

# **Town of Ancram**

## **Financial Control Policies & Processes**

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## **Financial Control Policies and Processes**

**Purpose:** The purpose of this policy and process document is to define how the Town of Ancram will manage its bill paying, deposit, financial management and financial reporting activities to ensure proper controls are in place to protect the Town's financial assets. The policies and processes described in this document relies primarily on a separation of responsibilities between the Town Supervisor, the Town Clerk and the Town's Accountant, who is an independent CPA, and not an employee of the Town. Oversight is provided by the monthly Town Board review of the Town's monthly financial reports and audit and approval of all invoices, an annual audit of the Town's financial records by the Town Board or its designee, and by monthly meetings of the Town's Financial Advisory Council, which independently reviews the Town's financial reports, reconcilements and records each month, and audits the Town's books and records on an annual basis using the State Comptroller's checklists provided in the OSC Fiscal Responsibility Manual. All financial decisions made by elected and appointed officials of the Town of Ancram will be consistent with the provisions and guidelines outlined by the Ethics Law for the Town of Ancram: Local law #4 of 2011.

### **Authority to incur expenses**

1. During the annual budget process, the Town Supervisor will develop departmental budgets and submit these proposed budget requests to the Town Board for approval. Once approved, the Town Budget is the authority for departments to incur the expenses up to the amounts included in the approved budget.
2. During the budget year, the Town Supervisor may request that departments reduce their spending of approved & budgeted items to offset revenue shortfalls or to fund new priorities or unavoidable overruns in other areas.

3. Authorization to incur expenses in excess of the budgeted amount per account will require approval from the Town Board, which the Town Supervisor will secure by a budget amendment resolution authorizing a budget transfer from the contingent fund, from another line item or from the funds balance, to establish the adjusted budget.
4. The Town Supervisor and Highway Superintendent are authorized to spend up to \$5,000 for any unbudgeted expenditure without prior Town Board approval so long as the Town Board, Town Clerk and Town Accountant are notified prior to the decision and approval is secured by budget adjustment no later than the next Town Board meeting. The Town Supervisor and Highway Superintendent are also authorized to purchase budgeted materials and services up to the amount in the approved highway and general fund budgets without prior Town Board approval.

### **Voucher Processing**

1. Any non-salary payment made by the Town must be authorized by an approved voucher.
2. Vouchers authorizing payment of an invoice will be reviewed and approved by the department head seeking payment approval or the Town Supervisor prior to being submitted to the Town Clerk. Any State or County bid or contract numbers must be noted on the vouchers, and signed receiving slips must be attached to the voucher confirming receipt of the goods or services.
3. Town Clerk will review the voucher and, with assistance from department heads, determine which budget expense code and category the expense will be charged to.
4. Town Clerk will review all vouchers with the Town Supervisor and any other Town Councilperson interested in reviewing the vouchers prior to the monthly Board meeting.
5. At least three members of the Town Council must approve each voucher to authorize payment. Approval should be documented by signatures or

initials on the voucher. No Town Board member shall approve a voucher of which he/she is a beneficiary.

6. Annual or hourly salary amounts will be approved by the Town Board during the budget process. Approved salary amounts will be submitted by the Town Supervisor to the Town Accountant, and paid weekly, bi-weekly, monthly, quarterly or annually as determined by the Town Board.
7. The Town Supervisor may pay an invoice without the prior approval of the Town Board provided that the Town Board, Town Clerk and Town Accountant are notified immediately of this action and the invoice is presented for approval at the next scheduled Town Board meeting.

### **Check Preparation & Processing**

1. Town Clerk will prepare a list (the “warrant”) of all approved vouchers and submit the list to the Town Accountant for check preparation. Warrants should be certified by the Town Clerk, approved by the Town Board as part of the bill paying process, and noted in the minutes of the Town Board meeting. Approved monthly warrants should be included as part of the Town Board meeting minutes and circulated to the Town Board and Financial Advisory Council.
2. Town Accountant will prepare checks for each approved voucher on the warrant and deliver the checks to the Town Supervisor. Checks under the control of the Town Accountant must be maintained under lock and key, with Town Accountant certifying this to the Town Supervisor annually.
3. Town Supervisor or the Deputy Town Supervisor will sign each check and give the signed checks to the Town Clerk, who will match each check against the warrant and the approved vouchers, to make sure that all approved checks have been prepared, and no checks have been prepared which have not been approved or are not on the warrant. The Town Clerk will staple each check stub to the approved voucher as proof of this reconciliation.
4. The Town Clerk will mail or hand-deliver checks to recipients.

5. Any checks that are prepared but subsequently voided will be marked VOID and filed by the Town Clerk. The check number on the warrant on which the voided check appears will be noted as “voided” and the Town Accountant will be notified so the voided check can be removed from the general ledger.
6. The Town Supervisor and Deputy Town Supervisor are each authorized to sign Town checks less than \$10,000 without having them countersigned. Checks for \$10,000 and more must be signed by both the Town Supervisor and the Deputy Supervisor. If either the Supervisor or Deputy Supervisor is unavailable to countersign a check of \$10,000 or more, any Town Board member is authorized to provide the second signature

### **Bank Account Reviews and Reconcilements**

1. Town Supervisor & Town Clerk will review bank account statements monthly, visually scan copies of all returned checks which are part of the monthly bank statement for check number and signature integrity, verify that all paid checks have been properly signed by an authorized signer, and initial bank statements reviewed as evidence of such review.
2. Town accountant will prepare a bank account reconciliation for each town checking account monthly as part of the monthly report preparation process.
3. Town Supervisor will review and initial each bank account reconciliation, and compare them to the appropriate bank statement to verify that they are correct, and that the Town’s reported and actual bank balances are correct.
4. The Town’s Financial Advisory Council will review the Town’s bank statements and reconcilements periodically to independently verify that the reconcilements and reported and actual ending bank balances are correct.

## **Exceptions to this voucher process**

1. In certain situations when it is not possible to secure the prior approval of the Town Board, the Town Supervisor may write manual checks without a previously approved voucher. A manual check so written will be reported immediately (same day) by email to the Town Board, Town Clerk and Town Accountant, and a voucher will be prepared by the Town Clerk, who will secure signatures from three Councilpersons as soon as possible, but no later than at the next Town Board meeting.
2. Checks under the control of the Town Supervisor or any other town official with check signing authority must be kept under lock and key.
3. Town checks will be under the physical control of the Town Clerk, with signing powers on these checks assigned to the Town Supervisor and Deputy Town Supervisor.

## **Deposits to the Town Bank Accounts**

1. Town Supervisor will make check and cash deposits to the Town's bank account as soon as possible after the deposits are received, but no later than 10 days after receipt of the deposit. Town Supervisor will keep duplicate copies of the deposit tickets and the deposit receipt from the bank attached to the documentation explaining the reason for the deposit, and will record both the date of receipt and the date of the deposit in the monthly cash receipts log.
2. Within 3 days of month end, the Town Supervisor will summarize the monthly deposits in a monthly deposit receipts log, and will send this log to the Town Accountant with copies sent to each member of the Town Board, the Highway Superintendent, the Town Clerk, the Building Inspector, the Planning Board, the Town Court and the Financial Advisory Council.

## **Monthly Reports**

1. The Town Accountant will prepare and submit to the Town Supervisor monthly bank account reconciliements, a summary of journal entries and reports which summarize month and year-to-date actual revenues and

expenses compared to budget and to prior year actuals by fund and by detailed budget line item.

2. Town Supervisor will review these reports, and will distribute them to each member of the Town Board, the Town Clerk, the Highway Superintendent and the Financial Advisory Council prior to each monthly board meeting.
3. Town Supervisor will post these reports on the town web site prior to the monthly town board meeting.
4. Town Supervisor will make a formal financial report at each town board meeting, and will reply to any questions from the Town Board or the general public about the town's financial situation.
5. Town Accountant will secure Town Supervisor approval for all journal entries, and this approval should be documented by a signature.

### **Cash Management**

1. The Town of Ancram will maintain an interest-bearing multi-fund money market account, a multi-fund general checking account, a Trust & Agency account and other accounts as are approved by the Town Board. All funds will be maintained in the interest-bearing multi-fund money market account, and will be transferred to the general checking, T&A or other account as needed based on monthly approved vouchers and payrolls.
2. The Town Clerk & Tax Collector will maintain separate bank accounts for each area of responsibility. Other bank accounts may be maintained for special purposes like the Youth Commission, the building fund and the monument fund.
3. Town Accountant is authorized to make online transfers among the Town's Bank accounts based on the approved monthly warrant, subject to review and approval by the Town Supervisor. Accountant is also authorized to make ACH transfers for direct deposit, state pension payments and state and federal withholding transfers, again subject to Supervisor approval. Supervisor approval will be documented by signatures on the appropriate transfer documents.

4. All Town funds will be invested in insured money market investment account with the Town's depository bank paying the best rate of interest on deposited funds, and all funds in excess of the FDIC insurance limit for money market accounts will be collateralized by the depository bank with marketable securities or letters of credit as required by NYS law.
5. Town investment policy is to maintain funds in an interest bearing money market account with one of the Town's depository banks, with deposits over FDIC insured limits collateralized by securities pledged by the Town's depository bank or their agents. In rate environments when short term US treasury securities offer significantly higher yields than bank money market rates, the Town Supervisor is authorized to invest town funds in short term US treasury securities purchased through the town's depository bank. The Town Supervisor shall report all trades in short term US treasury securities and the Town's net position in US treasury securities to the Town Board and the Financial Advisory Council monthly, as part of the Town's normal financial reporting process.

### **Asset Inventory & Inventory Management**

1. The Town Board will request the Building Manager and Highway Superintendent to review and update the inventory of all Town assets annually as part of the annual budget process. The yearly physical inventory should be compared to the Town's asset inventory records.
2. The Town Board will determine purchasing policies as part of the annual organizational resolution.
3. All new purchases of fixed assets with a value of over \$500 will be added to the Town inventory when paid for.
4. The Highway Superintendent will develop and maintain a process to control the use of fuel for town vehicles, and will report on fuel consumption annually as part of the budget process.
5. The disposal of Town owned property or equipment requires the prior approval of the Town Board.

### **Audit and Review Process**



1. The Town Board shall review or cause to be reviewed the financial books and records of the Town for the previous year on or before May 30 of each year. This review shall be done by members of the Town Board, members of the Financial Advisory Council or by a qualified independent audit firm or individual CPA retained by the Town Board.
2. This review shall include the records and financial controls of the Town Supervisor, Town Court, the Town Clerk, the Town Tax Collector and the Building Department.
3. The Town Accountant will provide the Town an annual written summary of the policies, procedures and controls in place at the accountant's place of business to protect the town's check supplies, the integrity and backup of the town's financial data bases, and to maintain business continuity and service in the event of a "disaster" which puts the accountant's place of business out of operation for a period of time.
4. The Town Board will adopt written policies and procedures in the form of an Employee Manual for all departments to ensure town assets and IT data are secure.
5. Town Supervisor will establish limits for the amounts of online ACH transfers and online transfers between town accounts, and will review and approve all online transfers between town accounts and ACH transfers of state and federal withholding and retirement funds made by the Town Accountant.

## **Financial Planning and Fund Balance Management**

**1) Multi-year Financial Plan** - The Town Budget Officer will prepare, and the Town Board will approve as part of the budgeting process, a multiyear financial and capital plan which will include estimated costs for major investments in facilities and equipment with as much detail as is available, such as formal proposals and cost estimates, for each planned project. This multi-year financial plan will be updated at least annually, and as often as new capital spending decisions are made or additional information regarding costs and timetables becomes available.

**2. Fund Balance Management** - To insure that the Town has adequate financial reserves and working capital to operate during the first two months of the year before current year taxes are received, to finance grant awards and CHIPS costs, to make periodic major equipment purchases without borrowing and to deal with unexpected or uncontrollable expense overruns or revenue shortfalls, the Town will target a year-end unrestricted and unallocated cash fund balance of approximately \$750,000, which is approximately the amount of the annual Town tax levy and 1.5x the amount the Town receives annually from its share of the County sales tax, mortgage tax and CHIPS.

**3. Assignment of funds to capital projects** - The Town Board will designate funds for major capital projects by assigning by resolution a portion of the unrestricted and unallocated fund balance as part of the budgeting process to specific projects planned during the next calendar year. This allocation is not intended to establish reserves for any specific purpose, and may be revised at any time at the discretion of the Town Board.