

# TOWN OF EAST BRIDGEWATER



## Financial Policies & Procedures

**APPROVED**

AUGUST 31, 2020



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# Financial Policies & Procedures

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Bill Paying and Payroll	Issue Date: DRAFT
Employee Expense Reimbursement	Policy & Procedure No.1.1

### **Objective:**

To establish policies and procedures for the effective handling and efficient timely payments of obligations of the Town to the employees for personal expenses incurred in order to efficiently fulfill one's responsibilities on behalf of the Town.

### **Departments Affected:**

All departments, boards and commissions incurring out of pocket reimbursable expenses.

### **Policy:**

When an employee on behalf of the Town has out of pocket expenses that are reimbursable by the Town, the employee shall submit an Employee Reimbursement Voucher. The voucher shall be approved and signed by the department head and turned over along with the **original** receipt to the accounting office. In the case of a department head getting reimbursed, the approval shall be signed by the Town Administrator or the majority of the board members overseeing the department. Employee out of pocket expenses should be limited to occasions when absolutely necessary.

### **Procedures:**

- Employee submits receipts to the department head.
- The department head takes responsibility of deeming the expense necessary and work related.
- The department head determines the proper expense account to be charged.
- Employee Reimbursement Vouchers are to be submitted to the accounting office along with all other departmental bills payable in order for reimbursement to be made for the following payables warrant.

### **General Considerations and Guidelines:**

- Reimbursement should only be made only when the expense could not be paid directly to the vendor, since these reimbursements can circumvent the 1099 tax process at the end of the year.
- Workshops and membership dues should go through the regular warrant process whenever possible to avoid out of pocket expenses unless absolutely necessary.



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- Employees must use the Town's Tax-Exempt number when making purchases for the Town. Sales tax is not a reimbursable expense. The department head can obtain the tax-exempt number from the Treasurer.



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Bill Paying and Payroll	Issue Date: DRAFT
Employee Travel Expense Reimbursement	Policy & Procedure No. 1.2

### **Objective:**

To establish policies and procedures for the effective handling and efficient timely payments of obligations of the Town to the employees for personal expenses incurred during necessary travel to conferences, trainings and meetings in order to efficiently fulfill one's responsibilities on behalf of the Town.

### **Departments Affected:**

All departments, boards and commissions incurring out of pocket reimbursable expenses.

### **Policy:**

When an employee on behalf of the Town has out of pocket expenses that are reimbursable by the Town, the employee shall submit a Travel Expense Voucher. The voucher shall be approved and signed by the department head and turned over along with the original receipt to the accounting office. Employee travel expenses should be limited to occasions when absolutely necessary and provide a public benefit.

### **Procedures:**

- Employees submit receipt to department head.
- The department head takes responsibility of deeming the expense necessary and work related.
- The department head determines the proper expense account to debit.
- Travel Expenses Vouchers are to be submitted to the accounting office promptly along with all other departmental bills payable in order for reimbursement to be made for the following period.

### **General Considerations and Guidelines:**

- Mileage reimbursement must be detailed on a Travel Reimbursement Form describing the destination and the number of miles traveled. Mileage to be paid at a rate consistent with the existing rate established by the Federal Government.
- Out of State Travel must be authorized through the Town Administrator's Office.
- Reimbursement should be in methods that are at the least cost of the Town. Conferences offered by organizations that the employees are members usually offer



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hotel accommodations and meals. Any expenses incurred above these packages will be at the employee's expense unless the accommodations are equal or less than the package offered.

- Workshops and membership dues should go through the regular warrant process whenever possible to avoid out of pocket expenses unless absolutely necessary.
- Employees should use the Town's Tax Exempt number when making purchases for the Town. Sales tax is not a reimbursable expense. The department head can obtain the tax exempt number from the Treasurer.
- If meals are not included in the conference, the employee will be reimbursed for three meals per day, including up to 20% tip. A Travel Reimbursement Voucher should be submitted along with the detailed receipt for expenses. A summary credit card receipt is not acceptable. No alcoholic beverages will be reimbursed.
- Seminar and conference reimbursement must be accompanied by conference description, cost, name of persons attending and a copy of a cancelled check, front and back, or a paid receipt with the company name and amount charged, a certificate of completion as evidence of payment, or other evidence of payment to acknowledge attendance.



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Bill Paying and Payroll	Issue Date: DRAFT
General Invoice Payment Process	Policy & Procedure No. 1.3

### **Objective:**

To establish policies and procedures for the effective handling and efficient timely payments of vendor obligations incurred in order to efficiently fulfill department responsibilities on behalf of the Town.

### **Departments Affected:**

All departments, boards and commissions incurring departmental expenses necessary, reasonable and directly related to the conducting of Town related Business.

### **Policy:**

When a department on behalf of the Town has incurred expenses that are reimbursable by the Town, the department shall submit a Schedule of Departmental Bills Payable. The schedule shall be approved and signed by the department head and turned over along with the original receipt to the accounting office. Documents submitted to the accounting office without prior authorization and supporting documentation will not be processed. Vendor payments shall be made directly to the vendor. Any checks being held for the department head becomes the responsibility of that department to ensure payments are distributed to the proper vendor.

### **Procedures:**

- Review the invoice. To avoid double payments, the Town will only pay from original invoices. If a payment stub is not supplied with the original invoice, an additional photocopy should accompany the original invoice. Check to be sure that no sales tax is being charged to the Town. Sales tax is non-payable, as the Town is a tax exempt entity.
- All invoices must be signed by the department head to certify that, the goods have been received, services have been provided, delivery is satisfactory, and that the supporting documents are accurate, complete and in compliance with all related laws and regulations.
- Attach procurement data form as required by the Uniform Procurement Act.
- Prepare a Schedule of Departmental Bills Payable listing all bills to be paid with signature of approval by the department head or board majority. The schedule must include account name and expense account number to be charged, vendor name, vendor



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number, and remittance address, amount to be paid to that vendor, and the total amount for the schedule.

- All bills shall be paid on one schedule, whenever possible, but a separate schedule for each department.
- Schedule of Departmental Bills Payable is to be submitted to the accounting office by promptly in order to be included on the warrant for reimbursement to be made the following period. Any late submittals will not be processed until the following warrant.
- All checks must be mailed directly to the vendor. The Town Treasurer must approve any exceptions.

### **General Considerations and Guidelines:**

- The accounting office shall maintain a listing by name and position with a signature for each municipal official authorized to make payments.
- Elected boards shall approve their departmental Schedule of Departmental Bills Payable. A majority of the board is required to sign the Schedule of Departmental Bills Payable, unless they have voted to approve one member as the authorized signatory.
- If it is determined that an adjustment must be posted to the accounting system for any reason (incorrect account number reported) a written request must be sent to the accounting department requesting the correction. The request must include the original account number, the corrected account number and the amount.
- Any credits due to vendor error that have already been charged to the account number will be reimbursed, providing proper documentation supporting the credit is submitted along with a memo stating the reason for the credit. Otherwise all reimbursements or credits will be deposited as revenue to the general fund.
- Any department experiencing question as to whether an invoice has been paid should direct their questions to the Treasurer. The Treasurer is responsible for check reconciliation and therefore the point of contact for cleared check confirmation.
- The Accountant and a majority of the Board of Selectmen must sign the Vendor Warrant prior to payments being disbursed.

### **Accountant's Office Review of Payables**

- The Assistant Accountant shall review all invoices submitted for:
  - Mathematical accuracy
  - Vendor name and remittance address
  - Sales tax has not been charged
  - Discounts have been utilized
  - Verification of fund, org and account code charged
  - Compliance with procurement requirements



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- Sufficiency of funds
- After entering all invoices, the Assistant Accountant shall run an ACCELA (SOFTRIGHT) Preliminary Warrant and verify that the ACCELA (SOFTRIGHT) Warrant Total reconciles to the grand total of each department's Schedule of Bills Payable for the week.
- The Preliminary Warrant will also identify and allow adjustments to the warrant in progress due to any accounts with insufficient funds.
- The Accountant shall review all invoices for
  - Appropriateness of fund and account charged
  - Sufficiency of funds
  - Confirm expenditure is not fraudulent, unlawful or excessive
- In the instance under MGL 41 section 56 in the case of insufficient funds or suspicion of fraudulent, unlawful or excessive expenditures, the invoices shall be removed from the warrant by the Accountant and the invoices shall not be paid until budgeted funds are transferred or expenditure is researched for appropriateness.
- If a check has already been produced the Accountant shall in writing inform the Treasurer/Collector of any invoices be withheld for payment.



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Bill Paying and Payroll	Issue Date: DRAFT
Clothing Allowance Reimbursement	Policy & Procedure No. 1.4

### **Objective:**

To establish policies and procedures for the effective handling and efficient timely payments of obligations of the Town to the employees for the contractual obligation of providing reimbursement for clothing purchased or cleaning provided to efficiently fulfill one's responsibilities on behalf of the Town.

### **Departments Affected:**

All departments, boards and commissions incurring personal expenses for clothing deemed necessary, reasonable and directly related to the course of one's duties subject to contractual obligations.

### **Policy:**

When an employee has incurred expenses for uniforms, equipment and clothing used during work related hours, which may be reimbursable by the Town, the employee shall submit an Employee Clothing Reimbursement Worksheet. The worksheet shall be approved and signed by the department head and submitted to the accounting office. Payment shall be made to the employee via paper check for uniform reimbursement. Clothing purchased that does not constitute a uniform (suits, shirts, ties etc...) are taxable and will be reimbursed as a stipend via payroll processing.

### **Procedures:**

- Employees shall submit a signed Employee Clothing Reimbursement Worksheet to the department head or their designee along with the original receipt.
- The department head takes responsibility of deeming the purchase accurate and work related.
- The department head determines the proper expense account to debit.
- The department head signs and submits the Clothing Reimbursement Worksheet to the accounting office along with the Schedule of Departmental Bills Payable.
- Clothing Reimbursement Worksheets must be submitted by the department head to the accounting office promptly in order for reimbursement to be made the following period.



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### **General Considerations and Guidelines:**

- Reimbursements will only be made if it is a contractual responsibility of the Town.
- Department heads are to authorize the expense and deem it work related.
- Original receipts must be submitted in order for reimbursement to be made. Any request for reimbursement without proper receipt will not be made.
- Checks must be picked up and signed for at the Treasurer's office by the department head or their designee.
- If checks are not to be mailed or picked up directly by the employee, the Treasurer's office must be notified the day prior to disbursement.



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## Financial Policies & Procedures

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Bill Paying and Payroll	Issue Date: DRAFT
Payroll Process	Policy & Procedure No. 1.5

### **Objective:**

To establish policies and procedures for the effective handling and efficient timely payments of obligations of the Town to the employees for personnel services incurred while efficiently fulfilling one's responsibilities on behalf of the Town.

### **Departments Affected:**

All departments, boards and commissions incurring personnel services.

### **Policy:**

When an appointed or elected employee on behalf of the Town has worked for the Town during the course of the week they shall be compensated by the Town. The employee shall submit a signed Employee Time Card or signed Time Sheet. The Time Card or Time Sheet shall be approved and signed by the department head of said employee and turned over to the Accountant's office along with the signed departmental earnings report.

### **Procedures:**

- Employees submit signed Time Card or signed Time Sheet to the department head or their designee.
- The department head takes responsibility of deeming the time accurate and work related.
- The department head determines the proper expense account to debit.
- The department head signs and submits the Payroll Summary Earnings Worksheet to the Treasurer's and Accountant's office.
- Payroll Summary Earnings Worksheets and all supporting documents are to be submitted to the Accountant's and Treasurer's office by 10 AM on Mondays of the payroll week in order to process payment for the following period.
- Accountant shall validate all payroll, calculate total payroll cover sheet by department and submit to Treasurer by 10 AM on Tuesday.
- Payroll must be submitted by Tuesday at 4:00, and direct deposits are available in employees' accounts on Wednesday morning.

### **General Considerations and Guidelines:**



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- Accumulate employee hourly work records according to town policies and procedures.
- Complete the payroll worksheets. The department must enter the total amount of hours on the Payroll Summary Earnings Worksheet. This is required for internal control and reconciliation of payroll.
- Use a separate form for unusual or infrequent pay. This includes retroactive pay adjustments, annual or monthly payments, and one time payments.
- The department head must sign each individual Time Sheet as well as the Earnings Worksheet. The Accountant must sign the Payroll Warrant.
- A majority of the Board of Selectmen must sign the payroll warrant prior to payments being disbursed.
- Direct deposit payroll transmissions are made to the bank on Thursday of the pay week. If any employee needs to hold back direct deposit for any reason, they must submit the request to the Treasurer prior to the transmission to the bank.
- Direct deposit check stub can be picked up and signed for in the Treasurer's office by the department head or their designee on Wednesday mornings. The signor is responsible for the safe delivery of the paychecks to the individual employee. The department needs to have protocol for the safe distribution and security of employee's confidential payroll deduction information.
- Occasionally, holidays may require early submission of payroll. The Treasurer as necessary will make notification.
- No changes can be made to an employee's payroll deductions without prior authorization and notification to the Treasurer. Withholdings and personal data changes require employee written authorization. Forms are available in the Treasurer's office.
- No changes are made to any employee's pay rate, general ledger coding, or status change without a Personnel Action Form filled out by all responsible parties and submitted to the Accounting office.
- The Treasurer/Collector is responsible for reporting to the IRS and the Commonwealth of Massachusetts. Quarterly reports must be filed with the IRS (941 and 945) and the Commonwealth of Massachusetts. Employment taxes are paid to the IRS and the Commonwealth.



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Bill Paying and Payroll	Issue Date: DRAFT
Encumbrances and Accounts Payable	Policy & Procedure No. 1.6

### **Objective:**

To establish policies and procedures for the effective handling and efficient timely payments of obligations of the Town to the vendors for purchases made on behalf of the Town that are incurred and may not have been received or billed for prior to the close of the fiscal year.

### **Departments Affected:**

All departments, boards and commissions incurring necessary expenses that may not have been received or billed prior to the end of the fiscal year.

### **Definitions:**

**Encumbrances** – an encumbrance is a commitment to expend funds for performed contracts for goods and services. The commitment must be evidenced by a purchase order, procurement form, or written contract between the Town and the vendor. End of the year encumbrances usually occur because goods have not been delivered or the services of a contract have not been completed by June 30 of the fiscal year in which the PO or contract was signed. Encumbrances cannot be used for an undetermined liability that might occur in the future because of something that happened this fiscal year.

**Accounts Payable** – accounts payable differ from encumbrances in that the goods have been received or the services have been rendered prior to June 30 (but the invoice has not been received in time to process in the final warrant of the fiscal year). Typically, this is clearly reflected on the invoice since the invoices usually specify the dates of service or delivery.

### **Policy:**

When a department on behalf of the Town has incurred expenses that are reimbursable by the Town in which the supplies have not been delivered but incurred or has been delivered and not invoiced prior to June 30 of the current fiscal year, the department shall submit a memo requesting an encumbrance for an accounts payable. The memo shall be approved and signed by the department head. Documents submitted to the accounting office without proper authorization and supporting documentation will not be processed. Upon receipt of the invoice it is required to specify on the Schedule of Departmental Bills Payable those items that had previously been encumbered or requested as an accounts payable.



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## Financial Policies & Procedures

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The Town Accountant will provide an End of Year Memo to all department heads, boards and commissions to provide deadline dates for that specific year as a guideline to all employees.

### **Procedures:**

- The detailed list of encumbrances and accounts payable must be submitted to the Accounting Office by June 30 of each year.
- Invoices may be submitted for payment through July 12<sup>th</sup> of the following fiscal year to be processed by July 15<sup>th</sup>.
- A detailed list of remaining goods and services performed but not paid as of July 15, must be submitted to the Accounting Office.
- Review the invoice. To avoid double payments, we only pay from original invoices. If a payment stub is not supplied with the original invoice, an additional photocopy should accompany the original invoice. Check to be sure that no sales tax is being charged to the Town. Sales tax is a non-payable, as the Town is a tax exempt entity.
- All invoices must be signed by the department head to certify that the goods have been received, services provided, delivery is satisfactory and the supporting documents are accurate, complete and in compliance with all related laws and regulations.
- Attach procurement data form as required by the Uniform Procurement Act if they have not already been forwarded to the Chief Procurement Officer.
- Prepare a Schedule of Departmental Bills Payable listing all bills to be paid with the signature of approval by the department head or Board majority. The schedule must include account name and expense account number to be charged, vendor name and remittance address, amounts to be paid to that vendor and the total amount for the schedule. In addition, the schedule must indicate the items that had previously been encumbered or requested as an account payable.
- Several bills can be paid on one schedule but a separate schedule for each department.



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Bill Paying and Payroll	Issue Date: DRAFT
Inter-Departmental Transfers	Policy & Procedure No. 1.7

### **Objective:**

To establish policies and procedures for the effective handling and efficient timely processing of unforeseen expenditures for payments above appropriation.

### **Departments Affected:**

All departments, boards and commissions holding responsibility for departmental appropriation.

### **Policy:**

Under MGL 44 § 33B with approval of Town meeting vote or alternatively by the Board of Selectmen with concurrence of the Finance Committee, the Town may transfer appropriations inter-departmentally within the last two months of any fiscal year or during the first 15 days of the new fiscal year to apply to the previous fiscal year any amount appropriated other than for the use of a municipal light department or a school department. The Town Accountant will provide guidance on deadline dates in the End of Year Memo provided to all department heads, board and commissions.

### **Procedures:**

- During any Town meeting, a vote may be taken to transfer from any department or within a department an appropriation by submitting an article on the Town meeting warrant.
- Alternatively, a request to transfer a funds must be completed by the department head and submitted to the Town Accountant during the final two months of the fiscal year (as outlined in the End of Year Memo provided by the Town Accountant). Request must include account to transfer from and account in which the transfer is to be made.
- Accountant must provide balances in accounts being transferred and accounts to be transferred to prior to submittal to the Board of Selectmen and Finance Committee.
- Majority vote of the Board of Selectmen and the Finance Committee must be received prior to transfer being fulfilled.
- Copies of vote shall be distributed to the Accounting Office, the department requesting the transfer and the Finance Committee shall retain a copy.
- After approvals have been obtained, the Accounting Office shall amend the budget appropriation to reflect the approval.



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### **General Considerations and Guidelines:**

- Transfers may be made by Town meeting vote at any time during the fiscal year.
- Majority vote to transfer by the Board of Selectmen with concurrence of the Finance Committee can only be made by request of the department head and Town Administrator.
- Transfers by the Board of Selectmen and Finance Committee can only be made two months prior to fiscal year end or 15 days after fiscal year end.
- Transfers can be made within a single department or between departments with the approval of the Town Administrator.
- Transfers cannot be made from a school department account.
- Transfers have no amount limitation.



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Bill Paying and Payroll	Issue Date: DRAFT
Prior Year Unpaid Bills	Policy & Procedure No. 1.8

### **Objective:**

To establish policies and procedures for the effective handling and efficient timely payments of vendor obligations incurred and not paid in the prior fiscal year in order to efficiently fulfill department responsibilities on behalf of the Town.

### **Departments Affected:**

All departments, boards and commissions.

### **Policy:**

The policy of the Town is to assure integrity to the Annual Budget by charging all invoices to the proper fiscal year via an encumbrance or accounts payable of current year funds. In the event that an invoice is not submitted by the department head for payment in the appropriate fiscal year, it shall be submitted under MGL 44 § 64 with 4/5<sup>ths</sup> approval of Annual Town meeting vote or 9/10<sup>ths</sup> approval of Special Town meeting vote authorizing the Town to pay for expenses that are legally enforceable and not paid or appropriated from prior years for goods, materials or services ordered and received and not paid by available means specified by the vote.

### **Procedures:**

- In the event any department submits a bill from the prior year on a Bill Schedule, it shall be removed from the Bill Schedule and the Accountant will discuss it with the department head.
- In the case of any expenditure in excess of appropriation, the Accountant shall forward the invoice and an explanation of the facts to the Town Administrator. The Accountant will make a recommendation to the Town Administrator relative to the payment of the unpaid bill and potential funding options.
- The Town Administrator will present recommendation to Town Meeting for payment of the unpaid bill of the prior fiscal year with an explanation of the facts and circumstances as to why the bill was not paid within the proper fiscal year. The appropriation may be funded at Town Meeting from any available funds.



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Capital Planning and Fixed Assets	Issue Date: DRAFT
Capital Planning Improvement	Policy & Procedure No. 2.1

### **Objective:**

To establish policies and procedures to effectively maintain and improve the Town's infrastructure and protect the value of its capital assets.

### **Departments Affected:**

All departments, boards and commissions responsible for the protection of the Town's resources.

### **Policy:**

The Town shall maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. The Town will maintain a Capital Improvement Program (CIP) overseen by the Town Administrator and the Capital Planning Committee to identify and prioritize projects, analyze funding, and create a long-term financial plan achievable within the Town's budget limitations. The Town shall maintain a five-year plan for capital improvements, which will be updated annually. Included in the CIP shall be those projects that will provide and preserve the infrastructure needed to achieve the highest levels of public services and quality of life possible within the available financial resources. The Town will emphasize preventative maintenance as a cost-effective approach to capital reinvestment and replace exhausted assets as necessary.

### **Procedures:**

- Each year, the Capital Planning Committee shall submit a five-year capital improvement plan to the Selectmen and Finance Committee by the end of December. To qualify as a capital expenditure, a proposed capital item or project must have a useful life of five year or more, and must exceed \$10,000 in cost.
- By the end of October (or other date as established by the Capital Budget Committee) of each year, all officers, department heads, boards, commissions and committees shall submit to the Town Administrator information concerning all anticipated capital projects and purchases requiring Town Meeting action.
- At minimum, the following principals will guide the development of the CIP:
  - The Town Administrator will prepare forms and instructions and coordinate development of the capital improvement budget.
  - Future operating costs associated with new capital improvement will be projected and included in operating budget forecasts, as appropriate.



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- Capital projects will be evaluated and prioritized using the below criteria:
  - Eliminates a hazard to public health and safety
  - Required by state or federal laws or regulations
  - Supports adopted plans, goals, objectives, and policies
  - Stabilizes or reduces operating costs
  - Replaces a clearly obsolete facility or makes better use of an existing facility
  - Maintains or improves productivity or existing standards of service
  - Directly benefits the Town's economic base by increasing property values
  - Provides new programs having social, cultural, historic, economic, or aesthetic value
  - Uses outside financing sources, such as grants
- Federal, state, or private grants or loans shall be used to finance only those capital improvements that are consistent with the Town's capital improvement plan and priorities, and for which operating and maintenance costs have been included in operating budget forecasts.
- All assets shall be maintained at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.
- Equipment replacement and building repair needs shall be projected for the next five years and will be updated each year. From this projection, a maintenance and replacement schedule will be developed and followed.
- Capital projects shall be prioritized based upon criteria established by the Town.
- The estimated costs and potential funding sources for each proposed capital project shall be determined before it is submitted to Board of Selectmen and Town Meeting for appropriation.

### **General Considerations and Guidelines:**

- Long-term debt is an appropriate funding source for certain types of projects, while current revenue should be used for assets with short useful lifespans.
- The Town will strive to maintain 2-5% of the general fund operating budget, net of debt, on capital investment allocations. Funding will be derived from a combination of the capital expenditure fund and available reserves.



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Capital Planning and Fixed Assets	Issue Date: DRAFT
Fixed Asset Capitalization	Policy & Procedure No. 2.2

**Objective:**

To establish policies and procedures for the effective and efficient handling of fixed asset capitalization.

**Departments Affected:**

All departments, boards and commissions responsible for the protection of the Town’s resources.

**Policy:**

The determination of whether or not Town property purchases are to be capitalized as fixed assets shall be the responsibility of Town Administrator. Such determination at the time that a purchase order or contract is approved.

Generally, assets are capitalized when the useful life is greater than one year and the acquisition cost meets the capitalization threshold. Purchased or constructed assets and infrastructure are reported at acquisition cost, construction costs or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

Assets will be depreciated on a straight line basis over the estimated useful lives.

<b><u>Assets</u></b>	<b><u>Capitalization and Depreciate</u></b>	<b><u>Useful Life (years)</u></b>
Land	Capitalize Only	
Land Improvements	\$50,000	10-25
Buildings	100,000	50
Building Improvements	100,000	10-20
Heavy Equipment	25,000	10
Computer Equipment	50,000	5
Furniture	25,000	5
Vehicles and Equipment	50,000	5
Infrastructure	50,000	
• Roads		20
• Concrete Bridges		50
• Timber Bridges		30
• Water/Sewer Lines		75
Construction in Progress	Capitalize Only	

**Procedures:**



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Replaces All Previous

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- Obtain contract or estimate from vendor and have the purchase pre-approved Chief Procurement Officer.
- Apply the contract or estimate to the Purchase Order System through ACCELA (SOFTRIGHT).
- Note on Purchase Order as to whether or not the purchase will be part of the Fixed Asset listing.



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## Financial Policies & Procedures

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Capital Planning and Fixed Assets	Issue Date: DRAFT
Additions	Policy & Procedure No. 2.3

### **Objective:**

To establish policies and procedures for the effective and efficient handling of fixed asset additions.

### **Departments Affected:**

All departments, boards and commissions responsible for the protection of the Town's resources.

### **Policy:**

Each department will notify the Town Administrator, Town Accountant and Selectmen of any addition of property to ensure the appropriate changes are made to the master list.

### **Procedures:**

- After property has been received the purchasing department will send a copy of the invoice and a complete Asset Control Sheet to the Town Administrator at the same time the invoice is submitted for payment.
- The Accountant will input the information from the Master Asset Control Sheet and update the fixed assets system.



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Capital Planning and Fixed Assets	Issue Date: DRAFT
Disposals	Policy & Procedure No. 2.4

### **Objective:**

To establish policies and procedures for the effective and efficient handling of fixed asset disposals.

### **Departments Affected:**

All departments, boards and commissions responsible for the protection of the Town's resources.

### **Policy:**

Each department will notify the Town Administrator and Selectmen of any deletions of property to ensure the appropriate changes are made to the master list. Deletion of assets from the system will require authorization from both the department head and the Town Administrator.

### **Procedures:**

- After property has been approved for disposal by the department head and the Town Administrator, a signed copy an Asset Control Sheet shall be sent to the Accountant.
- The inventory control number that was previously issued to the property must be removed.
- The Accountant will delete the information from the Master Asset Control Sheet and update the fixed assets system.
- Deletion due to disappearance of items may require additional reports to the police department and insurance company. Deletion brought about as a result of natural disasters would require reporting to the insurance provider for a reimbursement claim.



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## Financial Policies & Procedures

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Capital Planning and Fixed Assets	Issue Date: DRAFT
Security	Policy & Procedure No. 2.5

### **Objective:**

To establish policies and procedures for the effective and efficient handling of fixed asset security.

### **Departments Affected:**

All departments, boards and commissions responsible for the protection of the Town's resources.

### **Policy:**

Department heads shall be directly responsible for the physical safekeeping of any fixed assets controlled by or used by their department.

The Town Administrator shall ensure that all moveable fixed assets are insured against fire and theft and that all municipal buildings are insured against fire and allied perils.

### **Procedures:**

- Assets should be kept in a secure location, maintained regularly, insured against theft or destruction, and utilized economically and efficiently.



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## Financial Policies & Procedures

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Capital Planning and Fixed Assets	Issue Date: DRAFT
Responsibility	Policy & Procedure No. 2.6

### **Objective:**

To establish policies and procedures to institute responsibility over fixed assets.

### **Departments Affected:**

All departments, boards and commissions responsible for the protection of the Town's resources.

### **Policy:**

The department head is responsible for providing information to the Finance Department. Any changes should be reported as soon as possible. All transactions and communications regarding fixed assets will be directed to the department head.

The department head is also responsible for identifying and reporting non-purchase fixed assets acquisitions to the Finance Department. Such acquisitions could come from but are not limited to gifts, transfer, legal confiscation, and loans.

The department head is also responsible to report all changes in fixed assets. Such changes include but are not limited to change in condition, enhancements and transfers.

### **Procedures:**

- All amendments, deletions or additions to the fixed assets register shall be made by the Finance Department.
- A completed Asset Control Sheet should be submitted to the Accounting Office upon amendments, deletions or additions.
- The Accountant will input the information from the Master Asset Control Sheet and update the fixed assets system.



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## Financial Policies & Procedures

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Fraud and Internal Controls	Issue Date: DRAFT
Fraud Risk Assessment	Policy & Procedure No. 3.1

### **Objective:**

The Town of East Bridgewater is committed to its duty to ensure effective stewardship of public money and other assets and resources for which it is responsible. It is the policy of the Town of East Bridgewater to prevent and deter all forms of fraud that could threaten the security of the Town's assets or its reputation. The Town is committed to prevention, detection, investigation and corrective action relative to fraud. The Town is committed to ensuring that the opportunity to commit fraud is eliminated. It is most important that an ethical environment is created that flows through the entire organization.

### **Departments Affected:**

This Policy applies to all employees, appointees and elected officials of the Town of East Bridgewater.

### **DEFINITION**

Fraud is a violation of trust that is defined as a deception deliberately practiced to secure unfair or unlawful gain. The term includes but is not limited to such acts as deception, bribery, forgery, extortion, theft, embezzlement, misappropriation of money or assets, false representation, the concealment of material facts relating to any of the above and collusion or conspiracy to commit any or all of the above.

#### Examples of Fraudulent Activity

Fraud can cover many activities; however, this Policy is directed primarily at financial matters. Fraud may include, but is not limited to:

#### Misappropriation of Assets:

1. Forgery, alteration or misappropriation of checks, drafts, promissory notes or securities
2. Unauthorized use, or disposition of Town funds, property, materials, supplies, and equipment belonging to the Town or to which the Town is responsible
3. Embezzlement
4. Theft



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## Financial Policies & Procedures

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5. Falsifying timesheets or payroll records
6. Falsifying travel or entertainment expenses and/or utilizing Town funds to pay for personal expenses or personal benefit
7. Fictitious reporting of receipt of funds

### Fraudulent Financial Reporting:

1. Improper revenue recognition
2. Improper expense/expenditure recognition
3. Overstatement of assets
4. Understatement of liabilities

### Expenditures and Liabilities for Improper Purpose:

1. Payments in money or other property, including but not limited to such things as jobs and discounted or free services in exchange for benefits and other things of value.
2. Bribes and kickbacks.

*Prohibited or improper conduct for municipal employees and municipal officials is more fully defined in Massachusetts General Law Chapter 268A.*

## **GENERAL POLICY AND RESPONSIBILITIES**

The Town will promptly investigate any suspected acts of fraud or misappropriation of property. An objective and impartial investigation will be conducted regardless of the position, title, and length of service or relationship with the Town of any person, group, or organization reasonably believed to have committed fraud. Each Department Head is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriation, and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.

The Town Administrator has the primary responsibility for overseeing the investigation of all suspected fraudulent acts defined in this policy. All Department Heads or individuals, upon discovery of any violation of this policy, must notify the Town Administrator of the alleged violation. If it is determined that corrective action may be provided internally within the department, the Department Head or individual will notify the Town Administrator as to the steps needed to address and remedy the violation.



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## Financial Policies & Procedures

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Upon the conclusion of the investigation, the results will be reported to the Board of Selectmen. Where there are reasonable grounds to believe that a fraud may have occurred, the Town Administrator may report the incident to the appropriate authorities, in addition to the Chairman of the Board of Selectmen, in order to pursue appropriate legal remedies. The Town Administrator will pursue every reasonable effort to obtain recovery of the assets.

### **PROCEDURES FOR REPORTING**

The Town recognizes there may only be a suspicion of fraud - thus any concerns should be reported to the Town Administrator. If the concern involves the Town Administrator, it should be reported to the Chairman of the Board of Selectmen. The Town Administrator has the primary responsibility for the investigation of all suspected fraudulent acts as defined in this policy. All cases of suspected fraud will be investigated, and appropriate action will be taken.

Any employee or municipal official who has knowledge of any occurrence of fraudulent conduct or has reason to suspect that a fraud has occurred shall immediately notify the Town Administrator in writing. The written report should be sufficiently detailed and inclusive to ensure a clear understanding of the issues raised. In cases where the employee or municipal official has a reason to believe the Town Administrator may be involved, then the Chairman of the Board of Selectmen should immediately be notified. However, in certain circumstances, it may be appropriate for employees to report suspected instances of fraud or irregularity directly to the Chief of Police.

### **Investigation**

Upon notification or discovery of suspected fraud, the Town Administrator shall immediately investigate the fraud. The Town Administrator, to the extent feasible and/or permitted by law, will make every reasonable effort to keep the investigation confidential.

When deemed necessary, the Town Administrator shall coordinate the investigation with the internal auditor and/or appropriate law enforcement officials. Legal Counsel will be involved in the process, as deemed appropriate.

### **Security of Evidence**

Once a suspected fraud is reported, immediate action to prevent the theft, alteration, or destruction of relevant records shall be initiated. Such actions may include but are not limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist and preventing the individual suspected of committing the



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## Financial Policies & Procedures

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fraud from having access to the records. The records shall be adequately secured until the investigation is complete.

### **Confidentiality**

To the extent permitted by law, all participants and all persons questioned in a fraud investigation shall keep the details and results of the investigation confidential so as not to violate an individual's expectation of privacy. The individual will be notified of his/her right to inform a representative of the applicable union or counsel of their choice about the findings of the investigation.

### **Personnel Actions**

If the investigation substantiates an allegation of fraud, disciplinary action, up to and including dismissal and referral for appropriate legal action, shall be taken by the Town Administrator.

### **Whistle-Blower Protection**

No employee of the Town or person acting on behalf of the Town in attempting to comply with this policy shall:

- be dismissed or threatened with dismissal;
- be disciplined, suspended or threatened with discipline or suspension;
- be penalized or any other retribution imposed, or
- be intimidated or coerced.

Violation of this section of the Policy may result in disciplinary action, up to and including dismissal.

If an allegation is made in good faith, but the investigation fails to substantiate those allegations, no action will be taken against the individual who made the allegation. If, however, the allegations were made in bad faith or without a justifiable basis, appropriate disciplinary action may be taken against the individual making the unsubstantiated allegation.



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# Financial Policies & Procedures

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Fraud and Internal Controls	Issue Date: DRAFT
Internal Controls	Policy & Procedure No. 3.2

**Objective:**

- To establish policies and procedures for the purpose of safeguarding the Town’s monetary and physical assets.
- To provide guidance to staff as to optimal use of those resources placed under the Town’s control and the effective management of the resources.
- To provide assurance that the costs of internal controls should never exceed the financial and non-financial benefits.
- To establish whenever feasible or possible a rotation of duties.
- To create a culture that stresses the importance of internal controls and leads by example.

**Departments Affected:**

All departments, boards and commissions responsible for the protection of the Town’s resources.

**Policy:**

- The Town of East Bridgewater employees have the ultimate responsibility for the safeguarding of the Town’s assets.
  1. Selectmen and Town Administrator
    - Sets the standard for the control environment.
    - Maintains accountability for internal controls and risk management.
    - Support the Town’s control and risk management activities.
  2. Department Heads
    - Are directly responsible and accountable for operations.
    - Are responsible for the effectiveness of internal controls and how they relate to the Town’s objective.
    - Shall periodically assess risk and the control environment.
  3. Finance
    - Monitors the financial implications of operating management responsibilities.
    - Provide financial management and guidance to design.
    - Establishes, executes and monitors for the adequacy of internal controls and their effectiveness.
    - Monitors exposures and makes recommendations.



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## Financial Policies & Procedures

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- Challenges and validates management control environment assertions.
- 4. Employees
  - Ability to communicate information without fear of negative repercussions.
  - Have regular and direct communication with management.
- The Town must ensure that there is a rational well-defined organizational structure with employee's assigned specific powers and duties for which they are accountable. The assignment of authority and responsibility must clearly be communicated and documented to avoid situations where "everyone is responsible" but "no one is responsible".
- The Town shall have sound personnel policies and practices with well-defined job descriptions and appropriate job qualifications.
- The Town needs to ensure that employee skills remain up-to-date by providing training and evaluation.
- Management must monitor operations and investigate discrepancies between actual performance and anticipated results.
- Management must ensure the management styles are appropriate "accepted" behavior for employees. Management tone offsets if there are significant penalties or unequal treatment of employees for improper behavior or lack of performance.
- Policies should be in writing stating which individuals have the authority to authorize each different type of transaction. The policy should include documentation on how transactions and events are processed.

### **Risks Assessment:**

- Identify critical processes and establish objectives for those processes.
- Identify risks to achieve objectives and evaluate the likelihood and magnitude of the risks. Consider quantitative and qualitative factors.
- Prioritize the risk and design control activities to mitigate them.
- Properly authorize all transactions.
- Ensure custody of assets.
- Properly design and maintain accounting records and documentation. The person performing a transaction should not be the same person entering the transaction in the Town's ledger. Periodic backups should be maintained and the Town's disaster recovery plan should be updated annually at a minimum.
- Accounting data are periodically compared with underlying items they represent. At a minimum there should be a periodic reconciliation of ledger accounts to include verification and analytical review.

### **Procedures:**



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## Financial Policies & Procedures

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- **Internal Controls for Revenue and Collections**

- Billing systems should be designed and maintained such that the wrong persons or account is not billed, that incorrect amounts are not billed and that the billing is recorded correctly ensuring reliable data for financial reporting
- Safeguards shall be designed, implemented and maintained such that cash cannot be recorded yet deposited, cash cannot be deposited yet not recorded and that cash amount is not recorded incorrectly whether it is to the wrong account, the wrong amount or the wrong period.
- Cash is secured at all times
- Cash deposits are not counted at the counter if front of customers.
- No more than \$200 will be in the cash drawer at any given time.
- Cash is counted daily and deposited to the Treasurer
- Deposits shall be compared to receipts and bank statements reconciled to the general ledger.
- Performance indicators will be researched and reconciled.
- The Town Accountant will review all aging accounts on the receivable report, including dollar amounts and age of accounts.
- The Town Accountant will identify any trends and will suggest an action plan to the Town Administrator.

- **Internal Controls for Purchasing and Accounts Payable**

- Purchasing and accounts payable systems should be designed and maintained such that the wrong persons or account is not billed, the incorrect amounts are not billed and that the billing is recorded correctly ensuring reliable data for financial reporting.
- Safeguards shall be designed, implemented and maintained such that all purchases are properly recorded and paid in a timely manner after verification that the goods and services have been supplied and that all transactions are accurate and complete.
- Prior to purchase there is proper authorization.
- Prior to purchase bid requirements have been satisfied.
- Prior to purchase that there is sufficient budget available
- Town Accountant shall ensure that the proper recording and release of encumbrances occurs.
- Requisitioning of supplies and services shall be initiated in such a manner as to take advantage of discounts due to volume, timing and discounts.
- All expenditures shall be reflected in accounting records in proper line items.
- The payment amount will match the invoice amount.
- All expenditures will be allocated to the correct period.
- All expenditures will be charged to the correct fund or account.



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- All invoices will contain sufficient information to identify the payee's existence and verification of the occurrence of the expense.
- The Accounting Clerk shall confirm invoice numbers to avoid duplicate payments.
- Checks shall be matched to invoice before being issued checking for correct vendors and dollar amount.
- Department heads and the Accounting Office shall monitor all grant funds to ensure that all purchases and payments are in grant compliance to avoid ineligible expenditures.
- The Accounting Office will monitor all purchases and expenditures and watch for exceptions.
- All new vendor request shall be properly authorized by the Department Head and contain physical address, mailing address, telephone number, contact and federal tax identification number. No vendors will be entered in the system without proper tax information.
- **Internal Controls of General Ledger**
  - General ledger system should be designed and maintained such that the activity is accurate and complete ensuring reliable data for financial reporting.
  - The general ledger accounts shall be reconciled monthly and match subsidiary systems.
  - The Accounting Office will complete a budget to actual monthly report for all departments
  - Bank reconciliation will be reviewed to see if there are any unexplained differences between the cash reported by the bank and accounting records.
  - An annual physical inventory of equipment will be completed and compared to the accounting records. Any unaccounted differences will be reported to the Town Administrator.
- **Internal Controls for Payroll**
  - Payroll systems should be designed and maintained such that the wrong person is not paid nor paid the wrong amount that terminated employees are not paid and that changes to the system are properly authorized. Payroll activity should be recorded correctly ensuring reliable data for financial reporting.
  - Safeguards shall be designed, implemented and maintained such that the payroll expenditures are properly recorded and paid in a timely manner and additional safeguards are in place to ensure that all transactions are accurate and complete.
  - Accounting Office shall ensure that all pay calculations are correct and error free and paid to actual employees.



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- Accounting Office shall watch that the employees are not overpaid, that the pay is not inflated. Nor that the employees are paid for work not done as well as underpayment does not occur. All salary increase must be properly authorized.
- All payroll expenditures shall be allocated to the correct fund and line item.
- All payroll expenditures shall be charged to the correct period.
- All payroll documentation including Time Sheets and overtime are properly approved by the Department Head prior to payroll preparation.
- All payroll and personnel records should be properly designed so that changes in salaries and wages are properly documented in personnel files.
- All payroll and personnel records will be secured.
- There will be a segregation of compatible duties ensuring that the allocation of wages and salaries is accurate.
- Periodic reconciliation of payroll records will include a reconciliation of the current payroll to the previous payroll, hours keyed and paid will be compared to the time sheets, and monthly withholding records compared to the general ledger.
- Periodic verification of payroll will include payroll calculations checked by a second employee and eligibility for fringe benefits verified.
- **Internal Controls for Personnel**
  - All applicants will complete the Town of East Bridgewater employment application, which will be checked for completeness and reasonableness.
  - All positions will have a job description
  - A background check will be completed on all potential employees along with a driver's license check as necessitated by the position.
  - An insurance bond will be required for all employees deemed necessary by MGL cash handling limitations.
  - The Town will only hire qualified applicants who have demonstrated evidence of integrity and ethical behavior.
  - Job description should be designed such that areas of responsibilities and authority are clearly defined and understood.
  - The Town shall provide employees with ongoing and relevant training.
  - The Town will take appropriate action for deviating from policies.
  - The Town has zero tolerance for unethical and dishonest behavior.
  - There will be equal treatment for all employees regardless of position or title.



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## Financial Policies & Procedures

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Cash and Cash Investments	Issue Date: DRAFT
Cash Receipts	Policy & Procedure No. 4.1

### **Objective:**

To establish policies and procedures for the effective and efficient handling and timely of turnover of Town monies collected by departments, boards and commissions.

### **Departments Affected:**

All departments, boards and commissions involved in the collection of Town funds.

### **Policy:**

It is the Town's policy that the Treasurer/Collector's office is solely responsible for the entry of cash receipts to the ACCELA (SOFTRIGHT) system. The Treasurer/Collector's office is responsible for all bank deposits. In all instances the town departments must turnover receipts to the treasurer's office not less than once a week. At a minimum, revenue shall be turned over immediately to the Treasurer's office when the department has collected \$250 in cash or \$500 in checks.

It is each department's responsibility to establish procedures to safeguard the collection and remittance of receipts until turned over to the Treasurer; said procedures must be approved by the Treasurer and Accountant.

The Treasurer must give bond annually consistent with the provisions of MGL Ch 41 § 35. The Town Accountant shall verify that the Treasurer has given bond as required.

The Town Accountant shall periodically, but not less than once per year, perform site visits to the departments to audit the receipt process.

### **Procedures:**

- License and permit stock must be controlled by a responsible departmental employee and stored in a secure location.
- Duplicate, pre-numbered receipt forms should be issued for all departmental receipts.
- All checks received should be immediately stamped "for deposit only"
- All receipts should be recorded in a receipt book or on a spreadsheet. The book or spreadsheet should include the following:
  - Date



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- Payer
- Receipt number
- License/permit number
- Amount
- Notation (cash or check)
- The receipt log should be subtotaled and dated whenever a turnover of receipts to the Treasurer is made. The subtotal should be for the exact amount of the turnover.
- All departmental receipts that are not remitted to the Treasurer immediately must be kept in a secure location, with no access to other departmental employees or the public.
- Receipts held overnight must be kept in a locked safe or cabinet, with no access to other departmental employees.
- Departments are not permitted to issue licenses or permits at no fee, or waive any established customer charges.
- Departmental receipts should never be commingled with any departmental employee's own personal money. Employees should not make change for customers with their own money.
- Departmental receipts should never be used to cash checks for Town employees or the public.
- No disbursements may ever be made from any departmental receipts. All receipts must be remitted to the Town Treasurer intact. All disbursements must be paid through the Town warrant.
- Cash and checks on hand should be counted and proven to the receipt log. A departmental employee that was not involved in the receipt process, if any, should perform this.
- Turnovers to the Treasurer should be made whenever total receipts reach \$ 250 or weekly, whichever occurs first. In no circumstances should receipt turnovers be less frequent than weekly, and must be made within five workdays from month end.
- Turnovers to the Treasurer should be summarized on preprinted departmental receipt turnover forms. Each department's form should be unique, including the following preprinted information:
  - name of department
  - turnover number
  - space for date of turnover
  - space to enter range of departmental receipt form numbers
  - names of all applicable revenue/receipt accounts to be posted to general ledger
  - general ledger account numbers of revenue/receipt accounts to be posted
  - space to enter amounts of receipts for each applicable account
  - a line to track cash short and over
  - total of turnover, including a breakdown of cash and checks



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- space for signature of responsible departmental personnel and department head
- The turnover form should be made in triplicate, with one copy remitted to the Treasurer with the money, one directly remitted from the department to the Town Accountant, and one retained by the department.
- The Treasurer must sign the turnover forms as proof of receipt to the department documenting that the amount of cash/checks turned over agrees with the turnover form total. This receipt form should be attached to the departmental copy of the receipt form, and retained in a chronological file for the fiscal year.
- Departments should retain documentation, including receipt logs, customer receipt books, duplicate copies of licenses and permits, and turnover forms for a minimum of five years.
- No departments, other than the Town Treasurer/Collector are authorized to maintain their own bank accounts.



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## Financial Policies & Procedures

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Cash and Cash Investments	Issue Date: DRAFT
Cash Disbursements	Policy & Procedure No. 4.2

### **Objective:**

To establish policies and procedures for the effective and efficient handling of cash disbursements.

### **Departments Affected:**

All departments, boards and commissions responsible for the handling of disbursements.

### **Policy:**

Accounts Payable and payroll payments shall be made bi-weekly and only from warrants duly signed and approved by the Board of Selectmen and the Town Accountant. The Treasurer or their designee shall be responsible for the disbursement and mailing of all accounts payable checks and to assure that all town checks are delivered only to the designated vendor.

### **Procedures:**

- After the Board of Selectmen and the Town Accountant have signed the warrant(s), the signed warrant will be delivered to the Treasurer/Collector (or designee).
- The Treasurer/Collector shall verify consistent with MGL Chapter 41 § 41 that all payroll disbursements have been sworn (signed) by the department head or lawful designee.
- The Treasurer/Collector runs the checks in ACCELA (SOFTRIGHT) and prints them. Whenever possible direct deposits for payroll and wire transfers for vendors is desirable.
- The Accountant's office provides all of the invoices that are included on the warrant to the Treasurer. The Treasurer/Collector's office then matches each invoice with the respective check and verifies the vendor, address, vendor number and the amount paid.
- When the Treasurer/Collector's office has printed the checks, two copies of the ACCELA (SOFTRIGHT) Cash Disbursements (Check Register) are produced. The Treasurer/Collector retains one copy and delivers one copy to the Accountant.
- At the point the Treasurer/Collector designee has audited all invoices and checks, the check can be mailed to the vendors at the invoice addresses to assure sound control of disbursements.



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- Release of checks (other than via mail) will be done only in extenuating circumstances. The Treasurer/Collector will hold the check for pickup by the vendor. Only the Treasurer can approve the release of a check to an individual instead of mailing the check to the authorized address of the vendor.

### **Emergency Disbursements**

#### **Policy:**

Only in extenuating circumstances will the Treasurer/Collector allow the issuance of a manual check outside of the normal warrant process.

#### **Procedure:**

- In a bona fide emergency where payments must be made to a vendor outside of the normal accounts payable process, the Accountant and the Town Administrator must sign a form authorizing payment to the same standards as for a normal warrant. All documentation to substantiate the reason and receipt of services shall be submitted within five days.
- The Treasurer/Collector shall produce a manual check upon receipt of the signed authorization of the Accountant and Town Administrator.
- The Treasurer/Collector must provide the Accountant with a copy of the manual check.
- The Accountant must include this payment on the next weeks' ACCELA (SOFTRIGHT) produced warrant as a "no check" item to assure that the payment is posted to the General Ledger and charged to the respective department's appropriation.



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# Financial Policies & Procedures

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Cash and Cash Investments	Issue Date: DRAFT
Investments: General Fund & Trust Funds	Policy & Procedure No. 4.3

## I. The Investment of General Funds, Special Revenue Funds, Enterprise Funds, and Capital Projects Funds

### A. Scope

This section of the policy applies only to short term operating funds such as general funds, special revenue funds, enterprise funds, bond proceeds and capital project funds. Section II will deal with trust funds, and any other funds with special circumstances such as stabilization funds. The Plymouth County Retirement Board is responsible for the investment of the pension funds.

### B. Objectives

Massachusetts General Laws, Chapter 44, section 55B requires the municipal/district treasurer to invest all public funds except those required to be kept uninvested for purposes of immediate distribution. Modern banking systems enable the public treasurer to maintain even these funds in interest bearing form until the date a disbursement order clears through the banking system.

The state law further requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking account of safety, liquidity and yield. (See the "List of Legal investments" – Commissioner of Banks) Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

- **Safety** of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks shall be mitigated by the diversification and prudent selection of investment instruments, and choice of depository. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.
- **Liquidity** is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.



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- **Yield** is the third, and last, objective. Investments shall be undertaken so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

### **C. Investment Instruments**

**Note:** Public investments in Massachusetts are not protected through provisions in State law. Therefore, they are largely uncollateralized. Many banking institutions are willing to put up collateral, albeit at a cost to the entity of a lower interest rate. The Treasurer negotiates for the highest rates possible, consistent with safety principles.

The Treasurer may invest in the following instruments:

- Massachusetts State pooled fund: **Unlimited amounts** (Pool is liquid)
  - The Massachusetts Municipal Depository Trust (MMDT), an investment pool for state, local, county and other independent governmental authorities, is under the auspices of the State Treasurer and currently managed by Fidelity Investments. It invests in Bankers Acceptances, Commercial Paper of high quality, Bank Certificates of Deposit, Repurchase agreements (Repos), and U. S. Treasury Obligations. It has Federal Deposit Insurance Corporation (F.D.I.C.) pass-through insurance on the C.D.'s and takes delivery on the Repos and Treasuries. Under Government Accounting Standards Board Regulation (GASB III), it is not considered an uncollateralized product.
- U. S. Treasuries that will be held to maturity: **Unlimited amounts (Up to one-year maturity from date of purchase)**
- U.S. Agency obligations that will be held to maturity. **Unlimited amounts (Up to one-year maturity from date of purchase)**
- Bank accounts or Certificates of Deposit, hitherto termed C.D.'s. **(Up to one year)** which are fully collateralized through a third-party agreement: **Unlimited Amounts**
- Bank accounts and C.D.'s **(Up to one year)** insured by F.D.I.C. up to **\$250,000 limit** all bank accounts and C.D.'s in one institution are considered in the aggregate to receive the \$250,000 insurance coverage. In some cases, Banking Institutions carry additional insurance, Depository Insurance Fund of Massachusetts (D.I.F.M): Contact banking representative for amounts of coverage.
- **Unsecured bank deposits** of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: These investments **will be limited to no more than 5% of an institution's assets and no more than 10% of a municipality's cash**. Their credit worthiness will be tracked by Veribanc, Sheshunoff, or other bank credit worthiness reporting systems. They will be diversified



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as much as possible. C.D.'s will be purchased for no more than twelve months and will be reviewed frequently.

### **D. Diversification**

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities as well as concentration in a specific institution. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and State pools (MMDT), no more than 10% of the Town's investments shall be invested in a single financial institution.

### **E. Authorization**

The Treasurer has authority to invest municipality funds, subject to the statutes of the Commonwealth cited above.

### **F. Ethics**

The Treasurer (and any Assistant Treasurers) shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. Said individuals shall disclose to the Board of Selectmen any material financial interest in financial institutions that do business with the Town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the Town's investments.

### **G. Relationship with Financial Institutions**

Financial institutions should be selected first and foremost with regard to safety. The Town shall subscribe to and use one or more of the recognized bank rating services, such as Veribanc or Sheshunoff. Brokers should be recognized, reputable dealers.

When using the Veribanc rating service the Treasurer may invest in such banks that show a green rating in a particular quarter. If a rating is yellow the Treasurer should contact the appropriate banking institution and request in writing an explanation of the change in rating and the expected timetable for it to be changed to green.

If for a second quarter such rating has not been corrected, the Treasurer should consider removing all funds that are not collateralized or carry some form of depositor's insurance.



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If a rating moves to red, all money should be immediately collateralized or covered by some form of depositor's insurance or be removed from the banking institution.

The Treasurer shall require any brokerage houses and broker/dealers, wishing to do business with the municipality, to supply the following information to the Treasurer:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- A statement that the dealer has read the municipality's investment policy and will comply with it
- Proof of credit worthiness (minimum standards: at least five years in operation and a minimum capital of 10 million dollars)

### **H. Reporting Requirements**

On a regular basis (quarterly, semi-annually, or annually), a report containing the following information will be prepared by the Treasurer and distributed to the Chief Executive Officer, Town Administrator, and/or Finance Committee, as appropriate. The quarterly report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this Investment Policy.
- A summary of the income earned on a monthly basis and year to date basis shall be reported.
- The municipal treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the Town's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the Investment Policy.

### **I. Restrictions**

Chapter 44, Section 55 set forth the several restrictions that the Treasurer must be aware of when making investment selections.

- A Treasurer shall not at any one time have on deposit in a bank or trust company an amount exceeding 60% of the capital and surplus of such bank or trust company, or



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banking company, unless satisfactory security is given to it by such bank or trust company, or banking company for such excess.

- The treasurer shall not make a deposit in any bank, trust company or banking company that he is associated as an officer or employee or has been the same for any time during the three years immediately preceding the date of any such deposit.
- All securities shall have a maturity from date of purchase of one year or less.
- Purchases under an agreement with a trust company, national bank or banking company to repurchase at not less than original purchase price of said securities on a fixed date shall not exceed ninety days.

### **J. Legal References**

Massachusetts General Law Chapter 40, Section 5  
Massachusetts General Law Chapter 44, Section 54  
Massachusetts General Law Chapter 44, Section 55A  
Massachusetts General Law Chapter 44, Section 55B  
Massachusetts General Law Chapter 44B, Section 7  
Massachusetts General Law Chapter 740 of the Acts of 1985

## **II. The Investment of Trust Funds and Stabilization Funds.**

This section of the policy applies only to funds that could be invested long term, i.e. trust funds, stabilization funds, and/or community preservation funds when adopted by the Town.

### **A. Scope**

This policy applies to all accounts that are designated as Trust Funds, Stabilization Funds, and Community Preservation Funds (if adopted). These funds include all accounts that are received as scholarships and perpetual care receipts. In addition, the Town has placed both the Capital Stabilization and regular Stabilization money in this account along with their worker's compensation and unemployment compensation accounts.

All accounts will be maintained separately receiving their proportionate interest and any realized and unrealized gains or losses. The account will be established as a pooled investment portfolio unless otherwise stated. Any additional accounts will be maintained in this same manner.



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### **B. Authority**

Massachusetts General Laws, Chapter 44, section 55B requires the Town Treasurer to invest all public funds except those required to be kept uninvested for purposes of immediate distribution.

### **C. Strategy**

The Investment Manager will utilize the following investment guidelines in terms of asset allocation. This BALANCED allocation, over the long-term, is meant to provide lower volatility and enhance the growth of the portfolio. This policy and allocation is subject to review and amendment at any time. All assets will be invested in accordance with the Investment Instruments section. The portfolio will be reviewed quarterly and rebalanced based on cash flow and market volatility.

#### 0 - 10%

Cash and cash equivalents – normalized at 2%. Cash will be maintained to provide periodic cash distributions. Cash will not normally be held as a strategic investment asset, although the Investment Manager may seek to allow cash to build to the maximum level in times of market uncertainty.

#### 30 - 50%

Fixed Income – normalized at 43%. To ensure appropriate diversification and to minimize default risk, the trust fund will be invested primarily in high-quality taxable bonds, notes, and mutual funds. The fixed income allocation exists to provide income and to dampen the volatility from the fund's equity holdings.

#### 40 – 70%

Equities – normalized at 43%. Within the constraints of the MA Legal List, equities will be selected based on company quality and industry diversification. Equity allocation exists to enhance the long-term return of the portfolio and lower risk during periods of increasing interest rates.

An appropriate benchmark for the overall asset class of equities, as well as each sub-strategy, will be determined and agreed upon between the Client and the Investment Manager.

Massachusetts General Law Chapter 44, section 54 pertains to the investment of Trust Funds. All trust funds shall fall under the control of the Town Treasurer unless otherwise provided or directed by the donor.



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### **D. Objective**

Massachusetts General Laws, Chapter 44, section 55B requires the Town Treasurer to invest all public funds except those required to be kept uninvested for purposes of immediate distribution.

The M.G.L. Chapter 740 of the Acts of 1985 requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking account of safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

- **Safety** of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks shall be mitigated by the diversification and prudent selection of investment instruments, and choice of depository. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.
- **Liquidity** is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.
- **Yield** is the third, and last, objective. Investments shall be undertaken so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

### **E. Investment Instruments**

M.G.L. Chapter 44 section 54 states that money should be deposited into savings bank, trust companies incorporated under the laws of the commonwealth, banking companies incorporated under the laws of the commonwealth which are members of the Federal Deposit Insurance Corporation, or national banks, or invested in participation units in a combined investment fund under section thirty-eight A of chapter twenty-nine, or in a paid-up shares and accounts of and in co-operative banks, or in shares of savings and loan associations or in share or savings deposits of federal savings and loan associations doing business in the commonwealth.



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Additionally, the Town of East Bridgewater may invest such funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the commonwealth; provided, that not more than fifteen percent of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half percent of such funds be invested in the stock of any one bank or insurance company. See attached the Commonwealth of Massachusetts **List of Legal Investments**.

### The Treasurer may invest in the following instruments:

- U. S. Treasuries that maybe sold prior to maturity: **Unlimited amounts (With no limit to the length of maturity from date of purchase)**
- U.S. Agency obligations that maybe sold prior to maturity. **Unlimited amounts (With no limit to the length of maturity from date of purchase)**
- Bank accounts or Certificates of Deposit, hitherto termed C.D.'s. **Unlimited amounts (With no limit to the length of maturity from date of purchase)**, which is fully collateralized through a third-party agreement:
- Bank accounts and C.D.'s (**With no limit to the length of maturity from date of purchase**), fully insured by F.D.I.C. and in some cases also Depository Insurance Fund of Massachusetts (D.I.F.M): **\$250,000 limit**. All bank accounts and C.D.'s in one institution are considered in the aggregate to receive the \$250,000 insurance coverage.
- **Unsecured bank deposits** of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: These investments **will be limited to no more than 5% of an institution's assets and no more than 10% of a municipality's cash**. Their credit worthiness will be tracked by Veribanc, Sheshunoff, or other bank credit worthiness reporting systems. They will be diversified as much as possible. C.D.'s will be purchased for no more than three months and will be reviewed frequently.
- Common and preferred stock that are listed in the **List of Legal Investments**.
- Investment Funds that are listed in the **List of Legal Investments**.
- All other items not separately identified here that are listed in the **List of Legal Investments**.

### **F. Standards of Care**

The standard of prudence to be used by the Treasurer shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. The Treasurer acting in accordance with written procedures, and this investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price



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changes, provided the purchases and sale of securities is carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation but for investment considering the probable safety of their capital as well as the probable income to be derived.

In addition, this section would also apply to M.G.L. Chapter 44 Section 55A which refers to the liability of the Treasurer for losses due to bankruptcy.

### **G. Diversification**

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities as well as concentration in a specific institution, with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies.

### **H. Ethics**

The Treasurer shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. The Treasurer shall disclose to the Town Administrator any material financial interest in financial institutions that do business with the town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the town's investments.

### **I. Relationship with Financial Institutions**

Financial institutions should be selected first and foremost with regard to safety. The Town of East Bridgewater shall subscribe to Veribanc a recognized bank rating service. Brokers should be recognized, reputable dealers.

The Treasurer shall require any brokerage houses and broker/dealers, wishing to do business with the Town of Anywhere, to supply the following information to the Treasurer:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- A statement that the dealer has read the municipality's investment policy and will comply with the terms and conditions



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### **J. Reporting Requirements**

On a regular basis (quarterly, semi-annually, or annually), a report containing the following information will be prepared by the Treasurer and distributed to the Town Administrator, and/or Finance Committee, as appropriate. The quarterly report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this Investment Policy.
- A summary of the income earned on a monthly basis and year to date basis shall be reported.
- The Treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the Town's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the Investment Policy.

### **K. Legal References**

Massachusetts General Law Chapter 40, Section 5  
Massachusetts General Law Chapter 44, Section 54  
Massachusetts General Law Chapter 44, Section 55A  
Massachusetts General Law Chapter 44, Section 55B  
Massachusetts General Law Chapter 44B, Section 7  
Massachusetts General Law Chapter 740 of the Acts of 1985

Trust Funds may be co-mingled and invested in any instruments allowed by the Commonwealth of Massachusetts list of Legal Investments Legal issued by the Banking Commissioner each July. Each trust fund must be accounted for separately. Chapter 44 Section 54 sets forth that Treasurers may invest in instruments that are legal for savings banks. This list of investments is included in the Commonwealth of Massachusetts List of Legal Investments.



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Cash and Cash Investments	Issue Date: DRAFT
Cash Reconciliation	Policy & Procedure No. 4.4

### **Objective:**

To establish policies and procedures for the effective and efficient handling of cash reconciliation.

### **Departments Affected:**

All departments, boards and commissions responsible for the handling of cash reconciliation.

### **Policy:**

It is the policy of the Town that the Treasurer/Collector and the Accountant shall reconcile the Bank Statements as recorded in the Treasurer's Cashbook and recorded on the General Ledger within 15 days of the close of the prior month. The Treasurer/Collector maintains a Reconciliation of Cashbook documenting the reconciliation for each period. Each official is responsible to sign the Summary Cash Reconciliation spreadsheet and then submit a letter and the Summary Cash Reconciliation spreadsheet to the Town Administrator as evidence that cash is reconciled.

### **Procedures:**

- The Treasurer/Collector or designee reconciles the Treasurer's Cashbook to the bank statements. This is completed within five days of receipt of the bank statement.
  - The Treasurer/Collector identifies all reconciling items between the cashbook and the bank statements. These items will include: deposits in transit, outstanding checks and other items that represent timing differences between the bank and the cashbook.
  - The Treasurer/Collector will correct the cashbook for the reconciling items that are not the result of timing differences (that would clear the next month).
  - The Treasurer/Collector will forward to the Accountant all the adjustments made to the cashbook based on the reconciliations to the bank statements.
  - The Accountant will record an adjusting entry to cash on the General Ledger if appropriate and based on supporting documentation.
  - The Treasurer/Collector will follow up on any check that remains outstanding for 60 days as described above under the Tailings Policy and Procedures.
  - The Treasurer/Collector will maintain a cashbook on a daily basis for warrants issued, deposits, transfers between accounts and investment income.



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- After the month's activity in the cashbook is reconciled to the bank statements, the Treasurer/Collector or designee produces the month-end ACCELA (SOFTRIGHT) Account Trial Balance for Treasurer's Cash and the ACCELA (SOFTRIGHT) Account Detail History for Treasurer's Cash.
- The Treasurer/Collector produces a spreadsheet based on:
  1. Receipts reconciliation documenting:
    - The receipts per the cashbook and
    - Receipts per ACCELA (SOFTRIGHT) General Ledger
  2. Disbursements reconciliation documenting:
    - The disbursements per the cashbook and
    - The disbursements per ACCELA (SOFTRIGHT) General Ledger

These reconciliations are evidence that the cashbook ending balance agrees to the cash on the General Ledger. If there are variances the Treasurer/Collector and Accountant shall research and document any adjustments.

- A final Cash Reconciliation Summary Statement is produced and signed by both the Treasurer/Collector and the Accountant that states the cash balances per the general ledger and per the cashbook, and documents any adjustments to either the cashbook or the General Ledger.
- The Cash Reconciliation Statement and cover letter is submitted to the Town Administrator by the 15<sup>th</sup> of every month as documentation that the cash is reconciled.



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Cash and Cash Investments	Issue Date: DRAFT
Petty Cash	Policy & Procedure No. 4.5

### **Objective:**

To establish policies and procedures for the effective and efficient handling of petty cash.

### **Departments Affected:**

All departments, boards and commissions responsible for the handling of petty cash.

### **Policy:**

The policy of the Town is that Petty Cash accounts may be established for departments that need a small amount of cash to meet payments required at the time of service. Petty cash can only be replenished by submittal of all documentation and receipts through the warrant process for review of the Accountant. Petty cash transactions will never be used to finance payroll.

### **Procedures:**

- Request for petty cash accounts or changes to the limit authorization should be submitted in writing to the Accountant.
- All requests for establishment of petty cash accounts and changes to limits should be subject to approval of the Accountant.
- If approved by the Accountant, the specific petty cash account should be under the custody of one authorized official of the respective department.
- The Accountant will create the petty cash account by reducing unrestricted cash and increasing petty cash. The Accountant will reclassify fund balance simultaneously by reducing Undesignated Fund Balance and increasing Fund Balance Reserved for Petty Cash.
- All petty cash transactions shall be documented with a receipt from the vendor/service provider to the authorized departmental petty cash cashier.
- Periodically the petty cash custodian in the department should submit all documentation and receipts on a Schedule of Departmental Bills Payable to the Accountant as part of the accounts payable warrant process in order to replenish the petty cash account.
- The petty cash account will only be replenished by the Accountant based on review of the documentation submitted through the warrant process. If there have been any in appropriate uses the petty cash account will be terminated.



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- Monthly reconciliation of petty cash accounts shall be completed between Treasurer and Accountant.



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Cash and Cash Investments	Issue Date: DRAFT
Tailings	Policy & Procedure No. 4.6

### **Objective:**

To establish policies and procedures for the effective and efficient handling of tailings (uncashed checks).

### **Departments Affected:**

All departments, boards and commissions responsible for the handling of tailings.

### **Policy:**

The Town's policy is to identify and research all uncashed checks (Tailings) as part of the timely reconciliation of all bank accounts. All checks that are not cashed within 60 days of the date of issuance will be investigated. Checks that are not cashed after 120 days will be reported to the Accountant as uncashed so the General Ledger can be adjusted to increase cash and to record a corresponding liability.

A listing of all uncashed checks shall be published in the newspaper and posted on the Town's website once a year consistent with Massachusetts General Law. Checks not claimed must be reported by the Treasurer/Collector to the Accountant so that revenue can be increased and the liability can be eliminated.

### **Procedures:**

- All town bank accounts shall be reconciled each month; uncashed checks (tailings) will be identified and investigated as part of this process.
- The Treasurer/Collector shall identify all checks that have not cleared the bank account. If the check has not cleared for more than 60 days, the Treasurer/Collector (or designee) shall prepare a list of all uncashed checks.
- The Treasurer/Collector shall investigate the uncashed check by reviewing the check register run at the time of disbursement of the checks on the weekly accounts payable warrant. The uncashed payroll shall be checked by reviewing the payroll vendor's check disbursement report.
- The Treasurer/Collector shall identify and record on a spreadsheet a listing of uncashed checks, the date of issuance, amount of the check, and name and address of check recipient.



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- The Treasurer/Collector's office shall send notice of the uncashed check and the amount to the recipient at their last known address and retain evidence of this mailing.
- If the check has not been cashed 120 days after the date of issuance, the Treasurer/Collector, consistent with Massachusetts General Law, shall submit a List of Uncashed Checks to the Accountant so that the cash can be adjusted and the liability of the tailings/abandoned property can be recorded on the General Ledger.
- The Treasurer/Collector shall publish the List of Uncashed Checks in a newspaper of general circulation consistent with state law.
- The Treasurer/Collector shall prepare a List of Abandoned Property/Uncashed Checks for all checks that are not claimed after the public advertisement and submit a signed copy to the Accountant. The Accountant will increase the revenue of the Town on the General Ledger and eliminate the liability.



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## Financial Policies & Procedures

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Cash and Cash Investments	Issue Date: DRAFT
Reserve Fund Transfers	Policy & Procedure No. 4.7

### **Objective:**

To establish policies and procedures for the effective and efficient handling and timely processing of unforeseen expenditures for payments above appropriation.

### **Departments Affected:**

All departments, boards and commissions holding responsibility for departmental appropriation.

### **Policy:**

Under MGL 40 § 6 reserves a sum of money appropriated by Town meeting to be used at the discretion of the Finance Committee to cover extraordinary or unforeseen expenses that arise during the fiscal year.

### **Procedures:**

- A Reserve Fund Transfer Request must be completed by the department head and submitted to the Accounting Office in triplicate. Schedule must include account in which the transfer is to be made.
- Accountant must provide balances in accounts being transferred to prior and overall departmental remaining budget prior to review by the Town Administrator and submittal to the Finance Committee.
- The Accountant will make notification to the Finance Committee Chair for inclusion of next available meeting.
- Majority vote of the Finance Committee must be received prior to transfer being fulfilled.
- Copies of vote shall be distributed to the Accounting Office, the department requesting the transfer and the Finance Committee shall retain a copy.
- After approvals have been established, the Accounting Office shall amend the budget appropriation to reflect the approval.



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## Financial Policies & Procedures

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### **General Considerations and Guidelines:**

- The reserve fund is to be used for "extraordinary or unforeseen expenditures" as determined by the Finance Committee.
- The Finance Committee acts in place of Special Town Meeting, thus saving the Town the expense of such meeting.
- The Finance Committee cannot approve any reserve fund transfer request for a purpose that the Town meeting has already voted against.
- Funds cannot be expended directly from the reserve fund. The funds must be transferred to the existing account where they can be spent for the requested purpose.
- Any unexpended balance should remain earmarked, and should not be used for another purpose or be transferred back to the reserve fund.
- Request should be made for unpaid or future expenses, not to reimburse an account for expenses that have already been paid.
- Under the MGL expenditures in excess of appropriation is strictly forbidden. Consequently, departments should never incur expenses in excess of appropriation before approval of the reserve fund transfer.



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## Financial Policies & Procedures

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Cash and Cash Investments	Issue Date: DRAFT
Credit Cards	Policy & Procedure No. 4.8

### **Objective:**

To establish policies and procedures for the effective and efficient handling of Town credit cards by Department Heads or their designee. These procedures are intended to accomplish the following:

- To ensure that procurement with credit cards is accomplished under the policy and procedures established by the Board of Selectmen.
- To enhance productivity, significantly reduce paperwork, improve internal controls and reduce the overall cost associated with approved purchases as listed below.
- To ensure appropriate internal controls are established within each department procuring with credit cards so that they are used for authorized purposes only.
- To ensure that the Town bears no legal liability from inappropriate use of credit cards.

### **Departments Affected:**

All departments, boards and commissions holding responsibility for departmental appropriation.

### **Policy:**

The Town's policy is to verify all credit card charges are appropriate and meet all accounting standards prior to incurring the charge. All purchases must be pre-approved via the Credit Card Pre-Authorization Form including authorizing signatures by the Department Head, Town Accountant, and Town Administrator. Credit cards are to be used only for Town purchases and business-related travel expenses as authorized and must not be used for personal purchases of any kind, alcohol, cash advances, or for payment of invoices or statements that should get paid through the warrant process. Sales tax shall not be included in the cost of any purchase. The employee making the purchase is responsible for payment of sales tax if charged. It is expected that the best price for each purchase will be secured.

### **Procedures:**

- Any employee requesting to use the credit card for larger Town purchases or business-related travel must fill out a Credit Card Pre-Authorization form in its entirety.
- The employee must provide any relevant back-up and present the form to the Department Head, Town Accountant, and Town Administrator for signature.



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- Upon receiving all signatures, the employee may use the credit card for the purpose authorized.
- The original detailed and itemized purchase receipt and credit card must be returned to the Card Custodian along with the form immediately after completing the purchase or returning to the Town. If meals were purchased, a list of Town participants should also be included for reference.
- The card custodian retains the form and original receipts to be attached to the credit card statement when received at the end of the month. All such documentation is submitted to the Accounting office to be paid in the vendor warrant.



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Financial Planning	Issue Date: DRAFT
Debt Management	Policy & Procedure No. 5.1

### **Objective:**

To establish policies and procedures that provide for the appropriate issuance and responsible use of debt.

### **Departments Affected:**

All departments, boards and commissions holding responsibility for financial management.

### **Policy:**

Under the requirements of federal and state laws, the Town may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to refinance existing debt. The Town will issue and manage debt obligations in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, will only be issued to construct, reconstruct, or purchase capital assets that cannot be acquired with current revenues.

In financing with debt, the Town will:

- Issue long-term debt only for purposes that are authorized by state law and qualify for tax-exempt bonds and only when the financing sources have been clearly identified.
- Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
- Confine long-term borrowing to capital improvements and projects that cost at least \$100,000 and that have useful lifespans of at least 5 years or whose lifespans will be prolonged by at least 10 years.
- Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
- Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
- For the water, sewer, and golf enterprise operations, set user fees to cover capital costs to the fullest extent practicable.

The Town will adhere to these debt parameters:



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- Total debt service, including debt exclusions and any self-supporting debt, shall be limited to 10 percent of general fund revenues, with a target balance of five to seven percent.

The Town's guidelines on debt terms and structure shall be as follows:

- The Town will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within 10 years.
- The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
- The Town will limit bond maturities to no more than 10 years, except for major buildings, sewer and storm water facility projects, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).
- The Town will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing any debt issuance's tax-exempt status.

To achieve potential debt service savings on long-term, tax-exempt debt through bond refunding the Town will:

- Issue debt with optional call dates no later than 10 years from issue.
- Analyze potential refunding opportunities on outstanding debt as interest rates change.
- Work with the Town's financial advisor to determine the optimal time and structure for bond refunding.

To protect its bond rating, the Town will:

- Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
- Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.

### **Procedures:**

- The Treasurer/Collector will report to the Board of Selectmen, Town Administrator, and Town Accountant on the Town's debt status at least annually.
- The Town Accountant will include an indebtedness summary as part of a report on receipts and expenditures in the Town's Annual Report.



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- The Town Accountant, with the Town's financial advisor, will file the annual audit and official disclosure statement within 270 days of the end of the fiscal year.



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Financial Planning	Issue Date: DRAFT
Reserves – Free Cash	Policy & Procedure No. 5.2

### **Objective:**

To establish policies and procedures that generate guidelines for funding and maintaining reserves to help the community sustain operations during difficult economic periods. Reserves can be used to finance unforeseen or emergency needs, to hold money for specific future purposes, or in limited instances, to serve as a revenue source for the annual budget.

Reserve balances and policies can also positively impact a community's credit rating and as a consequence, the long-term cost to fund major projects.

### **Departments Affected:**

All departments, boards and commissions holding responsibility for financial management.

### **Policy:**

The Town's policy is to build and maintain adequate level of fund balance to mitigate current and future risks of inadequate cash flow, whether through revenue shortfalls or unanticipated expenditures. The Town will strive to maintain overall reserves in the level of 8-15% of the annual operating budget, and specifically a free cash goal of 3-5% of the annual budget. Current use of free cash to balance the operating budget should be fully eliminated within a reasonable time. To accomplish this end, the following practices are recommended:

- The Town Administrator and Town Accountant will propose budgets with conservative revenue projections.
- Department Heads will carefully manage their appropriations to produce excess income and budget turn backs.
- The Town will limit its use of free cash to funding one-time expenditures and will appropriate any excess to reserves or to offset unfunded liabilities.

### **General Considerations and Guidelines:**

- The DLS recommends that a municipality strive to generate free cash in an amount equal to 3-5% of its annual budget.
- Free cash may be used for certain one-time expenditures, such as major capital projects, emergencies, other unanticipated expenditures, or to replenish other reserves.



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## Financial Policies & Procedures

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Financial Planning	Issue Date: DRAFT
Reserves - Stabilization	Policy & Procedure No. 5.3

### **Objective:**

To establish policies and procedures that generate guidelines for funding and maintaining reserves to help the community sustain operations during difficult economic periods. Reserves can be used to finance unforeseen or emergency needs, to hold money for specific future purposes, or in limited instances, to serve as a revenue source for the annual budget. Reserve balances and policies can also positively impact a community's credit rating and as a consequence, the long-term cost to fund major projects.

### **Departments Affected:**

All departments, boards and commissions holding responsibility for financial management.

### **Policy:**

The Town's policy is to build and maintain adequate levels of fund balance to mitigate current and future risks of inadequate cash flow, whether through revenue shortfalls or unanticipated expenditures. The Town will strive to maintain overall reserves in the level of 8-15% of the annual operating budget, and specifically a stabilization goal of 5-10% of the annual budget. To accomplish this end, the following practices are recommended:

- The Town will endeavor to maintain a minimum balance of 5% of the current operating budget in the general stabilization fund.
- The Town will annually appropriate a minimum of 1% of the general fund operating revenues to the general stabilization fund until the target goal of 10% is reached.
- Withdrawals from general stabilization should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations.
- Whenever possible, withdrawals of funds should be limited to the amount available above the 5% minimum reserve target level. If any necessary withdrawal drives the balance below the minimum reserve target level, the Town Administrator and Town Accountant will develop a detailed plan to replenish the fund to the minimum level within the next two years.



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## **General Considerations and Guidelines:**

- The DLS recommends that a municipality strive to maintain a stabilization fund balance in an amount equal to 5-10% of its annual budget.



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Financial Planning	Issue Date: DRAFT
Other Postemployment Benefits Liability	Policy & Procedure No. 5.4

### **Objective:**

To establish policies and procedures that ensure fiscal sustainability and provide a guideline for a responsible plan to meet the Town's obligation to provide other postemployment benefits for eligible current and future retirees.

### **Departments Affected:**

All departments, boards and commissions holding responsibility for financial management.

### **Policy:**

The Town is committed to funding the long-term cost of the benefits promised its employees. To do so, the Town will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

To manage and invest the OPEB fund, the Town has voted on \_\_\_\_\_ to move the current allotment of funds to the State Retiree Benefit Trust Fund (SRBTF), and endeavors to appropriate at least \_\_\_\_\_ per year into this irrevocable trust, funded by available reserves at Town Meeting.

### **Procedure:**

- The Town Accountant will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligation in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board (GASB).
- The Town Administrator and Town Accountant will ensure the Town's independent auditor reviews compliance with this policy's accounting, reporting, and investment provisions as part of its annual audits and will report on these to the Board of Selectmen.
- On an ongoing basis, the Town will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability.



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## Financial Policies & Procedures

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- The Town Accountant will monitor proposed laws affecting OPEBs and Medicare and analyze their impacts.
- The Treasurer/Collector will regularly audit the group insurance and retiree rolls and terminate any participants found to be ineligible based on work hours, active Medicare status, or other factors.
- To address the OPEB liability, decision makers will annually analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town will derive funding for the OPEB trust fund from any available reserves.

### **General Considerations and Guidelines:**

- Achieving full funding of the liability requires the Town to commit to funding its annual required contribution (ARC) each year, which is calculated based on actuarial projections. Among strategies to consider for funding the ARC:
  - Transfer unexpended funds from insurance line items to the OPEB trust fund.
  - Appropriate amounts equal to the Town's Medicare Part D reimbursements.
  - Determine and commit to appropriating an annual portion of free cash.
  - Appropriate an annually increasing percentage of yearly revenues.
  - Once the pension system is fully funded, on a subsequent annual basis, appropriate to the OPEB trust fund the amount equivalent to the former pension-funding payment or the ARC, whichever is less.



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## Financial Policies & Procedures

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Financial Planning	Issue Date: DRAFT
Budget Forecasting	Policy & Procedure No. 5.5

### **Objective:**

To establish policies and procedures that establish guidelines for budget decision makers when determining how to allocate resources and determine an expenditure strategy as part of the annual budget process and longer range fiscal planning.

### **Departments Affected:**

All departments, boards and commissions holding responsibility for financial management.

### **Policy:**

A critical step in maintaining a sound financial plan is the preparation of a multi-year revenue/expenditure forecast. Long term financial planning, including revenue and expenditure assumptions, is one of the local government financial practices that credit rating agencies evaluate when assessing municipalities for credit quality. The Massachusetts Division of Local Services (DLS) states that a financial forecast, or multi-year revenue and expenditure forecast, allows a municipality to evaluate the impact of various government decisions over time. A forecast will provide decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions, and will allow the Town Administrator and staff, the Finance Committee, and the Board of Selectmen to test various "what-if" scenarios and examine the fiscal impact on future budgets.

### REVENUE GUIDELINES:

- The Town will continuously seek to diversify its revenue to improve the equity and stability of sources. Each year and whenever appropriate, the Town will reexamine existing revenues and explore potential new sources. A balance will be sought between elastic and inelastic revenues to minimize any adverse effects caused by inflation or other economic changes. Additionally, intergovernmental revenues (such as local aid or grants) will be reviewed annually to determine their short- and long-term stability in order to minimize detrimental impacts.
- The Town will avoid using one-time revenues to fund ongoing or recurring operating expenditures. These one-time revenue sources can include, but are not limited to, free cash, overlay surplus, sale of municipal assets, legal settlements, insurance proceeds, and gifts. Additionally, the Town hereby establishes the following priority order when appropriating one-time revenues:
  - Snow and ice deficit



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## Financial Policies & Procedures

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- General stabilization fund
- Capital budget
- OPEB trust fund
- Other
- Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenue. In such cases, the Town Administrator, in consultation with the Town Accountant, can recommend to the Board of Selectmen its use for operational appropriations. Such use will trigger the Town Administrator to develop an action plan with the Town Accountant to avoid continued reliance on one-time revenues.
- State laws impose further restrictions on how certain types of one-time revenues may be used. The Town will consult the following General Laws when the revenue source is:
  - Sale of real estate: M.G.L. c. 44, § 63 and M.G.L. c. 44, § 63A
  - Gifts and grants: M.G.L. c. 44, § 53A and M.G.L. c. 44, § 53A<sup>1</sup>/<sub>2</sub>
- This policy further entails the following expectations regarding revenues:
  - The Assessing Department will maintain property assessments for the purpose of taxation at full and fair cash value as prescribed by state law.
  - Town departments that charge fees will annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs.
  - The Building Department will notify the Town Administrator of any moderate-to-large developments that could impact building permit volume.
  - Department heads will strive to seek out all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
  - Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.
  - To the extent feasible, the directors of the golf, water, and sewer enterprise funds will set user fees sufficient to cover all fiscal year operating and capital improvement costs and thereby minimize any general fund subsidy.

### EXPENDITURE GUIDELINES:

- Annually, the Town will determine a particular budget approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department).
  - A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future.



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## Financial Policies & Procedures

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- A level-funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because inflation in mandated costs and other fixed expenses still must be covered.
- Under any chosen approach, expenditure projections will include potential cost-of-living adjustments to account for the impact of future contract settlements and compensation plan increases.

### **Procedure:**

Each year the Town Administrator, in consultation with the Finance Committee, shall prepare and maintain a three-year Financial Forecast for General Fund and Enterprise Fund operations based on current service levels and current funding sources and including the five-year Capital Improvement Program. The forecast shall be used as a budget tool to enable Town officials to review operating needs, identify fiscal challenges and opportunities, and develop long-term budgeting policies as part of an overall strategic plan.

The forecast shall be designed to provide an outlook on the implications of changes in revenues and expenditures and allow for analyzing multiple scenarios. The forecast will:

- Provide insight into whether the current mix and level of resources in the General Fund are likely to continue to be sufficient to cover 3 current service levels and capital projects; and,
- Identify the resources needed to maintain required enterprise fund operations and estimate the impact on rate payers.

The Town Administrator, in cooperation with the Finance Committee and other Town departments, will review fiscal assumptions every year when the forecast is updated and will use information that is timely and accurate in preparation of the forecast. The forecast and the associated assumptions shall be made available to the Board of Selectmen and the Finance Committee no later than upon submission of the Capital Improvement Plan.

### **General Considerations and Guidelines:**

- The Town's forecast model should assume that:
  - The Town's current level of services will provide the projected baseline.
  - Property taxes (absent overrides) will grow at the limits of Proposition 2½.
  - New growth will be projected conservatively, taking into account the Town's three to five-year average by property class.
  - Local receipts and state aid will reflect economic cycles.



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## Financial Policies & Procedures

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- Historical trends in the growth of specific operating expenses and employee benefits will prevail.
- The Town will annually meet or exceed the state's net school spending requirements.
- Trends in school choice, enrollments, tuition, and charter assessments will be factored.
- Debt service on existing debt will be paid, and the Town's Capital Planning and Debt Management policies will be followed.
- Annual pension contributions and appropriations to amortize other postemployment benefit liabilities will continue.
- Reserves will be built and maintained in compliance with the Town's Financial Reserves policy.
- The enterprise funds will reimburse the general fund for indirect costs.



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## Financial Policies & Procedures

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Motor Vehicle Tax	Issue Date: DRAFT
Commitments and Billings	Policy & Procedure No. 6.1

### **Objective:**

To establish motor vehicle excise commitment policy that is consistent with statutory requirements in order to assure collection of committed charges based on sound system of internal controls.

### **Departments Affected:**

All financial departments responsible for the processing and collection of motor vehicle tax.

### **Policy:**

In order to optimize the Town's cash flow, the Treasurer/Collector shall mail within 15 days of receipt of Assessors' warrant for each commitment from the Registry of Motor Vehicles (RMV). The first motor vehicle excise, which is the largest commitment, shall be mailed within 21 days of receipt of the commitment.

Bills are due and payable in full within 30 days of issue. Demand notices will be mailed within approximately 15 days of the due date of the excise bill. Interest is charged at 12 percent per annum and begins accruing from the due date until paid. A \$15.00 demand fee will be included along with the interest on the unpaid balance of the bill. Payments not paid at demand are subject to:

- Warrant fee of \$10
- RMV fees if not paid

The RMV maintains all records on motor vehicle values. Several times over the course of the year the RMV provides an electronic transfer to Customized Data Systems (CDS), who documents the total value of the specific commitment and contains all of the information for billing to specific motor vehicle owners.

### **Procedures:**

#### **Commitment**

- The RMV sends to CDS the billing information for the excise bills. The information provided consists of make, model year, vehicle identification number, registration number, registration date, owner, mailing address, valuation, excise tax amount, and place of garaging. The information is converted by CDS and notification is emailed to the Collector and Assessor's offices.



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## Financial Policies & Procedures

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- The file is uploaded into the CDS program by the Assessor's office. All exempt vehicles are identified and deleted from the commitment by the Assessor's office.
- The Assessor's add in any recommitted bills, which have been received from various communities, on to the commitment.
- The Assessors send a Warrant to the Treasure/Collector and a Notice of Commitment to the Accountant which includes the date of mailing of the excise tax bills and the total amount of the commitment.

### **Billing:**

- The Treasurer/Collector receives from CDS a commitment of accounts receivable for the excise tax bills to be billed and collected based on the file as edited by the Assessors (which reconciles to the Warrant and Commitment). This file represents the commitment book and will have the number of bills and to total dollar amount.
- When the Treasurer/Collector has reviewed:
  - The totals on the CDS excise commitment
  - The Warrant from the Board of Assessors
  - The sample of excise bills and Control Total Summary of bills provided by CDS and verifies that all are in agreement
- The Treasurer/Collector posts the Affidavit as to the time of Sending Bills and posts it with the Town Clerk's office in order to provide appropriate evidence of the mailing to the interested residents.



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## Financial Policies & Procedures

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Motor Vehicle Tax	Issue Date: DRAFT
Payment Processing	Policy & Procedure No. 6.2

### **Objective:**

To establish policies and procedures for the effective and efficient processing of excise tax payments.

### **Departments Affected:**

All financial departments responsible for the processing and collection of motor vehicle tax.

### **Policy:**

To assure the correct application of excise taxpayers' payments to their accounts on a timely basis.

### **Procedures:**

#### **Current Payments and Demand Payments**

- Current excise tax payments and demand payments are received:
  - By mail to a lock box
  - In person at the Treasurer/Collector's office
  - Current excise tax payments may be made online

#### **Lock Box Payments**

- Tax payments are sent by mail to the Town's lock box. Bank staff records the payments and each day the bank file is delivered via email to the Treasurer/Collector's office.
- The lock box file is transferred to the CDS server.
- The file is accessed and the Lock Box File Report is printed, listing all payments, to total number of payments, the total dollar amount and totals by type (real, personal, excise or water/sewer).
- The Treasurer/Collector then accesses in CDS the Process Lockbox File option in order to apply the payments to the taxpayers' accounts in the CDS Accounts Receivable Module. The Lock Box Payment Processed Report is printed and it is reviewed to assure the "total number of items/payments" and "total dollar amount" reconcile to the control totals on the file/report from the Bank.
- In the Payment Entry option of CDS the payment proofs for lockbox payments and verifies the "total number of items/payments" and "total dollar amount" totals the deposit file.



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## Financial Policies & Procedures

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- A Payment Proof will be submitted along with the deposit file to the Accountant's office in order to post the lockbox payments to the general ledger.

### **Payments at Cashier Window and Mail-in**

- The Assistant Treasurer/Collector or clerk accepts payment from the taxpayer, provides that taxpayer with a stamped copy of the tax bill as a receipt, and retains a remittance copy of the bill and the cash or check in the cash drawer.
- At the end of the day the Assistant Treasurer/Collector or clerk will close out the day's work. The clerk will tally and assure that the amount of cash/checks, and the total on the tax bills agree. The proof will be the cash sheet and adding machine tape. The payments are entered in the CDS system the next business day with the date payment was received.
- The Treasure/Collector clerk is responsible for confirming the remittance copy of bills against the adding machine tape and making remote bank deposits. All cash deposits are made by the Assistant Treasurer/Collector.
- The following day a new payment batch is opened in CDS under the Payment Processing/Payment Entry option of Accounts Receivable module. It is important that the entry date and the interest effective date be the same date as the actual activity.
- The CDS Payments Proof Record of cash and must reconcile to the cash and checks reported on the prior days Cash Sheet and adding tape. This provides a control such that the CDS Payments Proof Summary exactly matches the adding tape and deposit slip of the prior day.
- The assistant will review the prior day's deposit slip for window collections and the CDS Payment Proof to verify that they are in agreement. After this the transactions can be recorded in the Treasurer's Cashbook.
- The assistant will submit the CDS Payment Proof and the prior day's deposit slip to the accounting office. This serves as evidence of the application of all payment receipts deposited at the bank to the accounts receivable system.
- Based on verification that the CDS Payment Proof and the bank deposit slip, the accountant then will post the transaction to the General Ledger assuming both source documents agree.

### **Collections**

- The Treasurer/Collector clerk maintains an Excel Excise Collection Calendar that documents, by year, for each commitment:
  - Commitment Date
  - Demand Date
  - Warrant Date



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## Financial Policies & Procedures

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- Final Warrant Date
- Flagging \*(bills marked) Date
- Demand bills are issued within two weeks of the due date of the original bill. A \$15.00 demand fee and 12 percent interest is added to the balance due, as allowed by Massachusetts General Law.
- If the excise bill remains unpaid, then the Deputy Collector is utilized to continue the collection process.
- Warrant notices are issued by the Deputy within 15 days of the demand bill due date with a warrant fee of \$10.00
- As a final collection action the vehicle is 'marked.' The deputy notifies the RMV of any unpaid bills within 90 days of the excise bills issue date. Delinquent taxpayers are notified at this point that the RMV has marked their license as non-renewable and that there is reciprocity to other states.
- The Treasurer/Collector has contractually delegated to the Deputy Collector, the responsibility to mark a resident's driver's license and registration on the database at the RMV. This action prohibits the vehicle owner from registering the car or renewing their license without paying outstanding balances.
- The Treasurer/Collector, through the Deputy Collector, is also responsible for removing the marking from the RMV's database upon receipt of the excise payment from the car owner/taxpayer. The Deputy Collector has electronic access to the RMV database.



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## Financial Policies & Procedures

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Motor Vehicle Tax	Issue Date: DRAFT
Abatement and Exemptions	Policy & Procedure No. 6.3

**Objective:**

To establish policies and procedures for the effective and efficient handling of abatement and exemptions.

**Policy:**

The Assessor’s office has sole responsibility for granting motor vehicle excise abatements when appropriate. It is the policy to process motor vehicle abatement applications in a timely manner in accordance with state law.

**Procedures:**

- Request for abatements may either be presented at the counter in the Assessor’s office or filed in writing (State Tax Form 126-MVE) with the Assessor’s office within three years after the excise tax was due, or one year after the excise was paid. The taxpayer must present proof of disposition of the vehicle (bill of sale, junk yard receipt, police report or insurance settlement letter, notice of repossession from lienholder, or dealer certification for return under lemon law), and a cancellation of registration or new registration if transferred.
- When a taxpayer has a dispute of value assigned by the RMV to their vehicle, the Assessors will refer the taxpayer to contact the RMV, as both parties have vehicle information which the Assessor does not have.
- The RMV will provide a corrective letter to the Assessor’s office if they find that an error in valuation has been made by the RMV.
- Upon receipt of the notification from the RMV identifying the error, the Assessor’s will enter the abatement into the excise database under the abatement option, as well as the date of abatement and the reason for the abatement.
- The Assessor’s office will issue a certificate of abatement to the motor vehicle owner showing the original excise tax amount, the amount of abatement/refund, and the adjusted excise tax amount.
- The Assessors forward a listing of all abatements by levy year that have been granted by the Board of Assessors to the Treasurer and Accountant on a monthly basis. The Accounting office uses this report as detail documentation to post the abatements to the General Ledger.



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## Financial Policies & Procedures

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Motor Vehicle Tax	Issue Date: DRAFT
Refunds	Policy & Procedure No. 6.4

**Objective:**

To establish policies and procedures for the effective and efficient handling of Motor Vehicle Refunds.

**Departments Affected:**

All financial departments responsible for the processing and collection of motor vehicle tax.

**Policy:**

On a weekly basis, the Treasurer/Collector should produce a CDS Excise Credit Balance Report to allow the Treasurer/Collector's staff to process refunds.

**Procedures:**

- The Treasurer/Collector will prepare the Authorization for Payment listing the motor vehicle owner and the amount to be refunded. Each refund listed on the Schedule of Bills Payable should be coded with the appropriate accounts receivable code by fiscal year. This document must be signed by the Treasurer/Collector and is submitted to the Accounting office for payment on the warrant.
- When the warrant is approved and the checks are printed, the Assistant Treasurer/Collector or clerk in the Treasurer/Collector's office does a final review and the check is mailed.



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## Financial Policies & Procedures

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Motor Vehicle Tax	Issue Date: DRAFT
Delinquencies	Policy & Procedure No. 6.5

**Objective:**

To establish policies and procedures for the effective and efficient handling of Motor Vehicle Delinquencies.

**Departments Affected:**

All financial departments responsible for the processing and collection of motor vehicle tax.

**Policy:**

The Town intends to timely pursue all legal methods to collect taxes from delinquent motor vehicle owners with the aim of achieving a target 97% collection rate by fiscal year-end.

**Procedures:**

- All delinquent motor vehicle excise taxes will be issued a demand fee and interest will accrue on the bill at an annual rate of 12% from the day after the due date.
- If the demand is not answered within 14 days, the Treasurer/Collector will issue a warrant to the Deputy Tax Collector, along with another demand fee. The Deputy Tax Collector will issue a warrant notice along with a Deputy Collector fee.
- If this is not answered, a final warrant will be delivered by the Deputy Tax Collector with all interest and penalties clearly stated on the bill. The final notice will state the Town's plan to request the RMV to prohibit renewal of registration until the bill is settled.
- If this final warrant isn't answered, the Deputy Collector will send a request to the RMV to prohibit renewal of registration until the bill is settled.



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## Financial Policies & Procedures

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Motor Vehicle Tax	Issue Date: DRAFT
Reconciliation	Policy & Procedure No. 6.6

**Objective:**

To establish policies and procedures for the effective and efficient handling of Motor Vehicle Reconciliation.

**Departments Affected:**

All financial departments responsible for the processing and collection of motor vehicle tax.

**Policy:**

The Town has an interest in ensuring all assets from committed bills are accounted for and balanced. To accomplish this, the Treasurer/Collector, Town Accountant, and Deputy Tax Collector will make certain that all cash receipts are recorded timely, maintain control records for each receivable type and levy year, and verify the detail balance agrees with the receivable control on a monthly basis, no later than 15 days of the close of the prior month. The Treasurer/Collector and Town Accountant are both responsible to sign the Summary Accounts Receivable spreadsheet and then submit a copy of the signed summary to the Town Administrator as evidence that receivables are reconciled.

**Procedures:**

- The Town Accountant or designee will run a detailed receivables report at the end of every month, along with a general ledger summary report.
- The Town Accountant will compare all receivable totals between the Treasurer/Collector and General Ledger.
- Whenever the records do not agree, the Town Accountant must determine the discrepancy by verifying the various transactions (commitments, abatements, refunds, chargebacks) against their supporting documents, comparing the total amount of posted payments to the turnovers accepted by the Treasurer/Collector, and determining whether any revenues were incorrectly recorded as payments to the commitment, such as interest or fees.
- A final Receivables Reconciliation Summary Statement is produced and signed by both the Treasurer/Collector and the Accountant that states the receivable balances per the general ledger and per the Treasurer/Collector's billing ledger, and documents any adjustments to either the bills or the General Ledger.
- The Receivables Reconciliation Summary Statement is submitted to the Town Administrator by the 15<sup>th</sup> of every month as documentation that the receivables are reconciled.



EFFECTIVE: August 31, 2020  
Replaces All Previous

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# Financial Policies & Procedures

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## Financial Policies & Procedures

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Real Estate and Personal Property Tax	Issue Date: DRAFT
Commitments and Billings	Policy & Procedure No. 7.1

**Objective:**

To establish real and personal tax commitment policy that is consistent with statutory requirements in order to assure collection of committed charges based on a sound system of internal controls.

**Departments Affected:**

All financial departments responsible for the processing and collection of real and personal tax.

**Policy:**

The Town’s policy is to issue bills for real estate and personal property on a quarterly basis in order to optimize cash flow. Interest is charged at a rate of 14 percent annum for any unpaid balances after the respective due dates.

Demand notices will be mailed by May 31<sup>st</sup> on any balances unpaid after May 1<sup>st</sup>. A demand fee of \$15.00, as well as 14 percent interest, will be included on the demand bills in accordance with state statute.

**Procedures:**

- The Assessor’s maintain an automated file of all property valuations (PK Database). Before a tax commitment can be run, and LA4 Report is run on the PK System. An LA4 provides the following information: type (class), parcel counts, assessed value, and total.
- The Assessor’s office identifies and completes the steps, using CDS checklist for preliminary or actual billing. The same LA4 report is run in CDS. An audit of the two reports is completed to check for errors. Any discrepancies are identified and corrected so the CDS file valuations reconcile to the LA4 produced by PK.
- When the two LA4 reports are in agreement, the preliminary or actual bill process in CDS can continue.
- The Assessor’s then complete the Assessors Warrant to the Treasurer/Collector – State Tax Form 58 that documents the amount of the total billing to be committed for collection. One copy of the Warrant shall be forwarded to the Treasurer/Collector. The Assessor’s prepare one warrant (State Tax Form 58) for the real estate commitment and a separate warrant (State Tax Form 57) for personal property commitment. A Notice of Commitment is prepared for the Accountant.



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## Financial Policies & Procedures

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- The Assessor will also submit one copy of the CS Accounts Receivable with the final assessed values to the Department of Revenue (DOR) as verification that the assessed values, which were used as the basis for the billing, are in agreement with those reported on the Tax Recapitulation Sheet and that the Town had submitted to the DOR for certification of the tax rate.

### **Billings**

- When the Treasurer/Collector has reviewed:
  - The totals on CDS Accounts Receivable
  - The Real Estate Warrant and Personal Property Warrant – State Tax Form 57 and 58
  - The sample tax bills and Control Totals Summary Total of bills provided by PK
- Once verified that all are in agreement, the Treasurer/Collector will give signed authorization to CDS to mail the tax bills. This authorization is required for the vendor to release and mail the tax bills.
- The Treasurer/Collector sends notice of tax billing and commitment to the Department of Revenue – Bureau of Accounts and also posts the Affidavit of Mailing. Upon receipt, the Treasurer/Collector completes State Form 214, Affidavit as to Time of Sending Bills form and posts it on the bulletin board outside the Town Clerk's office in order to provide appropriate evidence of mailings to interested taxpayers.



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## Financial Policies & Procedures

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Real Estate and Personal Property Tax	Issue Date: DRAFT
Payment Processing	Policy & Procedure No. 7.2

### **Objective:**

To establish policies and procedures for the effective and efficient processing of real estate and personal property tax payments.

### **Departments Affected:**

All financial departments responsible for the processing and collection of real estate and personal property tax.

### **Policy:**

To assure the correct application of real estate and property taxpayers' payments to their accounts on a timely basis. Receipts that are subject to interest, demands, and other fees, utility liens, betterment assessments, tax title liens, real estate or personal property tax due.

### **Procedures:**

#### **Current Payments and Demand Payments**

- Current real estate and personal property payments and demand payments are received:
  - By mail to a lock box
  - In person at (or mail to) the Treasurer/Collector's office.

#### **Lock Box Payments**

- Tax payments are sent by mail to the Town's lock box. Bank staff records the payments and each day the bank file is delivered via email to the Treasurer/Collector's office.
- The lock box file is transferred to the CDS server.
- The file is accessed and the Lock Box File Report is printed, listing all payments, the total number of payments, the total dollar amount and totals by type (real, personal, excise or water/sewer).
- The Treasurer/Collector then accessed in CDS the Process Lockbox File option in order to apply the payments to the taxpayers' accounts in the CDS Accounts Receivable Module. The Lock Box payment Processed Report is printed and it is reviewed to assure the "total number of items/payments" and "total dollar amount" reconcile to the control totals on the file/report from the Bank.



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## Financial Policies & Procedures

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- In the Payment Entry option of CDS the payment proofs for lockbox payments and verifies the "total number of items/payments" and "total dollar amount" totals the deposit file.
- A Payment Proof will be submitted along with the deposit file to the Accountant's office in order to post the lockbox to the general ledger.

### **Tax Servicing Companies' Payments**

- The various tax servicing companies provide files/transmissions of the tax payments for all of the tax accounts that are responsible for paying. The Treasurer/Collector's office prints an output of the specific tax service company's file listing all payments, the total number of payments and total dollar amount.
- The Assistant Treasurer/Collector that accesses in CDS the Process Lockbox File option in order to apply the payments to the taxpayer's account in the CDS Accounts Receivable Module. The Treasurer/Collector prints the Lockbox Payments Processed Report and reviews the "total number of items/payments" and "total dollar amount" to assure they reconcile to the control totals on the file/report from the respective tax service company.
- The Assistant Treasurer/Collector then in the Payment Entry option of CDS produces the Payments Proof for the tax service company payments and verifies the "total number of items/payments" and "total dollar amount" to assure they reconcile to the control totals on the file/report from the respective tax service company.
- The Assistant Treasurer/Collector will then submit the Payment Proof, the deposit slip and the tax service company's control totals to the Accounting office as documentation to allow posting to the General Ledger.

### **Payments at Cashier Window and Mail-in**

- The Treasurer/Collector staff accepts payment from the taxpayer, provides that taxpayer with a stamped copy of the tax bill as a receipt, and retains a remittance copy of the bill and the cash or check in the cash drawer.
- At the end of the day the Assistant Treasurer/Collector or clerk will close out the day's work. The clerk will leave \$200 in the cash drawer. The clerk will tally and assure that the amount of cash/checks, and the total on the tax bills agree. The proof will be the cash sheet and adding machine tape. On the day of receipt, the payments are not entered into the CDS system.
- The Treasurer/Collector clerk is responsible for confirming the remittance copy of bills against the adding machine tape and making bank deposits.



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## Financial Policies & Procedures

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- The following day a new payment batch is opened in CDS under the Payment Processing/Payment Entry option of Accounts Receivable module. It is important that the entry date and the interest effective date be the same date as the actual activity.
- The Assistant Treasurer/Collector will enter all payments of the prior day in CDS and will access the account by the account number. The assistant will apply the payment to the person's account and make any allocation, if necessary, to interest due.
- It is important that the assistant enter only the payments/receipts at the counter of the prior day into one segregated batch. The CDS Payments Proof Record of cash and must reconcile to the cash and checks reported on the prior days Cash Sheet and adding tape. This provides a control such that the CDS Payments Proof Summary exactly matches the adding tape and deposit slip of the prior day.
- The assistant will review the prior day's deposit slip for window collections and the CDS Payment Proof to verify that they are in agreement. After this the transactions can be recorded in the Treasurer's Cashbook.
- The assistant will submit the CDS Payment Proof and the prior day's deposit slip to the accounting office. This serves as evidence of the application of all payments/receipts deposited at the bank to the accounts receivable system.
- Based on verification that the CDS Payment Proof and the bank deposit slip, the accountant then will post the transaction to the General Ledger assuming both source documents agree.



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## Financial Policies & Procedures

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Real Estate and Personal Property Tax	Issue Date: DRAFT
Abatement and Exemptions	Policy & Procedure No. 7.3

### **Objective:**

To establish policies and procedures for the effective and efficient handling of abatement and exemptions.

### **Departments Affected:**

All financial departments responsible for the processing and collection of real estate and personal property tax.

### **Policy:**

The Town's policy is to assure the correct application of taxpayers' abatements and exemptions to their accounts on a timely basis.

Exemptions are granted for one year only. The qualifying date is July 1<sup>st</sup> for veterans, blind, surviving spouses, elderly, and other along with tax deferrals that meet the statutory requirements.

The Assessor's office grants abatements for real estate and personal property if appropriate. Once approved by the Board of Assessors, or as a result of an appeal by the Appellate Tax Board by a taxpayer. The Assessor's office staff enters all abatements and exemptions into the CDS software and the PK system. As a result of the process, a Notice of Certificate of Abatement Document is created, signed by the Board of Assessors, and mailed to the taxpayer and provided to the Treasurer/Collector as evidence of the reduction in accounts receivable.

### **Procedures:**

- The Assessors forward documentation of each abatement or exemption that has been granted by the Board of Assessors to the Treasurer/Collector and to the Accountant. This is accomplished by printing and submitting the CDS Monthly Abatements/Exemptions Report. The Assessors will forward it with a transmittal signed by the majority of the Board of Assessors (as the abating authority). This activity has been updated in the CDS detailed receivable ledger.
- The CDS Monthly Abatement/Exemption Report is the source document for the Town Accountant to Post Summary Journal, which will post all of the period's tax related abatements and exemptions to the General Ledger.
- The Treasurer/Collector should review the abated accounts to determine any credit balances in real and personal property tax accounts caused by the granting of the abatement/exemption.



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- The Treasurer/Collector must issue a refund to any taxpayer whose account has a credit balance due to an abatement/exemption within 30 days.



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## Financial Policies & Procedures

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Real Estate and Personal Property Tax	Issue Date: DRAFT
Refunds	Policy & Procedure No. 7.4

### **Objective:**

To establish policies and procedures for the effective and efficient handling of real estate and personal property refunds.

### **Departments Affected:**

All financial departments responsible for the processing and collection of real estate and personal property tax.

### **Policy:**

The Treasurer/Collector is responsible for taxpayer refunds. Refunds for real estate and personal property are processed after May 1 (last tax due date) of any given year to assure all taxes due are for the fiscal year have been paid.

All precaution must be taken to assure the correct party receives the refund.

Refunds must be processed within 30 days (of the posting of the abatements/exemptions) for credit balances caused by the abatement/exemption.

### **Procedures:**

#### **Refunds on Overpayments**

- When a taxpayer contacts the Treasurer/Collector's office to indicate that their account has a credit balance and that they are due a refund, the staff will advise the taxpayer
  - To submit a letter requesting the refund
  - To provide proof of payment (copy of front and back side of cancelled check)
- Once the credit balance is verified in the accounts receivable system and this evidence of proof of payment is reviewed and verified, the Treasurer/Collector's staff will check other committed accounts (i.e. Excise Tax and water/sewer) to verify that the taxpayer is current in other payments to the Town.
- If the taxpayer is not current in the payment of other balances due to the Town, then the clerk applies (transfers) the credit balance from the overpaid account to the account with the outstanding balance. This is called a transfer payment. If the credit balance is greater than the amount that was applied to the outstanding balance, then the remaining credit balance shall be refunded.



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- If the taxpayer is current on all other accounts, then the clerk will prepare the Authorization for Payment listing the taxpayer and the amount to be refunded. Each refund listed on the Schedule of Bills Payable should be coded with appropriate accounts receivable code by fiscal year. This document must be signed by the Treasurer/Collector and is submitted to the Accounting office for payment on the warrant.
- When the warrant is approved and the checks are printed, clerk in the Treasurer/Collector's office does a final review to examine for errors. After final review a copy of the check is made and retained in the refund file created for that taxpayer with a copy of the authorizing documentation and the check is mailed.

### **Refund on Abatements**

- The same procedures as on above described refunds are followed. However, the taxpayer does not have to submit a copy of the canceled check, since the abatement has caused the overpayment and the abatement itself is the documentation to allow a refund.



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## Financial Policies & Procedures

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Real Estate and Personal Property Taxes	Issue Date: DRAFT
Special Situations	Policy & Procedure No. 7.5

### **Objective:**

To establish policies and procedures for the effective and efficient handling of real estate and personal property.

### **Departments Affected:**

All financial departments responsible for the processing and collection of real estate and personal property tax.

### **Policy:**

To assure the accurate calculation and subsequent handling of special situations that may occur in maintaining real estate and personal property tax.

### **Procedures:**

#### **CDS (Credit Balance) Reports**

- On a monthly basis, the Treasurer/Collector (or designee) shall print and review the CDS Credit Balance Reports for real and personal property to monitor the number of accounts with credit balances and the dollar amount of credit balances.
- For prior tax years, the Treasurer/Collector shall ensure that all credit balances are investigated and that the account is corrected if there has been an error, that the credit is posted to an outstanding balance in another account (i.e. personal property or water/sewer), or to assure that a refund is issued to the taxpayer. For the current tax year, credit balances are acceptable until the fourth quarter tax due date.
- In May and June, the Treasurer/Collector and staff shall research all current year credit balances and issue refund checks when appropriate. This should be done to prevent a liability on the Town's books, to assure that the taxpayer receives funds that are due to them on a timely basis, and to eliminate the cost of paying interest to taxpayers.
- The Treasurer/Collector shall submit a Report of Credit Balances by Year to the Accountant on a monthly basis so that the liability can be recorded on the Town's General Ledger and Balance Sheet.



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### **Omitted/Revised Assessments**

- The Assessors' office shall correct omitted or revised assessments either by June 20 or 90 days after the mailing of the tax bill, whichever is later. If the omission or revision is not corrected by June 20<sup>th</sup>, it cannot be corrected.
- The Assessors record the amount of the omitted assessments on State Tax Form 62. A warrant is issued by the Assessors to the Treasurer/Collector to collect taxes for the omitted assessment. Revised assessments are recorded on State Tax Form 63. One copy of the warrant is issued to the Treasurer/Collector and at the same time they provide one copy of the State Tax Form 63 to the Accountant for posting to the General Ledger and to provide an audit trail for the month-end reconciliation of the tax receivable.

### **Apportionment (of unpaid taxes)**

- An apportionment divides unpaid taxes between the assessed owner and the owner who is acquiring the property after the January 1 assessment date.
- Reassessments correct the already committed tax bill. Reassessments are issued because of various errors. There must be a balance of taxes due to issue a reassessment.
- A warrant is issued when a previously exempt property is sold. The Pro forma takes the property out of its exempt status. In this case, a letter is issued to the Treasurer/Collector identifying the property as an omitted assessment and a warrant is issued using State Tax Form 62 to assure that the full tax is collected. The warrant (State Tax Form 62) is also submitted to the Accountant for posting to the General Ledger.

### **Special Situations/Commitment/Receivable Update**

- The Treasurer/Collector must record the amount of taxes to be collected as a result of the omitted assessment or the revised assessment in CDS Accounts Receivable system.
- This procedure to adjust the commitment for the quarter is important and should be done by the Treasurer/Collector within a day or two of receipt of the warrant from the Assessors (i.e. State Tax Form 44, 62, or 63).
- The Treasurer/Collector will access the Commitment Maintenance in the CDS AR system, access the correct taxpayer account, and add the new taxes to be committed (for an omitted assessment) or adjust the taxes to be collected (for revised assessments).



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- The Treasurer/Collector should verify that all accounts that have been adjusted in CDS system reconcile to the source documents (revised and omitted assessment warrants from the Assessors).
- The Treasurer/Collector shall verify that the edit reports reconcile to the Assessors warrants.
- The documentation should be forwarded to the Accountant who is responsible to post the batch of commitment revisions to the General Ledger. The Accountant also has the original warrants as submitted by the Assessors.



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Real Estate and Personal Property Taxes	Issue Date: DRAFT
Delinquencies	Policy & Procedure No. 7.6

**Objective:**

To establish policies and procedures for the effective and efficient handling of real estate and personal property delinquencies.

**Departments Affected:**

All financial departments responsible for the processing and collection of real estate and personal property taxes.

**Policy:**

It is in the Town's best interest to its taxpayers to ensure that property taxes are paid when due. Town and School budgets are set in anticipation of the collection of taxes, and taxes not paid by some property owners shift the cost burden onto others. The Town intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a target 97% collection rate by fiscal year-end.

**Procedures:**

- Final taxes are due to be paid as of May 1<sup>st</sup> each year (i.e. the due date for the fourth quarter tax bill). No later than June 1<sup>st</sup>, the Treasurer/Collector will issue demand notices to all assessed property owners who have failed to pay in full, have not been granted full exemptions, and do not have automatic stays on record due to bankruptcy filing.
- The Treasurer/Collector will begin the tax taking process within sixty (60) days of the demand notice (see Section on Tax Title).



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## Financial Policies & Procedures

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Real Estate and Personal Property Taxes	Issue Date: DRAFT
Reconciliation	Policy & Procedure No. 7.7

**Objective:**

To establish policies and procedures for the effective and efficient handling of real estate and personal property reconciliation.

**Departments Affected:**

All financial departments responsible for the processing and collection of real estate and personal property taxes.

**Policy:**

The Town has an interest in ensuring all assets from committed bills are accounted for and balanced. To accomplish this, the Treasurer/Collector, Town Accountant, and Deputy Tax Collector, will make certain that all cash receipts are recorded timely, maintain control records for each receivable type and levy year, and verify the detail balance agrees with the receivable control on a monthly basis, no later than 15 days after the close of the prior month. The Treasurer/Collector and Town Accountant are both responsible to sign the Summary Accounts Receivable spreadsheet and then submit a copy of the signed summary to the Town Administrator as evidence that receivables are reconciled.

**Procedures:**

- The Town Accountant or designee will run a detailed receivables report at the end of every month, along with a general ledger summary report.
- The Town Accountant will compare all receivable totals between the Treasurer/Collector and General Ledger.
- Whenever the records do not agree, the Town Accountant must determine the discrepancy by verifying the various transactions (commitments, abatements, refunds, and chargebacks) against their supporting documents, comparing the total amount of posted payments to the turnovers accepted by the Treasurer/Collector, and determining whether any revenues were incorrectly recorded as payments to the commitment, such as interest or fees.
- A final Receivables Reconciliation Summary Statement is produced and signed by both the Treasurer/collector and the Accountant that states the receivable balances per the general ledger and per the Treasurer/Collector's billing ledger, and documents any adjustments to either the bills or the General Ledger.



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- The Receivables Reconciliation Summary Statement is submitted to the Town Administrator by the 15<sup>th</sup> of every month as documentation that the receivables are reconciled.



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## Financial Policies & Procedures

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Real Estate and Personal Property Taxes	Issue Date: DRAFT
Tax Taking	Policy & Procedure No. 7.8

### **Objective:**

To establish policies and procedures for the effective and efficient handling of real estate and personal property transfers to tax title.

### **Departments Affected:**

All financial departments responsible for the processing and collection of real estate and personal property taxes.

### **Policy:**

It is in the town's best interests to its taxpayers to ensure that property taxes are paid when due. Town and School budgets are set in anticipation of the collection of taxes, and taxes not paid by some property owners shift the cost burden onto others. The Town intends to pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a target 97% collection rate by fiscal year-end. The Town will also periodically pursue tax-taking and foreclosure actions with the primary objective of receiving all monies due. Any cost for collection accrue against the taxpayer and may add to the property lien.

Delinquent taxes represent a lien on property and remain in effect until all taxes, interest, and fees have been paid in full. The Treasurer/Collector will provide a listing of all individuals who are delinquent in paying taxes or other charges to the Town departments, board, and committee that issue licenses and permits in accordance with the Town bylaw. These authorities will review the list to deny, suspend, or revoke delinquent taxpayer's licenses and permits.

### **Procedures:**

- The Treasurer/Collector will begin the tax taking process within 60 days of the demand notice. State law allows the process to begin as soon as 15 days after the demand, but in every case, the Treasurer/Collector must complete the takings within 3.5 years form the end of the fiscal year for which the taxes were assessed to perfect the tax liens.
- The Treasurer/Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement.
- If this does not result in full remittance by September 1<sup>st</sup>, the Treasurer/Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient public places. From this point onward, only cash, certified check, or cashier's check are acceptable forms of payment.



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- Within 60 days of the tax taking announcements, the Treasurer/Collector shall prepare an Instrument of Taking for each delinquent property at the Registry of Deeds, the recording of which perfects the tax lien. After receiving the recorded instruments back from the Registry, the Treasurer/Collector will notify the affected property owners of the liens by sending each of them a letter and photocopy of the Instrument. The Treasurer/Collector will provide copies of the List of Recorded Takings to the Town Administrator and Board of Selectmen.
- All delinquent taxpayers are subject to charges, which are added to their accounts by the Treasurer/Collector. These charges include interest accrued to the date of taking, advertising fees, certified mailing costs, legal fees, and Instrument of Taking recording fees.

### **Subsequent Taxes:**

- After the demand bill and before June 15<sup>th</sup> each year, the Treasurer/Collector will certify all unpaid taxes and assessments for parcels of real estate taken into tax title for nonpayment of taxes in prior years and not yet redeemed and put them in a Subsequent Tax Takings list. The Treasurer/Collector will provide copies of the list to the Town Accountant and retain one on file.



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Real Estate and Personal Property Taxes	Issue Date: DRAFT
Tax Title Payments	Policy & Procedure No. 7.9

**Objective:**

To establish policies and procedures for the effective and efficient handling of real estate and personal property transfers to tax title.

**Departments Affected:**

All financial departments responsible for the processing and collection of real estate and personal property taxes.

**Policy:**

The Treasurer/Collector will pursue and establish payment agreements for parcels in tax title to allow delinquent taxpayers to pay off their tax liens over time. The Treasurer/Collector will actively monitor compliance with all agreements, which will have the following features in common:

- Signed agreement between the Treasurer/Collector and taxpayer
- Upfront payment of at least 25 percent of the full balance owed
- Specific amount to be paid each month
- Incorporation of payments for the current tax bill
- Agreement term not exceeding five years
- Statement that defaulting on the agreement will immediately trigger foreclosure action by the Town.



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## Financial Policies & Procedures

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Real Estate and Personal Property Taxes	Issue Date: DRAFT
Tax Foreclosure	Policy & Procedure No. 7.10

### **Objective:**

To establish policies and procedures for the effective and efficient handling of real estate and personal property tax foreclosures.

### **Departments Affected:**

All financial departments responsible for the processing and collection of real estate and personal property taxes.

### **Policy:**

The primary goal to the Town's foreclosure process is to receive the outstanding amounts owed, including all costs for collection and fees that have accrued on the lien.

### **Procedures:**

- At least once per year, the Treasurer/Collector will review all tax title properties that are older than 180 days and do not have payment agreements or bankruptcy recordings. From these, the Treasurer/Collector will identify all properties of significant value to process them for potential foreclosure in Land Court. To do this, the Treasurer/Collector will thoroughly verify the properties' enforcement histories before referring them to the tax title attorney, beginning with those having the largest dollar value of taxes owed.
- As manager of the service contract, the Treasurer/Collector will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer/Collector will work with the tax title attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking.
- The tax title attorney will research the tax title properties and also mail new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of potential foreclosure action.
- If a taxpayer or other party pay the outstanding amount on a tax title property, the Treasurer/Collector will prepare an Instrument of Redemption and file it a the Registry of Deeds, which removes the lien. Redemption can only be done prior to the property being foreclosed.
- If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action in Land Court, possibly resulting in auctioning of the property.



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- In addition to Land Court foreclosure referrals, the Treasurer/Collector is responsible for completing foreclosures on any properties below the "Land of Low Value" threshold, which is annually updated each spring by the Division of Local Services.



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## Financial Policies & Procedures

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Purchasing Process	Issue Date: DRAFT
Supplies and Services	Policy & Procedure No. 8.1

### **Objective:**

- To establish policies and procedures for the purpose of purchasing supplies and services as described in Mass. General Laws Chapter 30B.
- To provide guidance to department heads as to the proper use and effective management of public purchasing supplies and services and to establish a process for the screening of conflicts of interest.

### **Departments Affected:**

All departments, boards, and commissions responsible for the protection of Town's resources.

### **Policy:**

The Town shall follow the guidance contained in the Inspector General's "The Chapter 30B Manual: Procuring Supplies, Services and Real Property" in order to comply with the requirements of M.G.L. Ch. 30B. To supplement this guidance, the Chief Procurement Officer will maintain a concise manual on purchasing procedures for department heads or others involved in Town purchasing procurement.

- For purchases under \$10,000 "sound business practices" should be used.
- For purchases between \$10,000 and \$59,999, three oral or written quotes must be obtained and a signed Procurement Form must be completed to outline all details of the quotes. The Procurement Form must be submitted to the Town Accountant as soon as possible, but at the latest when an invoice is submitted for payment.
- Purchases over \$50,000 must be competitively bid through the sealed bidding process. The Chief Procurement Officer has responsibility for monitoring these bids for compliance with Chapter 30B.
- Exempt purchases need Procurement Forms to show acknowledgment of exemption. For exempt purchases, only one form has to be completed and kept on file for that fiscal year.
- Refer to the Chief Procurement Officer's Purchasing manual for detailed procedures.
- In the event of an emergency, the department head can purchase directly any supplies or services essential to the health and safety of persons and property. The Chief Procurement Officer must be notified as soon as possible in order to obtain any necessary waivers.



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- In the event a vendor has been chosen by the Town through the procurement process to provide a specific supply or services for a specific time period, that vendor must be used for all specified purposes whenever reasonably possible.
- **Invoices cannot be paid unless procurement procedures have been followed.**

### **Procedure Between \$10,000 and \$49,999**

- DETERMINE WHAT YOU NEED TO BUY. If you can reasonably expect your purchases for a particular service or good to be over \$10,000 during the course of the fiscal year, you should follow the relevant procurement procedures. For example, if you know you need 20 desks at \$600 each, you cannot buy them separately to avoid obtaining 3 quotes. Be sure you can justify with a good business reason, the practice of small, frequent purchases from one vendor.
- WRITE A PURCHASE DESCRIPTION. This assures there is no discrepancy in what is told to each vendor from whom bids are solicited. Include:
  - Detailed description of item or service
  - Quantities required
  - Schedule of performance
  - Delivery terms
  - Payment terms
  - Insurance or other special requirements
- ESTIMATE THE COST OF YOUR NEEDS. This step only begins the process. The contract price, not your estimate, determines the procedures to follow. If you go through the phone quote procedure and the lowest bid is \$50,000, then you must do a formal bid. If, after investigation, the cost of the good or service is over \$10,000, you must obtain 3 phone quotes.
- SOLICIT PHONE QUOTES OR WRITTEN QUOTES
- DOCUMENT THE INFORMATION ON THE PROCUREMENT FORM.
- SUBMIT THE PROCUREMENT FORM FOR APPROVAL AND AWARD. The Chief Procurement Officer (CPO) must approve the form and award the contract. The contract is awarded to the lowest bidder who is responsive (offering the quality of supply or service needed) and responsible (demonstrates the ability, capacity and integrity to perform the contract.) DO NOT ORDER the goods or services until this step has been completed.

### **Procedure over \$50,000**

- DETERMINE WHAT YOU NEED TO BUY. If you can reasonably expect your purchases for a particular service or good to be over \$50,000 during the course of the fiscal year,



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you should follow the relevant procurement procedures. For example, if you know you need 35 computers at \$1500 each, you cannot buy them separately to avoid the formal bid process. Be sure you can justify, with a good business reason, the practice of small, frequent purchases from one vendor.

- WRITE AN INVITATION FOR BID. This assures there is no discrepancy in what is told to each vendor from whom bids are solicited. Include:
  - Detail description of item or service
  - Quantities required
  - Schedule of performance
  - Delivery terms
  - Payment terms
  - Insurance or other special requirements
- ESTIMATE THE COST OF YOUR NEEDS. This step only begins the process. The contract price, not your estimate, determines the procedures to follow. If you go through the phone quote procedure and lowest bid is \$50,000, then you must do a formal bid.
- Advertise on the COMMBUYS system at least 2 weeks prior to bid opening as well as in the local newspaper.
- DOCUMENT ALL COMPANIES THAT HAVE PICKED UP THE BID DOCUMENTS ON THE PORCUREMENT FORM.
- HOLD THE BID OPENING AND AWARD THE CONTRACT. The Chief Procurement Officer (CPO) must approve the form and award the contract. The contract is awarded to the lowest bidder who is responsive (offering the quality of supply or service needed) and responsible (demonstrates the ability, capacity and integrity to perform the contract.) DO NOT ORDER the goods or services until this step has been completed.
- PREPARE A CONTRACT WITH TERMS AND CONDITIONS. The CPO must prepare 3 copies of a written contract signed by the vendor. Include all information from the purchase description (#2 above). One copy is kept with the awarding department, one with the CPO and the last with the Town Accountant.



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Purchasing Process	Issue Date: DRAFT
Building and Public Works Construction	Policy & Procedure No. 8.2

### **Objective:**

- To establish policies and procedures for the purpose of purchasing construction-related supplies and services as described in Mass. General Laws Chapter 149 and Chapter 30 Section 39M for building projects and public works projects.
- To provide guidance to department heads as to the proper use and effective management of public purchasing supplies and services and to establish a process for the screening of conflicts of interest.

### **Departments Affected:**

All departments, boards and commissions responsible for the protection of Town's resources.

### **Policy:**

The Town shall follow the guidance contained in the Inspector General's "The Chapter 30B Manual: Procuring Supplies, Services and Real Property" in order to comply with the requirements of M.G.L. Ch. 30B. To supplement this guidance, the Chief Procurement Officer will maintain a concise manual on purchasing procedures for department heads or others involved in Town purchasing procurement.

- For purchases under \$10,000 "sound business practices" should be used.
- For purchases between \$10,000 and \$49,999, three oral or written quotes must be obtained and a signed Procurement Form must be completed to outline all details of the quotes. The Procurement Form must be submitted to the Finance Office as soon as possible, but at the latest when an invoice is submitted for payment.
- Purchases over \$50,000 must be competitively bid through the sealed bidding process. The Chief Procurement Officer has responsibility for monitoring these bids for compliance with Chapter 30 Section 39M.
- Exempt purchases need procurement forms to show acknowledgment of exemption. For exempt purchases, only one form has to be completed and kept on file for that fiscal year.
- Refer to the Chief Procurement Officer's Purchasing manual for detailed procedures.
- In the event of an emergency, the department head can purchase directly any supplies or services essential to the health and safety of persons and property. The



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Chief Procurement Officer must be notified as soon as possible in order to obtain any necessary waivers.

- **Invoices cannot be paid unless procurement procedures have been followed.**

### **Procedure Between \$10,000 and \$49,999**

- DETERMINE WHAT YOU NEED TO BUY. If you can reasonably expect your purchases for a particular service or good to be over \$10,000 during the course of the fiscal year, you should follow the relevant procurement procedures. For example, if you know you need 20 desks at \$600 each, you cannot buy them separately to avoid obtaining 3 quotes. Be sure you can justify, with a good business reason, the practice of small, frequent purchases from one vendor.
- WRITE A SCOPE OF WORK STATEMENT. This assures there is no discrepancy in what is told to each vendor from whom bids are solicited. Include:
  - Detail description of item or service
  - Quantities required
  - Schedule of performance
  - Delivery terms
  - Payment terms
  - Insurance or other special requirements
- ESTIMATE THE COST OF YOUR NEEDS. This step only begins the process. The contract price, not your estimate, determines the procedures to follow. If you go through the phone quote procedure and the lowest bid is \$50,000, then you must do a formal bid. If, after investigation, the cost of the good or service is over \$10,000, you must obtain 3 phone quotes.
- SOLICIT PHONE QUOTES OR WRITTEN QUOTES.
- DOCUMENT THE INFORMATION ON THE PROCUREMENT FORM.
- SUBMIT THE PROCUREMENT FORM FOR APPROVAL AND AWARD. The Chief Procurement Officer (CPO) must approve the form and award the contract. The contract is awarded to the lowest bidder who is responsive (offering the quality of supply or service needed) and responsible (demonstrates the ability, capacity and integrity to perform the contract.) DO NOT ORDER the goods or services until this step has been completed.



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### **Procedure over \$50,000:**

- DETERMINE WHAT YOU NEED TO BUY. If you can reasonably expect your purchases for a particular service or good to be over \$50,000 during the course of the fiscal year, you should follow the relevant procurement procedures. For example, if you know you need 35 computers at \$1500 each, you cannot buy them separately to avoid the formal bid process. Be sure you can justify, with a good business reason, the practice of small, frequent purchases from one vendor.
- WRITE AN INVITATION FOR BID. This assures there is no discrepancy in what is told to each vendor from whom bids are solicited. Include:
  - Detail description of item or service
  - Quantities required
  - Schedule of performance
  - Delivery terms
  - Payment terms
  - Insurance or other special requirements
- ESTIMATE THE COST OF YOUR NEEDS. This step only begins the process. The contract price, not your estimate, determines the procedures to follow. If you go through the phone quote procedure and the lowest bid is \$50,000, then you must do a formal bid.
- Advertise on the COMMBUYS system at least 2 weeks prior to bid opening as well as in the local newspaper.
- DOCUMENT THE ALL COMPANIES THAT HAVE PICKED UP THE BID DOCUMENTS ON THE PROCUREMENT FORM.
- HOLD THE BID OPENING AND AWARD THE CONTRACT. The Chief Procurement Officer (CPO) must approve the form and award the contract. The contract is awarded to the lowest bidder who is responsive (offering the quality of supply or service needed) and responsible (demonstrates the ability, capacity and integrity to perform the contract.) DO NOT ORDER the goods or services until this step has been completed.
- PREPARE A CONTRACT WITH TERMS AND CONDITIONS. The CPO must prepare 3 copies of a written contract signed by the vendor. Include all information from the purchase description (#2 above.) One copy is kept with the awarding department, one with the CPO and the last with the Town Accountant.