

**RESOLUTION 16-07**

**A RESOLUTION OF THE BOARD OF MAYOR AND ALDERMEN OF THE CITY OF WHITE HOUSE, TENNESSEE, ADOPTING THE INTERNAL CONTROL MANUAL.**

**WHEREAS**, in 2015 and effective June 30, 2016 the Tennessee General Assembly enacted Chapter No. 112 (HB0187/SB0413) which amends *T.C.A. 9-18-102* and requires local governments to establish internal controls; and

**WHEREAS**, the Board of Mayor and Aldermen wishes to provide reasonable assurance that assets are safeguarded against misappropriation and unauthorized use, and that obligations are met timely and all transactions are properly recorded and accounted for, and that accurate and reliable financial reports are prepared; and

**WHEREAS**, the Board of Mayor and Aldermen has determined that it is in the best interest of the City of White House to adopt the revised State of Tennessee Office of the Comptroller December 2015 Internal Control and Compliance Manual; and has established its own internal control manual reference below;

**NOW, THEREFORE**, the Board of Mayor and Aldermen of the City of White House do hereby resolve the following:

**Section 1.** The City of White House adopts the revised Internal Control manual as well as its own internal control manual {attached to this resolution} dated June 30, 2016.

**Section 2.** The revised Internal Control policy dated June 30, 2016 repeals and replaces any and all previously adopted Internal Control policies.

**Section 3.** This Resolution takes effect on June 30, 2016, the public welfare requiring it.

Adopted this 16<sup>th</sup> day of June 2016.



Michael Arnold, Mayor

ATTEST:

  
Kerry Harville, City Recorder

# City of White House



## Internal Control Manual

Manual Effective June 30, 2016

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## I.) INTRODUCTION

The City of White House has the responsibility to its taxpayers, ratepayers and constituents to be good stewards of public monies and property. In our efforts to serve the public as city officials or employees, the City established this Internal Control Manual using widely recognized best practices and state and federal directives.

State of Tennessee statutes require the Comptroller's Office, Department of Audit to prescribe uniform accounting systems for entities that handle public funds. Those statutes require public officials to adopt and use the system designated by the Comptroller's Office. The Tennessee Legislature amended TCA Section 9-2-102 in 2015 to require local governments to establish and maintain internal controls in accordance with guidance issued by the U.S. Government Accountability Office (GAO). The guidance is titled Standards for Internal Control in the Federal Government (Green Book). The Green Book follows the format developed by the Committee of Sponsoring Organizations (COSO) which has been the gold standard of internal control for all entities except the federal government for several years.

The internal control system consists of three objectives and 5 main components. Within the 5 components there are 17 principles that apply to certain components. The state considers the 5 elements mandatory and the 17 principles are optional. The City of White House has chosen to only address the minimum requirements of the state in this manual however the 17 principles from the Green Book are presented below for informational purposes and to help explain the 5 components.

### **THREE (3) OBJECTIVES OF INTERNAL CONTROLS:**

1. Reporting – reliability
2. Operations – effective and efficient
3. Compliance – compliant with applicable laws, regulations, contracts and grant agreements

### **FIVE (5) MAIN COMPONENTS OF INTERNAL CONTROLS THAT ARE REQUIRED TO BE ADDRESSED:**

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

The purpose of this manual is to ensure that the objectives of reporting and compliance are established. (The operational objective will be addressed at a later time.) The policies to achieve the objectives are derived from various financial best practices, state and federal laws, and regulations and policies may be developed to suit specific needs of city functions and resources. Detailed procedures are then developed and documented as a means for cities to comply with its established policies.

## OV2.09 THE GREEN BOOK

*Figure 3: The Five Components and 17 Principles of Internal Control:*

### ***CONTROL ENVIRONMENT:***

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
2. The oversight body should oversee the entity's internal control system.
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

### ***RISK ASSESSMENT:***

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

### ***CONTROL ACTIVITIES:***

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

### ***INFORMATION AND COMMUNICATION:***

13. Management should use quality information to achieve the entity's objectives.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

### ***MONITORING:***

16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
17. Management should remediate identified internal control deficiencies on a timely basis.

Source: GAO. GAO-14-704G

## II.) CONSIDERATIONS IN DEVELOPMENT OF INTERNAL CONTROLS

Internal control is defined as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance the city's objectives will be achieved. Before developing its Internal Control System (ICS), the city as a whole and each department should determine its mission, strategic goals and objectives, and then formulate a plan to achieve those objectives. The internal controls are policies and procedures put in place to help achieve those goals and objectives. By describing how a city/department expects to meet its various goals and objectives by using compensating controls to minimize risk, the entire city becomes more aware of expectations. Each department's internal control plan will be unique; however it must be based on polices included in this guide which incorporates or references to other comprehensive state, federal or standard setting agency polices that have been adopted. (Exhibits of excerpts from the Comptroller's Audit Manual listing TCA codes and Attorney General Opinions related to local governments are at the end of this manual).

Consistent monitoring of all components will ensure that the ICS (which must be reviewed and updated at least annually) is updated whenever changing conditions justify.

Since a city's/department's policies and procedures are the control activities for its internal control plans, it is important that they be reviewed in conjunction with the plans and referenced where appropriate. Everyone in the city has a responsibility to ensure that internal controls operate effectively.

As directed by T.C.A. 9-18-102 (a) and in accordance with the guidance issued by Tennessee Comptroller's Office, the city has adopted this internal control manual. It is critical to note that the development and operation of the internal control system involves everyone in the organization. As such, management must ensure that the manual is shared with all of its employees. The manual is a work in process and will be assessed periodically.

The following sections document the 5 components of internal control and significant financial and compliance areas that are deemed high risk.

### **THE GREEN BOOK STATES DOCUMENTATION IS MANAGEMENT'S RESPONSIBILITY:**

**3.09** Management develops and maintains documentation of its internal control system.

**3.10** Effective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel.

Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.

### III.) FIVE COMPONENTS OF INTERNAL CONTROL

#### Control Environment

##### Overview

The control environment is the foundation for all other components of internal control, providing discipline and structure. Moreover, management establishes the tone at the top regarding the importance of internal control and expected standards of conduct, and reinforces expectations at various levels. Control environment factors include the integrity, ethical values and competence of the city's personnel; the way management assigns authority and responsibility, and organizes and develops its personnel; and the attention and direction provided by the governing body.

##### Objectives

- a) The governing body and management should conduct business with integrity and ethical behavior.
- b) Provide direction and oversight for city's internal control system.
- c) Hire qualified and competent management.
- d) Establish structure, authority and responsibility and hold individuals accountable for internal control responsibilities

##### Policies

1. A conflict of interest form is completed annually by all members of the Board of Mayor and Aldermen, City Administrator, City Recorder, Purchasing Coordinator/Risk Management Specialist, and all department heads.
2. A professional code of conduct has been adopted by the governing board and management and is reviewed annually with all employees.
3. The governing body through management has adopted a personnel manual.
4. Management has developed job descriptions with minimum job requirements.
5. The governing body also uses the budget process as a means of oversight with department heads.
6. Organizational charts are reviewed for needed changes in regards to authority and responsibility.

##### Procedures

##### Procedures of policy 1

- The Finance Director is responsible for preparing the annual conflict of interest forms for distribution.
- The forms are distributed the first working day of January and must be returned before the last working day in January.
- The Finance Director/CMFO reviews the forms when they are returned.
- If there are any conflicts documented or any conflicts suspected but not documented the cases should be discussed with the City Administrator.
- The City Administrator will schedule a meeting with the individual in question to discuss the conflict and a resolution will be made.
- The City Administrator will question the individual to determine if a suspected conflict exists that the employee was not aware was a problem and a resolution will be made.

#### Procedures for policies 2-4

- The Finance Director/CMFO & City Administrator review the annual audit for internal controls findings. A corrective action plan is to be developed and submitted
- The city holds annual required training where human resource topics are covered. The code of conduct and the personnel manual are always part of the training.
- Training records are reviewed to ensure all employees have successfully completed training.
- Detailed job descriptions with minimum job requirements are on file in the Human Resources Department. The minimum job requirements are based on like positions in similar governments and will meet state or federal requirements if applicable.
- Hiring procedures are detailed in the manual and prohibit hiring anyone who does not meet the minimum job requirements.

#### Procedures for policy 5

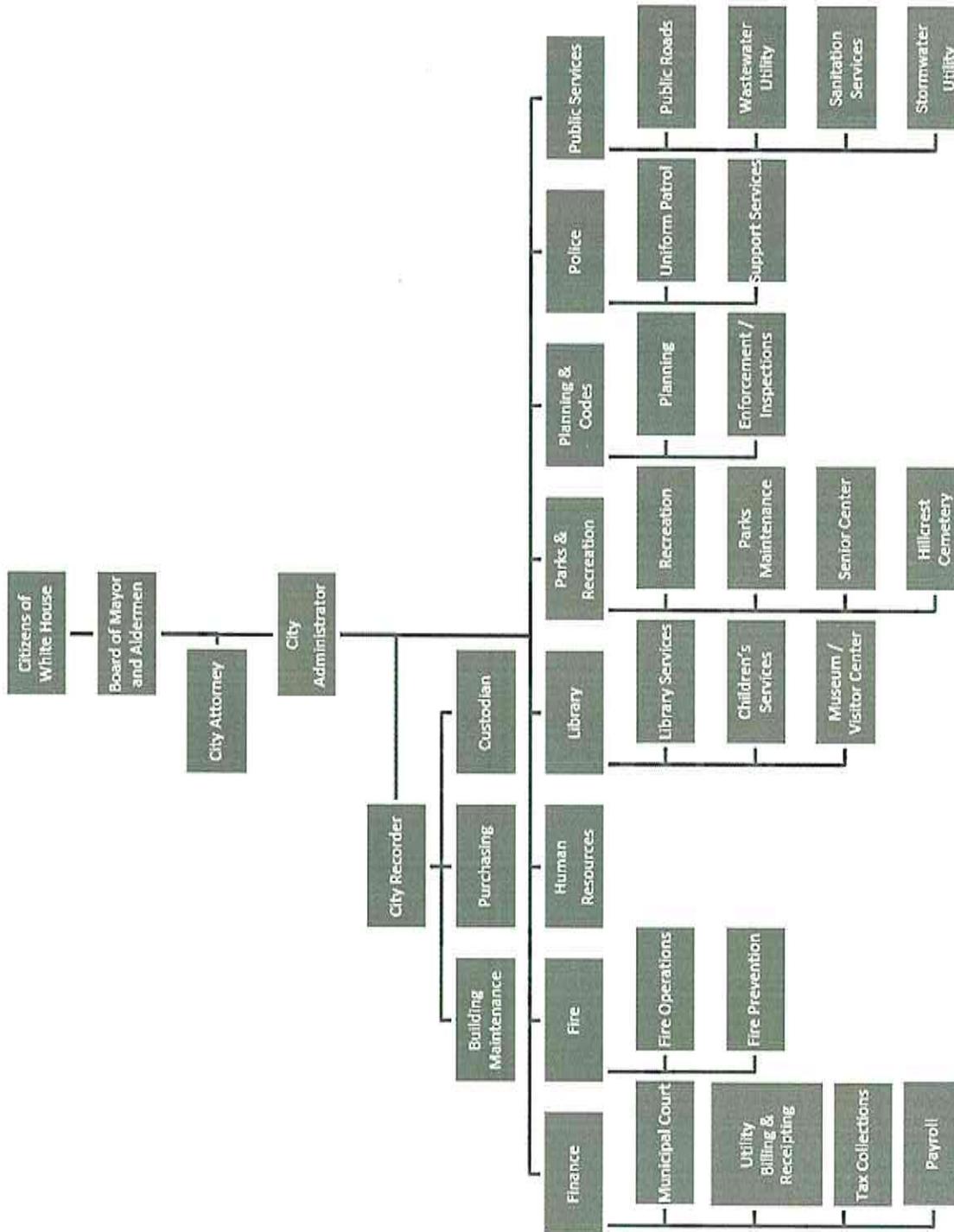
- The first budget retreat is at the end of January or beginning of February. All department heads plus the City Recorder and City Administrator are present to discuss the current year's goals and objectives, next year's capital projects and employee position request, as well as prioritize and score next year's capital projects collectively as a group.
- In February, 6-year capital improvement program (CIP) schedules are submitted to the City Recorder and the Finance Director distributes budget worksheets to all department heads and the City Administrator. The projected expenditures for the current year are due back to the Finance Director in March. After the current year projections are submitted, the Finance Director reviews the budget for potential over budget lines that might occur before the end of the fiscal year and advises the department head for that specific line item.
- At the end of February and beginning of March, the City Administrator meets individually with department heads to discuss nonstandard operating requests that do not qualify as a capital project.
- The second budget retreat is two days in March. The first day of this retreat includes everyone from the last retreat plus the Board of Mayor and Aldermen (BMA). During the first day, the results and topics of the first retreat are reviewed and presented to the BMA with more specific details. The second day of this retreat only requires the BMA, City Recorder, City Administrator, & Finance Director. During the second day, the BMA reviews the capital project presentations and prioritizes projects.
- At the end of March the Finance Director redistributes the budget worksheets to all department heads and the City Administrator's office. The proposed expenditures for the next year are due back to the Finance Director in April. At this time the Human Resources Director is also responsible for preparing all departments' personnel proposed expenditures.
- The Finance Director estimates revenues using past years' collection history and current growth indicators along with any current information relevant to the revenue streams. The Finance Director will also estimate all the appropriations not otherwise assigned to a department head.

- The BMA study session is at the beginning of May. The budget will be finalized at this meeting and the capital plan will be included in it. The Finance Director will prepare the budget ordinance for its first reading at the May board meeting and the second reading to be heard at the June meeting.
- The required public notice will be placed in the local newspaper no less than 10 days prior to second (final) reading.

Procedures for policy 6

- City organizational charts were developed based on the city structure required in the city charter.
- The charts are reviewed periodically as positions are added or changed to determine if the reporting structure, authority, and responsibility documented in the chart is still accurate.
- All positions have detailed job descriptions which identifies the immediate supervisor and explains the responsibilities of the position as required by the personnel manual.

# Organizational Chart



## **Risk Assessment**

### Overview

City officials and management assess risk of operations continually. The city has chosen to transfer the most common types of risk through the purchase of the following types of insurance:

- Property and Casualty
- Liability
- Errors and Omissions
- Worker Compensation

There are risks we cannot anticipate or know about and as it relates to financial and compliance issues we have assessed the following areas and identified certain risks that we feel need to be addressed by the development of internal control policies and procedures. Internal controls will not eliminate all risk but will help reduce risk to gain reasonable assurance that reporting and compliance objectives are being met.

### Objectives

- a) Collections are complete, timely, and accurate.
- b) Disbursements are for a valid city purpose and properly recorded.
- c) Assets are properly safeguarded.
- d) City is in compliance with contractual, local, state and federal laws and regulations.

### Risk

#### Objective "a"

1. Collections could be lost or misappropriated.
2. Collections could be recorded improperly.
3. Collections may not be deposited in the bank and recorded timely.

#### Objective "b"

1. Disbursements could be unauthorized.
2. Disbursements could be for personal items.
3. Disbursements could be made for items never received.

#### Objective "c"

1. Bank balances may be inaccurate due to failure to reconcile bank accounts.
2. Capital assets or inventory items could be missing.
3. Inventory is not available when needed.

#### Objective "d"

1. Grant funds could be spent for unallowable items.
2. Grant rules may not be followed which could result in having to return federal funds.
3. Federal reporting requirements were not met.

The significant areas of risk are identified above and policies and procedures will be documented in the next section to explain how the city plans to put internal controls in place to help reduce some of the risks associated with these area of operations.

## **Control Activities**

### Overview

This section is where the detailed procedures will be documented. The objectives, policies and implemented procedures will be described for each of the significant areas identified in the Risk Assessment section.

### General Collections/ACHs

#### Objectives

- a) Collections are complete, timely, and accurate.
- b) Collections are safeguarded.
- c) Collections should be recorded accurately and timely in the accounting system.

#### Policies

##### Objective "a"

1. A receipt will be issued for each collection made.
2. Each cashier will have their own cash drawer.
3. The cashier signs the cash report at the end of the day and the Assistant Finance Director verifies the cash report and signs before preparing the daily deposit.
4. No checks will be cashed from the cash drawers.
5. All cash drawers will be closed out and counted daily.
6. All funds will be deposited daily.
7. Any monies collected outside the Finance Office must be received before 1:00 pm the following business day.
8. There will be no checks or cash left out of a deposit. If there is a question as to how it should be processed, it will be deposited as miscellaneous revenue in the General Fund to be resolved later.

#### Procedures

##### Procedures for policies 1-8

- The City Finance Office has 3 clerks (AP/Court Clerk, Accounting Clerk, & Tax Clerk). The AP/Court Clerk collects court payments. The Accounting Clerk collects utility payments. The Tax Clerk collects property tax payments as well as other miscellaneous payments to the city. Each of these clerks can receipt payments for the other on a temporary "as-needed" basis determined by workload demand.
- Clerks immediately stamp all checks "For Deposit Only" and issue pre-numbered receipts for all collections. Receipt lists date, amount, payer, receipt purpose, cash or check and is signed by cashier or the system tracks cashiers receipts. A copy of the receipt is given to every customer or retained with daily cash report.
- The Assistant Finance Director will count down all Finance Office cash drawers used on the previous day every morning.
- Daily cash reports are given to the Assistant Finance Director who makes up the bank deposits.
- A police officer is notified and escorts the Tax Clerk to the bank to make the deposit.
- Daily cash reports and bank deposit records are given to the Accounting Specialist.
- The Accounting Specialist will reconcile the daily cash reports and deposit slips on weekly basis, and reconcile deposits slips and bank statements on a monthly basis. Dates will be compared to deposit records for timeliness. Miscellaneous receipts will be reviewed for accurate amounts, coding, and other required information.
- The Finance Director will periodically perform surprise cash counts to ensure there are no personal checks being held in the cash drawers and to ensure the drawers are in balance.
- To determine if receipts are being turned in daily and intact, the Assistant Finance Director will reconcile copied pages of all non-electronic receipt books to the daily deposits.

## Policies

### Objective "b"

9. All cash drawers are locked when unattended.
10. All cash drawers are locked in the vault while offices are closed.
11. Access to the vault is always restricted.
12. Deposit bag is secured until the police officer arrives to escort the Finance associate to the bank.
13. At no time will cash be left out in the open unattended.
14. Employees are prohibited from commingling city assets with personal assets.

## Procedures

### Procedures for policies 9 - 14

- The City Finance Office has 3 clerks (AP/Court Clerk, Accounting Clerk, & Tax Clerk). The AP/Court Clerk collects court payments. The Accounting Clerk collects utility payments. The Tax Clerk collects property tax payments as well as other miscellaneous payments to the city. Each of these clerks can receipt payments for the other on a temporary "as-needed" basis determined by workload demand.
- Each clerk is issued a separate cash drawer to which they have the key. The drawers are to remain locked at all times when unattended.
- The vault should be unlocked each morning, it may be left unlocked but should remain closed during the day. Once all cash drawers are counted down they should be placed in the vault and locked for the night and the weekend. Only the Assistant Finance Director, Tax Clerk, and Accounting Specialist should have access to the vault combination, which should be changed as there are changes in these three positions.
- No cash drawer counts shall be open to public view.
- All computer passwords will be changed periodically and access to collection, adjustment, voiding and other administrative functions will be restricted and checked regularly.
- The Accounting Specialist will reconcile the daily cash reports and deposit slips on a weekly basis, and reconcile deposits slips and bank statements on a monthly basis.
- The Finance Director will periodically perform surprise cash counts to ensure there are no personal checks being held in the cash drawers and to ensure the drawers are in balance.
- The Finance Director is the only person authorized to have computer software support change restrictions or change control levels.

## Policies

### Objective "c"

15. Chart of accounts codes will be reviewed with cashiers on a regular basis.
16. All daily collection reports are posted to the general ledger by the Assistant Finance Director.
17. All accounting system updates and changes are discussed with office staff and appropriate changes made if necessary.
18. Reconciliations are performed monthly by the Accounting Specialist.

## Procedures

### Procedures for polices 15-18

- All revenue codes used by the city are kept with each cashier. The Finance Director will notify the cashiers if an account code is changed or added.
- When preparing the bank deposit, the Assistant Finance Director posts the deposits to the general ledger and gives the daily cash collection reports and miscellaneous receipts to the Accounting Specialist.
- The Finance Director will notify the office staff when computer updates are scheduled. Staff is to report any problems to the Finance Director immediately.
- The Accounting Specialist will reconcile the daily cash reports and deposit slips on a weekly basis, and reconcile deposits slips and bank statements on a monthly basis.
- The Finance Director will periodically perform surprise cash counts to ensure there are not personal checks being held in the cash drawers and to ensure the drawers are in balance.

## City Court

### Objectives

- a) Collections are complete, timely, and accurate.
- b) Collections are safeguarded.
- c) Collections should be recorded accurately and timely in the accounting system.
- d) Tickets will be entered timely and correctly into the court system.

### Policies

#### Objective "a"

1. A receipt will be issued for each payment for city court.
2. The Court Clerk's cash drawer will be closed out and counted daily.
3. All court funds will be deposited daily.
4. No checks will be cashed from cash drawer.

### Procedures

#### Procedures for policies 1-4

- The Court Clerk collects court payments on a daily basis; on scheduled court dates the Tax Clerk will also assist in the collection of court payments.
- The Court Clerk keeps receipts and related software generated reports daily for all collections made.
- The Court Clerk will stamp all checks "For Deposit Only" and issue pre-numbered receipts for all collections. The receipt will contain the following: date, amount of payment, payer's name, cash or check and is signed by cashier. A copy is given to every customer.
- The Court Clerk can allow up to 5 weeks continuation to defendants after the defendant's case has been adjudicated

### Policies

#### Objective "b"

5. The Court Clerk will have their own cash drawer.
6. Cash drawer is locked when unattended.
7. Cash drawer is locked in the vault while offices are closed.
8. Access to the vault is always restricted.
9. At no time will cash be left out and unattended.

### Procedures

#### Procedures for policies 5-9

- The Court Clerk has their own cash drawer that is locked when unattended.
- The cash drawer is locked in the vault at the end of each business day after it has been counted.
- The court cash drawer is retrieved from the vault every morning and given to the Court Clerk to be used for the day from a secure desk location.
- Cash is not to be left unattended at any point.

### Policies

#### Objective "c"

10. The Court Clerk will use the chart of accounts when preparing the cash report for court fines and fees.
11. Daily cash reports are given to the Assistant Finance Director along with the collections at the end of each business day.
12. Reconciliations are performed monthly by the Accounting Specialist.

### Procedures

#### Procedures for policies 10-12

- The Court Clerk will count the drawer and prepare the daily cash report every day there is a collection. The cash report and collections will be given to the Assistant Finance Director or their designee to ensure timely deposits.
- The Assistant Finance Director will make deposit slips daily to ensure timely deposits of collections.
- The Court Clerk has revenue codes for collection of court fines and fees and enters those codes in the accounting software; if there are changes to those codes the Finance Director will notify the Court Clerk.

### Policies

#### Objective "d"

13. The Court Clerk will accurately enter all tickets into system prior to scheduled court date.
14. Police administration keeps all voided tickets. See police administration policies for further information
15. The Court Clerk will file all tickets in order by citation number in an easily accessible location

### Procedures

#### Procedures for policies 13-15

- The Court Clerk will enter tickets when received from police administration
- The Court Clerk will make sure all tickets are entered into system and sorted by court time prior to the beginning of the first session on the court date
- The Court Clerk will call police administration to confirm ticket information if there is a misunderstanding when entering ticket into system
- The Court Clerk will file tickets by citation number once they are disposed in a place where they can be easily retrieved

## ***Property Tax Collections***

### **Objectives**

- a) Tax collections are complete, timely, and accurate
- b) Tax collections are safeguarded
- c) Tax collections should be recorded accurately and timely into the accounting system.
- d) Property tax bills are to be sent out in a timely manner

### **Policies**

#### **Objective "a" & "b"**

1. The Tax Clerk will have their own cash drawer
2. The Tax Clerk will ensure correct payment amounts
3. No checks will be cashed from the cash drawer
4. The Tax Clerk will give customers a receipt in person or by mail (if requested) for all collections.
5. The cash drawer will be closed out and counted daily.
6. Daily cash reports are given to the Assistant Finance Director along with the collections at the end of each business day
7. The cash drawer is locked when unattended
8. Monies being receipted should not be left unsecured

### **Procedures**

#### **Procedures for policies 1-8**

- The Tax Clerk will have an assigned cash drawer
- The Tax Clerk will count the cash drawer and prepare a cash report daily
- The Tax Clerk will submit daily collections intact
- The Tax Clerk will confirm the amount of taxes due to the payment amount
- The Tax Clerk will endorse all checks "For Deposit Only"
- The Tax Clerk will present a receipt to customers for each collection made and keep a copy and attach to the cash reports
- The Tax Clerk gives the collections and daily cash report to the Assistant Finance Director to make the deposit
- The Assistant Finance Director will confirm the cash report is correct, and complete a deposit slip for collections to be deposited.
- The Assistant Finance Director will give the Tax Clerk a copy of deposit slips to file with the daily receipts
- During business hours, the cash drawer will be kept locked when unattended
- The cash drawer is locked in the vault while offices are closed
- The Tax Clerk will keep all collections secured in the cash drawer until the drawer is closed

### **Policies**

#### **Objective "c"**

9. Collections will be receipted as soon as received
10. The Tax Clerk will post daily property tax collections to the general ledger at the end of each day

## **Procedures**

### **Procedures for policies 9-10**

- When receipting, all transactions should be completed as soon as it can be entered into system
- Problem checks or payments should be completed as soon as the problem can be resolved
- All collections during the day will be balanced to daily cash reports
- After balancing the cash drawer, the Tax Clerk will post all property tax collections to the general ledger

## **Policies**

### **Objective "d"**

11. All property tax bills will be generated simultaneously as soon as tax information is available

## **Procedures**

### **Procedures for policy 11**

- The Tax Clerk will generate bills as soon as both Sumner and Robertson Counties make the tax information available
- The Tax Clerk will not generate any bills until both Sumner and Robertson Counties make the tax information available
- The Tax Clerk will send out bills as soon as they are generated and ready
- All property tax bills will be mailed on the same day

## *Utility Billings and Collections*

### Objectives

- a) Collections, billing, and adjustments are complete, timely, and accurate.
- b) Collections are safeguarded.
- c) Collections, billing, and adjustments should be recorded accurately and in a timely manner.
- d) Billing, account opening and closings, adjustments, and account correspondence will be conducted in a timely manner.

### Policies

1. The Accounting Clerk and Utility Billing Specialist will each have an assigned cash drawer
2. A receipt will be issued for each point of sale payment made. Payments made outside of point of sale will have a system generated report.
3. Cash drawer will be closed out and counted daily.
4. All funds will be deposited within three business days.
5. No checks will be cashed from cash drawers.
6. Billing will be reconciled against reports each month.
7. Billing will be completed within the first whole business week of each month.
8. All cash drawers will be safeguarded.
9. Service orders will be completed.

### Procedures

- The Accounting Clerk and Utility Billing Specialist will collect payments on a daily basis and on high volume days may be assisted by other Finance Office staff.
- Receipts and related software generated reports will be kept from all transactions, either electronic or paper format.
- All checks will be stamped "For Deposit Only" and pre-numbered receipts will be issued to point of sale payments.
- Receipts will have the following: date, payment amount, payer's name, account number, cash or check. A copy will always be given to the customer for cash collections, and if requested for check collections.
- Billing will be completed and file sent to bill printer within the first whole business week of each month.
- All billing reports will be saved electronically to the server.
- Adjustments will be made on a minimum monthly basis or more as needed.
- When necessary correspondence will be mailed out about account transactions.
- The due date for bills each month will be at least 14 days from the billing date, always between the 15<sup>th</sup> – 22<sup>nd</sup> of each month, and never on the last business day of a work week.
- The printed cut off day will be eight days after the due date each month.
- Penalties will be posted the business day following the due date after night drop and mail payments have been posted. In extenuating circumstances this may be delayed.
- On the first business day following the printed cut off day of each month, door hangers will be placed at eligible accounts' addresses for disconnection.
- On the designated day on door hangers, if accounts are still not paid, water meters will be locked off.

- Under extraordinary circumstances the Assistant Finance Director, Finance Director, or City Administrator can postpone disconnections.
- Delinquent disconnected customers will be reconnected only after the past due balance plus reconnect fees have been paid. Under extraordinary circumstances the Utility Billing Specialist, Assistant Finance Director, or Finance Director may accept a reasonable payment arrangement (not including the standard monthly bill process) to allow the customer to be reconnected.
- If a disconnection has occurred as a result of an administrative error the following people are authorized to request the reconnection: ANY Utility Billing Staff, the Public Services Director or Assistant, the Finance Director or Assistant, City Administrator, Wastewater Superintendent, or Collections Supervisor.
- There will be no after-hours reconnections unless the Assistant Finance Director, Finance Director, or City Administrator authorizes the reconnection under extraordinary circumstances or the disconnection occurred as a result of an administrative error. If an after-hours reconnection is permitted to a delinquent customer, the customer is required to pay the past due balance plus all reconnection fees before 8:00am the next business day or service is subject to be disconnected again and an additional reconnection fee will be assessed.
- All reconnection fees are assessed when the disconnection list is generated (not when the physical disconnection occurs).
- Personal checks will not be accepted as payment for any customer who is disconnected for delinquency and paying to be reconnected.
- Cash drawers will be locked when unattended, in the vault when office is closed, and cash will not be unattended at any point.
- All service orders will be completed by either Finance or Public Services department staff and entered in the system.
- New applications will be entered into the system and receipted within three business days.
- Requested account closing will be entered and completed as requested.
- Account adjustments will be reviewed and made upon approval when requests are turned in by customer, or a billing error has occurred.
- The Utility Billing Specialist will generate monthly reports and send to the Finance Director and Accounting Specialist.

## General Disbursements/Drafts

### Objectives

- a) Disbursements are for a valid city purpose and necessary.
- b) Disbursements are timely.
- c) Disbursements are accurately coded and recorded in the accounting system.
- d) Disbursements are legally appropriated.

### Policies

#### Objectives "a" and "b"

1. The city has adopted purchasing policies that comply with state law.
2. Various levels of authority have been assigned.
3. Purchase orders and packing slips/invoices are matched and sent to the Accounts Payable (AP) Clerk for payment as soon as possible.
4. Checks are processed and mailed once per week to ensure invoices are paid timely.
5. All checks require two signatures.
6. No check shall be printed without appropriate documentation.

### Procedures

#### Procedures for policies 1-3

- The city operates the purchasing function through a centralized Purchasing Coordinator.
- The city has 3 purchasing thresholds (less than \$10,000, \$10,000 - \$24,999, \$25,000 & over).
- For the "less than \$10,000" threshold: a department head (or designee) submits a purchase order to Purchasing to be approved or denied.
- For the "\$10,000 - \$24,999" threshold: a department head (or designee) submits a purchase requisition to Purchasing. Then Purchasing obtains at least 3 quotes for the product/services. They determine which quote is the most beneficial to meet the City's objectives. Purchasing and the Finance Director (or designee) approve the requisition. At this point the approved requisition becomes a PO and the order is placed.
- For the "\$25,000 & over" threshold: a department head (or designee) submits a purchase requisition to Purchasing. They develop and/or approve bid specifications. Then publish several forms of notifications of a "bid opening" process that will occur with adequate prior notice. Then they follow the "bid opening" procedures. If an acceptable bid is received, the BMA must then approve the purchase at the next public meeting. Then the requisition becomes a PO. Then Purchasing and the Finance Director approve the PO. Finally the PO is issued to the winning-bid vendor.
- For all levels of purchasing thresholds, after the PO has been approved and the order placed, the vendor will ship the goods or perform the services. When this is done to a satisfactory level the department that initiated the order will sign a document (material receiving report, packing slip, or invoice) to notify the AP Clerk that the invoice is approved to pay.
- Reference the adopted City Purchasing Manual for more specific details

#### Procedures for policies 4-6

- The Finance Director or Assistant Finance Director approves the weekly check run before checks are printed.
- Checks are printed every Wednesday for all invoices that are approved before the end of the day Tuesday (the checks are printed with the appropriate authorized signatures on them.)
- After checks are printed the Assistant Finance Director verifies vendor name, check number, and amount of every check with the check register report.
- Checks are mailed every Thursday.
- After checks are printed, the AP Clerk copies the checks and attaches the copies to the corresponding invoices, PO's, and any receiving documents submitted to the AP Clerk.

#### Policies

#### Objectives "c" and "d"

7. The finance office uses a computerized accounts payable system.
8. All purchase orders are coded by purchaser and verified by Purchasing and the AP clerk.
9. Invoices are entered in the accounts payable system weekly.
10. Budget availability is verified by the software when processing accounts payable invoices.

#### Procedures

#### Procedures for policies 7-10

- The city uses a computerized system for tracking purchase orders, encumbrances, and invoices.
- The purchaser receives the goods/services and approves the packing slip or invoice to be paid.
- The AP Clerk processes invoices that have been approved in the system and the system liquidates that portion (or all) of the PO and changes the amount from an encumbrance to an expense/expenditure.
- The accounting software verifies budget availability via the purchasing function and invoice processing function.

## ***Payroll Disbursements and Payroll Liabilities***

### **Objectives**

- a) New employee information is completely and accurately acquired
- b) Payroll is accurately processed in a timely manner
- c) Minimize the risks of payroll disbursements
- d) Provide accurate annual income tax information in a timely manner

### **Policies**

#### **Objective "a"**

1. New employee documentation shall include Personnel Action Form, W-4, and I-9
2. Withhold all applicable statutory tax deductions, all voluntary deductions, and all garnishments.

#### **Objective "b"**

3. Timesheets and Leave Request Forms are used to process payroll
4. Employees' payroll is processed every two weeks
5. Elected officials' payroll is processed once per month.

#### **Objective "c"**

6. All employees and elected officials are required to receive direct deposit
7. All checks/stubs given to Human Resources department for distribution
8. Salary/wage advances are not permissible

#### **Objective "d"**

9. Annual income tax information provided

### **Procedures**

#### **Procedures for policies 1-2**

- When a new employee is hired the Human Resources department shall complete a Personal Action Form and obtain a completed copy of the employee's W-4 and I-9
- The Human Resources department will enter the new employee's information into the HR/Payroll software system

#### **Procedures for policies 3-5**

- Payroll is processed every two weeks
- These weeks consist of 7-day periods starting on Sunday and ending on Saturday
- Elected officials are paid a fixed amount once per month.
- Employees must submit their signed timesheet and leave request forms to their department head as soon as possible following the end of a bi-weekly pay period
- Department Heads (and Supervisors, where applicable) review timesheets and leave requests and submit approved forms to Accounting Specialist as soon as possible
- Accounting Specialist gives Department Head timesheets to the City Administrator to review and approve, the City Administrator then returns these forms to the Accounting Specialist
- Accounting Specialist processes every employee's time worked and leave request information into the software system

#### **Procedures for policies 6-8**

- Accounting Specialist prepares the ACH transaction and the Finance Director approves via the bank's online portal
- The bank calls the Accounting Specialist to verify the ACH transaction
- All employees and elected officials are required to receive direct deposit
- All checks/stubs are hand delivered to the Human Resources department for distribution
- Salary/wage advances are not permissible

#### **Procedure for policy 9**

- Wage/tax statements are issued to every person who received salaries/wages during the previous fiscal year
- W-2's are created by the software company and distributed by the Human Resources department before February 1<sup>st</sup>

## Safeguarding Assets

### Objectives

- a) Ensure city assets are properly valued and protected.
- b) Ensure Cash, Accounts Receivable and other asset accounts are reconciled.
- c) Ensure investments are safe and in accordance with adopted investment policy.
- d) Ensure city assets are protected against loss, misappropriation or theft.
- e) Ensure inventory items are available when needed for use.

### Policies

1. All bank account statements (checking, savings, investments, etc.) are reconciled to the municipal general ledger accounts within 15 days of receipt of any statement.
2. Accounts receivable subsidiary ledgers are reconciled to original billings and amounts collected.
3. All bank accounts are appropriately collateralized.
4. All bank accounts are held in financial institutions under the name "City of White House."
5. All withdrawals, checks, liquidations, etc., from any bank account requires two signatures/electronic approvals.
6. All investments require two signatures.
7. Inventory records contain enough information to readily identify corresponding capital assets. Capital assets are tagged or otherwise identified during a physical inventory that is performed annually.
8. Proper safeguards are in place to prevent theft or loss of assets.

### Procedures

#### Procedure for policy 1-8

- Accounting Specialist reconciles bank statements to general ledger accounts within 15 days of receipt of any statement
- Accounts receivable subsidiary ledgers are reconciled to original billings and amounts collected on a monthly basis.
- Any bank account balance that exceeds the FDIC coverage limit will be covered at 105% of the balance as per state statute. Any bank account balance maintained in a bank participating in the State Collateral Pool will be made to verify annually the accounts held are classified on the records of the bank as "Public."
- All bank accounts are held in financial institutions under the name "City of White House."
- All withdrawals, checks, liquidations, etc., from any bank account requires two signatures/electronic approvals.
- All investments require two signatures.
- The Accounting Specialist sends out a list of capital assets annually to each department to verify the accuracy of the list and make any necessary corrections.
- Capital asset records include: cost, vendor, model, serial/VIN number, date acquired, and type of capital asset.
- All inventory rooms have limited access

## Compliance

### Objectives

- a) Ensure that state law regarding the issuance of debt is followed.
- b) Ensure that state and federal grant regulations are understood and followed.

### Policies

#### Objective "a"

1. The city had adopted a debt management policy in accordance with state requirements.
2. The Finance Director is well versed on the state requirements for issuing debt.

#### Objective "b"

3. Every department must notify the Finance Director when an application for grant funding is submitted and subsequently awarded. All grants with matching requirements must be approved by the City Administrator and Finance Director prior to submission of application.
4. Once awarded, the Finance Director is to be notified of the project budget and detailed expenditure requirements of the grantor agency.
5. The Finance Director must be provided with the grant contact information, grant or contract numbers and whether the grant is state or federal funds.

### Procedures

#### Procedures for policies 1-2

- The city debt management policy must be followed to ensure that all debt is issued in accordance with all guidelines and laws
- The Finance Director is required to be a Certified Municipal Finance Officer (CMFO) and maintain this certification by following mandated requirements including continuing professional education training on an annual basis.
- The Finance Director will seek advice from an experienced financial advisor or consultant when issuing debt.

#### Procedures for policies 3-5

- Every department must notify the Finance Director when an application for grant funding is submitted and subsequently awarded. All grants with matching requirements must be approved by the City Administrator and Finance Director prior to submission of application.
- Once awarded, the Finance Director is to be notified of the project budget and detailed expenditure requirements of the grantor agency.
- The Finance Director must be provided with the grant contact information, grant or contract numbers and whether the grant is state or federal funds.

## **Information and Communication**

### Overview

Management has the responsibility to adequately communicate and provide information to both internal and external parties. It is important that employees know the objectives, policies and procedures management has established and what the expectations are for internal controls. External stakeholders also seek information regarding objectives and reliable financial information.

### Objectives

- a) Necessary quality information for achieving the entity's objectives is available and used.
- b) Necessary quality information for achieving the entity's objectives is internally communicated by management.
- c) Necessary quality information for achieving the entity's objectives is externally communicated by management.

### Policies

1. Information maintained in a format should be communicated in that same format. For example, if the general ledger is maintained on computer, the monthly budget to actual reports should be provided through a computer generated report from that software package.
2. Reliable and accurate quality information from municipal internal sources must be communicated to the people who need it in a timely and useful format.
3. Because the credibility of the municipality, its governing body, and its public officials is at stake whenever information is released to outside parties, management should be confident the information being released is accurate and the release is in compliance with policies and procedures.

### Procedures

#### Procedures for policy 1

- Review and document the information requirements to achieve key objectives and address the risks of the government.
- Review and document changes that occur in the local government's objectives and the related changes in information requirements.
- Identify and evaluate the reliability and timeliness of relevant data from both internal and external sources.
- Review and evaluate whether data has been processed into quality information that allows management to make informed decisions and evaluate whether the local government is achieving its objectives

#### Procedures for policy 2

- Management clearly defines the lines of communication through policy manuals and organizational charts.
- Management has communicated the types of information required to achieve objectives and address risks.
- All internal control documents and related reports will be available to all staff in an appropriate method based on confidentiality and relevance to job responsibilities.
- The appropriate information delivery system has been determined (e.g. email, written memo, staff meetings, etc.) for changes and updates.
- Reports containing personally identifiable information or other protected or confidential information will be made available through communication methods that restrict internal and external access.
- Annual staff training meetings and new employee orientation, with relevant handouts and manuals, will be used to reinforce memo, email, intranet, and restricted communications.

### Procedures for policy 3

- Management should develop policies and procedures for communicating with external parties.
- Management should develop policies and procedures for evaluating the reliability of information provided to and received from external parties.
- Management should develop policies and procedures for ensuring that only authorized individuals provide information to external parties.
- Management should develop policies and procedures for ensuring that restricted information is provided only to authorized external parties.
- Management should develop policies and procedures for the redacting of information when requested under the open records statutes.

## **Monitoring**

### Overview

The internal control system changes as technology, staff, objectives and policies change. Management is charged with continually monitoring the internal control system to determine if it is operating as it was designed to do and to insure the controls are being followed.

### Objectives

- a) To practice activities that monitor the internal control system and evaluate the results.
- b) To address deficiencies noted in the internal control system in a timely manner.

### Policies

1. To ensure that internal controls do not deteriorate and continue to work as designed over time, an annual risk assessment will be conducted by municipal management.
2. To establish more efficient and effective operations over time.
3. To ensure accurate and reliable financial information is used in decision-making.

### Procedures

#### Procedures for policies 1-2

- Evaluate and document the current state of the internal control system and document the differences between the criteria of the design and the current condition of internal control, for purposes of establishing a baseline.
- Determine whether to change the design of internal control or implement corrective actions to improve the operating effectiveness of internal control for differences that exist.
- Monitor internal control through built in monitoring activities and periodic separate evaluations and document the results.
- Evaluate differences to determine if 1) changes in internal control have occurred but have not been documented, 2) internal control has not been properly implemented, or 3) internal control design changes are needed.

#### Procedures for policy 3

- A member of management will review cash drawers and deposits randomly to ensure policies are being followed, such as no cashing of personal checks, no borrowing from cash drawer and the makeup of cash vs checks is being documented.
- All accounts with financial institutions (checking, savings, investment, etc.) will be reconciled to the general ledger within 15 days of receipt of any statement from the financial institution.
- The above reconciliation will include a listing of outstanding checks and will be reviewed by management.
- Reconciling items on the above reconciliation will not be carried for more than 60 days past the date of the initial reconciliation.
- Reports comparing actual to budget amounts for revenues and expenditures (expenses) will be generated monthly and reviewed by those in a position of authority over financial operations. Those in a position of authority include, but are not limited to, Department Heads, Accounting Specialist, Assistant Finance Director, Finance Director, & City Administrator.

