behalf of the IMLCC;

vi. Administering the IMLCC's investments at reasonable cost, balanced with avoiding a compromise of quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs chargeable to the IMLCC;

vii. Providing contact information (name, address, email, and phone number) and availability to the Treasurer and Executive Director that allows for ease of administration and service; and

viii. Annually reviewing this Policy and any modifications, and implementing such changes into investment management decisions.

VIII. GENERAL INVESTMENT GUIDELINES

1. A copy of this policy shall be provided to the Professional Fund Manager.

2. The IMLCC is a tax-exempt organization as described in section 501(c)(6) of the Internal Revenue Code. This tax-exempt status should be taken into consideration when making IMLCC investments.

3. The IMLCC is expected to operate into perpetuity; therefore, a minimum of a 5-year investment horizon must be employed. Interim fluctuations should be viewed with the appropriate perspective.

4. A cash account will be maintained with a zero to very low risk tolerance in order to keep cash available for payments to state boards, tax obligations and other anticipated expenses.

5. Transactions will be executed at a reasonable cost, taking into consideration prevailing market conditions, services and research provided by the executing broker.

6. Permitted investments include:
i. Investment portfolios with a risk factor asset mix risk scale higher than a low- to moderate-range of an equivalent measurement.

ii. Investment portfolios with an asset mix of no greater than 60% equity/40% fixed income.

iii. Investment portfolios with a greater than 0.20% Expense ratio.

iv. Investment portfolios with a positive average 5-year rate of return.

7. No individual fixed income security shall have an equivalent credit quality below investment grade at the time of purchase, defined as:
   i. BBB by Standard & Poors for straight bonds and convertibles.
   ii. Baa3 by Moody’s Investor Service for straight bonds and convertibles.
   iv. P1 by Moody’s Investor Service for short-term securities.

8. The following transactions are prohibited:
   i. Purchase of non-negotiable securities;
   ii. Derivatives;
   iii. Individual high risk or junk bonds;
   iv. Private placements;
   v. Precious metals;
   vi. Individual commodities or commodity future contracts;
   vii. Short sales;
   viii. Any margin transactions;
   ix. Straddles;
   x. Warrants;
   xi. Options;
   xii. Leverage or letter stock.
IX. DIVERSIFICATION

1. The IMLCC shall maintain a reasonable diversification of investment assets between asset classes and investment categories at all times.

2. Investments in equity securities of any one company shall not exceed 5% of the portfolio nor shall the total securities position (fixed income and equity) in any one company exceed 10% of the portfolio.

3. Reasonable sector allocations and diversification shall be maintained. No more than 25% of the entire portfolio may be invested in the securities of any one sector.

4. Investments within the investment portfolio should be readily marketable.

5. The investment portfolio may not be a blind pool; each investment must be available for review.

X. ASSET ALLOCATION

1. The asset allocation policy will be predicated on the following factors:

   i. Historical performance of capital markets adjusted for the perception of the future short- and long-term capital market performance;

   ii. The correlation of returns among the relevant asset classes;

   iii. The perception of future economic conditions, including inflation and interest rate assumptions;

   iv. Liquidity requirements for the projected grants and other charitable expenditures; and

   v. The relationship between the current and projected assets of the IMLCC and projected liabilities.

2. Rebalancing will be done on an annual basis or more frequently if appropriate and directed by the Budget Committee based on the recommendations from the Treasurer and Executive Director.

3. Allocation Range:

<table>
<thead>
<tr>
<th>Asset Allocation Range</th>
<th>Target</th>
<th>Range Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Equivalents</td>
<td>15%</td>
<td>10 – 25%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>45%</td>
<td>20 – 60%</td>
</tr>
<tr>
<td>Equities: Domestic Large Cap</td>
<td>20%</td>
<td>15 – 50%</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----</td>
<td>--------</td>
</tr>
<tr>
<td>Equities: Domestic Small/Mid Cap</td>
<td>15%</td>
<td>0 – 20%</td>
</tr>
<tr>
<td>Equities: International</td>
<td>5%</td>
<td>0 – 15%</td>
</tr>
</tbody>
</table>

**XI. PERFORMANCE**

Performance objectives are to be met on a net of fees basis. The investment performance of each asset allocation class will be measured on two levels: First, against inflation objectives for the IMLCC and Second, against index objectives for individual portfolio components. Investment performance shall be measured no less than quarterly on a net of fees basis. Performance shall be evaluated on a three-to-five-year basis to allow for market fluctuations and volatility.

**XII. RESPONSIBILITY**

The Treasurer shall be responsible for administering this policy and ensuring that this policy is current, compliant with all statutory requirements and case law, and consistent with other applicable standards. The Treasurer may delegate administration and maintenance of this policy to the Executive Director. This policy shall be reviewed by the IMLCC Budget Committee and must be renewed prior to the start of each fiscal year.