

Town of Rangeley

Internal Control Policy

- 1. Introduction:** The Board of Selectmen the Town of Rangeley and Town Manager have a duty to be good fiscal stewards of government assets. This roll of stewardship includes not only the safeguarding of assets but also the effective and efficient use of those assets and fiscal accountability. Although Town Manager is primarily responsible for the internal controls of the Town the Board of Selectmen is ultimately responsible to insure that management fulfills this duty. There is however an inherent limitation on the effectiveness of any internal control policy due to the cost / benefit relationship that must be considered, meaning that the cost of the internal control should not outweigh the potential benefit of the control.

This Town policy on internal control has been developed to formalize certain policies and procedures to help insure the principal of sound fiscal stewardship through effective and comprehensive internal controls. Although this policy has been developed to formalize an the Town's effective internal controls this policy does not provide complete protection for the Town or implement every type of internal control due to the inherent cost / benefit relationship that must be considered.

The concept of internal control is very broad and comprehensive including five essential elements: The Control Environment, Continuing Assessment of Risk, Control Related Policies and Procedures, Communication of Information, and Monitoring of Controls. This policy addresses each of these specific areas below in detail. Internal controls are not static. As the functions of the Town change or the operating environment changes risks must be reassessed and internal controls adjusted as necessary. As such, from time to time, the Finance Department will be updating this policy and presenting changes to the Board of Selectmen for acceptance.

- 2. The Control Environment:** The control environment can be difficult to quantify because it encompasses the views, ethics, management integrity, and overall attitude of an organization. Having a favorable control environment is essential to internal control and this starts at the top of the organization with the Board of Selectmen and works downward though the management of the Town to all employees.

Understanding this, the following points of commitment should be recognized and promoted throughout the organization.

2.1. All Elected Officials and Town Staff are asked to sign the Town's "Code of Ethics"

formalizing their commitment to; leadership, ethics, communication and relationship building, respect, accountability, infrastructure, and continuous improvement.

2.2. The Board of Selectmen and management of the Town view good internal control to be essential to accomplishing goals and being good financial stewards.

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- 2.3. Internal control policies along with other Town policy and procedures are important and are required to be followed. Violations of such policies are discouraged and will be met with appropriate disciplinary action.
- 2.4. All members of Town management including the Town Manager and Department Heads are required to read and sign the Town's policy on internal controls.

- 3. **Continuing Assessment of Risk:** The goal of risk assessment is to enable management to prevent or minimize harm. In order to accomplish this, risk assessment must be conducted on an ongoing basis. Internal changes such as changes in operating activities, the control environment, or organizational structure in addition to external changes such as changes within the regulatory environment, technological and economic changes all have an effect on risk. For this reason a continuing effort to assess changes in risk and their effect on internal controls must be conducted.

Risk assessment is primarily handled by the Finance Department, although all supervisors and managers need to be aware of the potential for fraud and misuse of Town assets. It is the policy of the Town to follow up on all reports of potential fraud or misuse. The Town is also committed to continuing updates to control related policies and procedures as needs are identified through the continuing assessment of risk.

- 4. **Control Related Policies and Procedures:** The following are specific policies and procedures that have been established to maintain good internal control. It should be noted that these are minimum standards set by this policy and that the Town Manager and Department Heads have authority to implement stricter standards at their sole discretion:

4.1. Purchasing and Accounts Payable

- 4.1.1. Purchase Orders must be authorized by the following positions prior to any order being placed.
- 4.1.2. Items over \$1,000 must be authorized by the Town Manager.
- 4.1.3. Items up to \$999 must be authorized by the Department Head or Finance Director.
- 4.1.4. No invoice is paid without an authorized purchase order.
- 4.1.5. The issuance or use of "Blanket Purchase Orders" is prohibited.
- 4.1.6. Invoices for Town Attorney services must be approved by Town Manager

- 4.1.7. All vendor payments must be approved by the Board of Selectmen in the form of a Warrant submitted at a regular scheduled Board of Selectmen's Meeting
- 4.1.8. Two Signatures are required on all checks
- 4.1.9. All numbered accounts payable and payroll checks are to be stocked in a locked cabinet.
- 4.1.10. Use of wire transfers is restricted to emergencies only and must be approved by Town Manager and Finance Director

4.2. City Issued Credit Cards

- 4.2.1. The Town Manager, along with the Treasurer, will make decisions regarding the issuing of individual cards and the establishment of any all additional controls for their use.
- 4.2.2. The use of Town issued credit cards is restricted to Town purchases only.
- 4.2.3. Cash advances through bank tellers or automated tellers is prohibited
- 4.2.4. Credit Cards will not be used for personal purchases of any kind.
- 4.2.5. Cardholders are responsible for security of their Credit Card. Cards are not to be given to any other person. If a purchase needs to be made via credit card and the person is not issued one then see Finance Director for use of their card.
- 4.2.6. Ensure that the goods or services to be purchased are budgeted and allowable.
- 4.2.7. Determine if the intended purchase is within Cardholder's Credit Card limits.
- 4.2.8. Receipt for all Credit Card purchases must be submitted to the Finance Department prior to payment being issued on the account.

4.3. Human Resources and Payroll

- 4.3.1. Any change in an employee's status, pay, or allocation account numbers must be accompanied by a signed letter by the employee's Department Head and/or Town Manager.

- 4.3.4. All payroll payments are supported by a completed timesheet recording dates and hours worked during the pay period. Submitted timesheets are required to be signed by the employee and his or her Department Head or Town Manager.
- 4.3.6. Two signatures by authorized individuals are required on all checks issued.
- 4.3.8. The Town's Personnel Policy is the authoritative document regarding all personnel matters except in cases where the employees union and the Town and or applicable federal or state law supersedes the personnel policy. The Personnel Policy is periodically updated and reviewed for compliance with changes in the law. All changes to the policy are formally adopted by the Board of Selectmen.

4.4. Cash Receipts and Accounts Receivable

- 4.4.1. Mail is received and opened daily by an individual in the front office
Upon opening the mail any checks received are immediately processed through Cash Receipting and stamped for deposit to a Town bank account. A total is calculated on all checks received by mail and at the counter at the end of each day during the cash up process. The reconciliation should list the dollar value of checks received for the time being reconciled. Cash up will be done at the end of the day by the Finance Department.
- 4.4.2. All funds are deposited into the Town's bank account no latter then the end of the next business day.
- 4.4.3. All un-deposited funds are secured in a safe or locking cash register until the time of deposit.
- 4.4.4. The City has a specific "Procedure for Handling Cash", these procedures are as follows:
 - 4.4.4.1. All Town cash register drawers are counted and verified each morning by the employee checking out the drawer. This employee is responsible for their cash drawer throughout the day and is required to keep it secure.
 - 4.4.4.2. At the end of every day each cash drawer is counted twice; first by the employee responsible for the cash drawer and second by an employee not primarily responsible for the drawer. Both cash counts are logged onto a worksheet and reconciled to payments received and the starting cash balance. This worksheet is used to as support for the bank deposit.
 - 4.4.4.3. All discrepancies of any amount are reviewed and investigated by Finance Director.
 - 4.4.7. The Finance Director, or his/her designee, compares the actual bank deposit slips received from the bank during the daily depositing process with the City's summary deposit tape.

4.5. Petty Cash

- 4.5.1. The City maintains the following petty cash boxes in amounts not to exceed \$350
- 4.5.2. The Town's Petty Cash is under the custody and control of the Finance Department.
- 4.5.3. All petty cash boxes are secured in a safe or locking cabinet when not in use.
- 4.5.4. All petty cash boxes are to be reconciled monthly by a finance staff employee.
- 4.5.5. The Finance Director or Accounting Manager reviews and initials all petty cash reconciliations, questioning any items that are not adequately annotated or that are unique.

4.6. Bank and Investment Account Reconciliations

- 4.6.1. All Town's bank accounts and investment accounts are reconciled monthly by a Finance Department staff employee that has no check preparation or deposit preparation duties for that particular bank account. Canceled checks are stored until the audit is complete for the fiscal year.
- 4.6.2. Voided checks must be signed and dated by the Finance Director.
- 4.6.3. The Finance Director or his/her designee reviews and initials all monthly bank reconciliations, questioning any items that are not adequately annotated or that are unique.

4.7. General Ledger

- 4.7.1 Each asset and liability account on the Town's general ledger will be reconciled monthly.
- 4.7.2. General journal entries are prepared by the Finance Department Staff and reviewed by the Finance Director.

4.8. Fixed Assets

- 4.8.3. Upon receipt of newly purchased facilities, vehicles, equipment, or the completion of a construction project the Administrative Assistant adds the asset to the insurance policy.
- 4.8.4. Town owned Public Works vehicles remain secured on Town property after regular business hours unless needed to respond to a call-out or other emergency situation.
- 4.8.5. The use of Town owned Public Works vehicles or equipment personal use is not allowed without prior written authorization from the Public Works Director or Town Manager.

4.9. Budget

- 4.9.1 The Town Manager's recommended budget shall be submitted to the Board of Selectmen and Budget committee no later than March 1.
- 4.9.2 Board of Selectmen and Budget Committee shall review the recommendations of the Town manager and shall make changes as it deems appropriate.
- 4.9.3 The Budget Committee shall meet with the Board of Selectmen at least once prior to May 5 and shall submit its own final recommendation to the Board of Selectmen no later than May 20.
- 4.9.4 The Board of Selectmen shall conduct at least one public hearing during the preparation of their recommended budget and have all modifications complete no later than May 20.
- 4.9.5 The Board of Selectmen will put the budget to the Town's citizens for a vote no later than the third Sunday.
- 4.9.6 All over-budget amounts need to be adequately explained to the Town Manager and Finance Director and any needed corrections made through either a budget transfer or budget amendment.

4.10. Audits

- 4.10.1. Annually the Finance Director or Town Manager seeks an independent, qualified and licensed Accountant to Audit the Town's year end financial statements in accordance with the Governmental Audited Standards.
- 4.10.2. The Finance Department will have all necessary documentation to the Independent Auditor no later than October 1, except miscellaneous items requested after.
- 4.10.2. Within 6 months of the fiscal year end the independent auditor must complete the year prior Audit and share the results of the audit and final audited basic financial statements to the Board of Selectmen no later than the end of January.

4.11. Records Retention & Backup

- 4.11.1. The Town maintains all accounting records on site for a period of six years. Unless otherwise required by law, records older than six years are destroyed.
- 4.11.2. The Town maintains all employee files and payroll records on site.
- 4.11.3. Access to files, data, records, and computer access to information on the servers is based on an employee's specific duties and needs. Unauthorized access to data and records is not allowed.
- 4.11.4. Town computer servers and files are backed-up nightly.

- 5. Communication and Information:** Accessibility of financial information to all levels of the organization helps to ensure correct and complete recording of financial transactions.
- 5.1. All Department Heads and the Town Manager have access to viewing and within the financial accounting system and are encouraged to review their department's income, expenses, and budget report.
 - 5.2. Within 30 days from the end of each fiscal quarter the Finance Director prepares a financial report including a year to date budget report and balance sheets for each fund. This report is distributed to the Department Heads, Town Manager and Board of Selectmen.
 - 5.3. Questions regarding items within the current financial reports are first directed to the Finance Director. If questions or concerns continue to exist after being discussed with the Finance Director they should be directed to the Town Manager.

6. Monitoring of Controls and Continuous Improvement:

- 6.1. The Finance Department actively monitors activities and follows up on situations or transactions that come to the Finance Department that are an anomaly. By backtracking with operating departments on small, possibly insignificant issues, operating department employees realize that the City operates with tight internal controls.
- 6.2. The Town's Finance Director audits, on a continuing basis, various transactions and processes for compliance to the Town's Internal Control Policy and other applicable city policies and procedures based upon vulnerability assessments.
- 6.3. The Town's Finance Director makes findings and recommendations for continuous improvement of internal controls to the Finance Director.
- 6.4. Findings and recommendations may also come from the Town's independent auditor, Department Heads, or other Town staff.
- 6.5. The Finance Director reviews all recommendations regarding internal control and, if agreed upon, incorporates the recommendations into the Town's Internal Control Policy subject to Board of Selectmen's approval.