

Town of Wenham

Financial Policies and Procedures

Part I Approved

Accounts Payable Policies and Procedures

**Approved by:
Board of
Selectmen**

**Effective:
09/09/14**

PURPOSE:

To establish bill payment standards and practices to assure that all invoices presented are legal obligations of the Town, are paid from valid appropriations or encumbrances and are obligations of the current fiscal year.

AUTHORITY:

MGL Chapter 44 §§52, 56, 58 and 64

INVOICE REVIEW, PROCESSING AND PRODUCTION OF THE WARRANT

POLICY:

The policy of the Town is that the Accountant's office shall assure the timely payment of all original invoices and vouchers submitted and approved by authorized municipal officials. In order to accomplish this, the town's policy is that vendors are paid no less than bi-weekly. The town's policy further requires that vendor invoices are only paid after verification of available funds for said purpose and upon evidence of compliance with procurement requirements consistent with state law.

PROCEDURES:

Appropriate Documentation

Town departments shall submit invoices for payment to the Accountant's office as follows.

New Vendors

- Vendors shall not be paid until they have been entered into the Town Accountant's Vendor file. Departments are required to submit fully completed W9's and appropriate bid documentation if payment is result of procurement through MGL.

Authorization for Payment

- Only original invoices shall be submitted. They shall be covered with a *Schedule of Bills Payable* form. The bill schedule shall be signed by the appropriate municipal official as verification of receipt of the services/materials before they

are turned it to the Financial Offices for payment processing Only original signatures are accepted; stamped signatures are not allowed.

- The Accountant's 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 Bills Payable. This includes but is not limited to the council on aging, library trustees, board of assessors, and board of health. A majority of the board is required to sign the Schedule of Bills Payable.
- When submitted, a signed Schedule of Bills Payable shall list each invoice presented for payment, the account to be charged and the total of bills payable on that schedule. When applicable, a copy of the purchase order and delivery documentation shall be attached as evidence of compliance with procurement requirements. The Town's Accounting system will have a report prescribed by the Town Accountant's Office that will meet the requirement of this section.
- A municipal official may seek to assign temporary signature authority to another municipal official. This process allows an alternate official to sign the Schedule of Bills Payable. Temporary signature authority is acquired by submitting a letter to the Accountant's office with the supporting details.

Departmental entry of payables in Accounting System

- All Town departments are authorized to enter payables data, and the treasurer/collector is authorized to enter refund data into the TOWN'S FUND ACCOUNTING payables module.
- All invoices related to the week's Schedule of Bills Payable prepared by an authorized department shall be entered for processing via the TOWN'S FUND ACCOUNTING system in the TOWN'S FUND ACCOUNTING AP Invoice Entry Module.
- When the department has reviewed and confirms that the Schedule of Bills Payable and the TOWN'S FUND ACCOUNTING Payables Batch reconcile, then the Schedule of Bills Payable and all the original documentation shall be submitted to the Accountant's office for review and additional processing.
- The Accountant or his/her designee enters all other department's invoices.

Accountant's Office Review of Payables

- The Accountant or his/her designee shall review all invoices submitted for:
 - Verification of mathematical accuracy of
 - Verification of delivery when applicable
 - Verification that the bill is not a statement
 - Verification that the Town has not been charged sales tax
 - Verification that applicable discounts have been utilized
 - Verification that vendor record is set up correctly.
- The Accountant or his/her designee shall review all invoices submitted for:

- Verification of fund, org and account coded/charged
- Verification of compliance with procurement requirements
- Verification of sufficiency of funds.
- After entering all invoices, the Accountant or his/her designee shall run a TOWN'S FUND ACCOUNTING Preliminary Warrant and verify that the TOWN'S FUND ACCOUNTING 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.
- When this process has been completed for all departments submitting bills for payment, a TOWN'S FUND ACCOUNTING Edit List shall be run and reconciled to a town-wide total of all Schedules of Bills Payable for that week.
- The Accountant or his/her designee will run the TOWN'S FUND ACCOUNTING Payments Journal to verify that no vendor has a credit balance.
- The Accountant or his/her designee will then run the TOWN'S FUND ACCOUNTING Check Reconciliation report and will verify the vendor count to the number of checks.

Accountant's Review

Upon completion of these steps, a final edit listing of the warrant for the week shall be produced by/for to the Accountant for review.

- The focus of the Accountant's review shall be:
 - Appropriateness of fund, organization and account charged
 - Sufficiency of funds.
- In the instance of insufficient funds, the invoice shall be removed from the warrant and the invoice shall not be paid until budgeted funds are transferred, or until there is an authorized funding source.
- Upon approval of the TOWN'S FUND ACCOUNTING Preliminary Warrant, the Accountant or his/her designee shall produce the Final Warrant. Two copies of the warrant shall be produced for the Accountant's signature.

Revisions to Department's Payables

- Any invoice that cannot be paid shall be sent back to the department indicating the reason.

Submittal of Warrant to the Town Administrator/BOS for Signature

After signature of the warrant by the Accountant, the warrant shall be submitted to the Town Administrator and Board of Selectmen for signature. The payables checks will be released after the majority of the Board of Selectmen have reviewed and signed the warrant.

UNPAID BILLS OF THE PRIOR YEAR

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 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 to Special Town Meeting for a vote as to its disposition, consistent with the requirements of MGL Chapter 44 §64.

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. The Accountant will review the bill with the department head.
- 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 bill and potential funding options.
- The Town Administrator will present a recommendation to the Board and 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 by Town Meeting from any available funds.
- The appropriation can only be approved with a four-fifths vote of Annual Town Meeting or a nine-tenths vote of a special Town Meeting.
- The proper municipal official or their lawful surrogate and the lawful vendor shall, under penalty of perjury, complete a prescribed certificate for presentation to the Board of Selectmen. At the time of payment, the invoice and certificates shall be submitted to the Accountant along with the proper Schedule of Bills Payable.

**BUDGET ADMINISTRATION AND FINANCIAL REPORTING
POLICIES AND PROCEDURES**

**Approved by:
Board of
Selectmen**

**Effective:
09/09/14**

PURPOSE:

To establish budget administration and financial reporting standards and practices that accurately report the financial position of the town's funds at the close of each month and on a timely basis after the close of the fiscal year.

AUTHORITY:

MGL Chapter 40 §6
MGL Chapter 41 §§57, 58, 60 and 61
MGL Chapter 44 §§20, 30B and 53E ½
MGL Chapter 71 §47

GENERAL FUND

Budget Posting - Appropriations Order

Policy:

After the Town Meeting approves the Finance Committee's proposed budget (or votes to decrease the budget), Town Meeting then adopts the budget appropriations order. By doing so, Town Meeting authorizes the various departments to expend money effective as of July 1st based on appropriations for specific categories as prescribed by the Finance & Advisory Committee for each department of the Town.

Procedures:

- The Town Clerk sends the Accountant the budget as voted by Town Meeting within 10 days after the close of Town Meeting.
- Prior to the commencement of the new fiscal year, the Accountant records the appropriations in the Budget Module of the TOWN'S FUND ACCOUNTING system.
- The amounts voted are entered by the specific appropriation control levels for each respective department, (i.e. total amount appropriated for salaries, for expenses etc). All entries should be reviewed and reconciled to the Town Meeting's appropriation order by the Accountant.
- The Accountant should also record the preliminary revenue budget and should record all free cash and other available funds appropriated so that current year-end financial statements properly recognize all current year funds appropriated to support the Town's following year budget.

Tax Recapitulation Sheet Posting

POLICY:

The final budget of the Town as set forth on the town's annual *Tax Recapitulation Sheet* shall be recorded within ten days of the certification of the tax rates by the Department of Revenue (DOR). This usually occurs in late November or December.

PROCEDURES:

Although the budget was adopted in April of the prior year for July 1st, the final revenue budget cannot be recorded, as the actual tax rate is not set until late November or early December. After this process and approval of the Tax Recapitulation Sheet by DOR, the Accountant must prepare various journal entries to record the final revenue budget of the Town for the fiscal year.

The Accountant and Finance Director should record budget adjustments to:

- Property *Tax Levy Budget* as a function of final new growth
- Final *Overlay Amount* (provision for abatements and exemptions)
- Final *Cherry Sheet* receipts
- Final *Local Receipts* estimates (based upon the final tax levy, overlay, etc.).

Recording Budget Amendments voted by Special Town Meetings

POLICY:

The policy of the Town is that the accounting office is to record all types of budget amendments as voted by Town Meeting within five business days of the notification by the town clerk to approve the amendment and appropriate and/or transfer funds.

PROCEDURES:

On an annual basis, Town Meeting adopts the operating budget of the Town no later than June 30th. Over the course of the fiscal year the adopted budget may be amended as a result of the following types of actions:

1. Supplemental appropriations funded by *Free Cash* – Town Meeting Action
2. Supplemental appropriations funded by *Interfund Transfers* - Town Meeting Action
3. Supplemental appropriations funded by a new revenue source -Town Meeting Action
4. Interdepartmental and intradepartmental transfers Town Meeting Action
5. Other year-end transfers as allowed by MGL Chapter 44 §33B, which governs appropriation transfers in cities and towns - BOS & FINCOM
6. Supplemental appropriations funded by *Unexpended Articles* - Town Meeting Action
7. Supplemental appropriations funded by *Overlay Surplus* - Town Meeting Action

8. *Reserve Fund* transfers allowed under MGL Chapter 40 §6, - FINCOM

Each type of amendment requires a unique budget entry to record the vote.

- **Budget Amendments/Supplemental appropriations funded by Free Cash**

When the Town Administrator and Finance Committee recommend the use of Free Cash as the source to fund an appropriation, and Town Meeting votes to approve this use of Free Cash, the Accountant then records the additional appropriation in the *Budget Module* of TOWN'S FUND ACCOUNTING and adjusts the *Undesignated Fund Balance* in the General Ledger in accordance with the UMAS manual.

- **Supplemental appropriations funded by interfund transfers**

When the town administrator and finance committee recommend the use of a fund balance from another fund (i.e. *Stabilization Fund, Receipts Reserved for Appropriation*) and Town Meeting votes to do so, the Accountant records the amendment in the TOWN'S FUND ACCOUNTING *Budget Module* to increase the respective budget and records the Interfund Transfer in accordance with the UMAS manual.

- **Supplemental appropriations funded by new/additional revenue sources**

Normally, additional revenues in excess of budget estimates stated on the Tax Recapitulation Sheet are not available for appropriation during the fiscal year; the additional revenues are received and recorded and simply close to undesignated fund balance at year-end. When Free Cash is certified, these funds are usually available for appropriation. On occasion, the DOR allows municipalities to use new or additional revenues as the funding source during the fiscal year and after approval of the Tax Recapitulation Sheet. A vote of Town Meeting to appropriate based on a DOR authorized revenue source is recorded by

- Increasing the respective departmental budget appropriation and
- Increasing estimated revenue in accordance with the UMAS manual.

- **Interdepartmental and intradepartmental transfers**

The Town Administrator and Finance Committee may recommend that Town Meeting fund a supplemental appropriation without the need to use fund balances or new revenue sources by transferring from one category of appropriation or from one department to another department. A vote of Town Meeting to authorize a transfer from one appropriation is recorded by:

- Increasing the respective appropriation and
- Decreasing the source appropriation in the TOWN'S FUND ACCOUNTING *Budget Module* in accordance with the UMAS manual.

- **Funded by unexpended articles**

The Town Administrator and Finance Committee may recommend that Town Meeting fund a supplemental appropriation without the need to use fund balances or new revenue sources by transferring from unexpended balances in voted articles. A vote of Town Meeting to authorize a transfer from unexpended article balances is recorded by:

- Increasing the respective appropriation and
- Decreasing the article balance in the TOWN'S FUND ACCOUNTING *Budget Module* in accordance with the UMAS manual.

- **Funded by Overlay Surplus**

The Town Administrator and Finance Committee may recommend that Town Meeting fund a supplemental appropriation without the need to use fund balances or new revenue sources by transferring from Overlay Surplus. A vote of Town Meeting to authorize a transfer from Overlay Surplus is recorded by:

- Increasing the respective appropriation *and*
- Reducing the Overlay Surplus in the TOWN'S FUND ACCOUNTING Budget Module in accordance with the UMAS manual.

Monthly Financial Reporting

Expenditure Reports

POLICY:

The policy of the Town is that all expenditure budgets will be reviewed on a monthly basis by department heads. The official record of expenditures is the town's General Ledger as maintained by the Accountant, and department heads must submit documentation to support a journal entry if an account on the General Ledger needs adjustment.

PROCEDURES:

- The Accountant shall notify department heads via email when each period or month is closed. The email indicates which payroll warrant and which accounts payable warrant is included in the period or month. Departments are required to print the TOWN'S FUND ACCOUNTING Year-to-Date Report for their department.
- Department heads must return the Year-to-Date Report with a signature indicating all activity is correct. If the department head does not agree they must submit documentation of the issue or variance and request a journal entry.
- Departments at any time (and more frequently than at month end) may access their current balances by accessing the General Ledger Inquiry module of TOWN'S FUND ACCOUNTING. This module will show the current balance of any account as of that date. Departments are encouraged to do so.
- The Finance Director will prepare a brief summary level expenditure analysis report for distribution to the Board of Selectmen, Town Administrator and Finance Committee within 15 days after the close of each month. The report shall indicate expenditure and encumbrance activity to date, and shall indicate any potential issues with the viability of the budget.

Revenue Reports

POLICY:

The policy of the Town is that all revenue budgets will be reviewed on a monthly basis by department heads. The official record of revenues is the Town's General Ledger as maintained by the Accountant, and department heads must submit documentation to support a journal entry if a revenue account on the General Ledger needs adjustment.

PROCEDURES:

- After the close of the month, departments will print copies of the TOWN'S FUND ACCOUNTING Year-to- Date Budget Report - (revenues through date). This report indicates the Revenue Budget/Estimate, the Actual Year-to-Date Revenue, MTD Revenue and the Remaining Revenue (to be collected), as well as the Percent Collected.
- The TOWN'S FUND ACCOUNTING Revenue Report shall be distributed to respective department heads, to the Town Administrator, and to the Chair of the Finance Committee.
- If a department head finds that a departmental receipt turned over to the treasurer/collector's office is not recorded on the General Ledger as revenue, the finding shall be documented and reported to the Accountant.
- The Finance Director shall prepare a brief Summary Level Revenue Analysis Report for distribution to the Town Administrator, Board of Selectmen and to the Finance Committee for each month, by the fifteenth of the following month. The report shall indicate revenue activity to date (the six month point) in comparison to the "budgeted revenue" and shall indicate any potential issues with the viability of the revenues to sustain the adopted budget.

Quarterly and Year-End Financial Reporting

Full Set of Financials

POLICY:

The policy of the Town is that the Accountant shall prepare and issue quarterly and year-end financial statements to the Town Administrator, the Board of Selectmen, the Finance Committee and the Department Heads in order to report and inform them of the financial status of the Town.

PROCEDURES:

Year-end Financial Reporting

- The Accountant shall prepare within 60 days of June 30th, the close of the fiscal year, the combined balance sheet and the DOR year-end reporting packet and Free Cash Worksheet. These reports shall be submitted to the town administrator and then distributed to the Finance Committee and Board of Selectmen.

- Within 60 days of the close of the fiscal year (August 31st), UMAS financial statements including individual fund, combining fund and combined funds balance sheets and operating statements shall be issued by the Accountant. These statements shall be submitted to the town administrator and then distributed to the Finance Committee and Board of Selectmen and be available for the independent CPA firm.
- On or before November 30th, the Accountant shall submit *Schedule A* to the DOR.

Year-End Closing

POLICY:

The policy of the Town is that the Accountant shall complete the year-end close no later than August 31st, 60 days after the close of the fiscal year, in order to issue year-end financial statements (UMAS and GAAP) and to assure the timely certification of Free Cash. If for reasons outside of normal operations this timetable cannot be met, the Town Accountant will provide written notice to the Town Administrator and Board of Selectmen no later than 10 days prior to the deadline with an explanation of the potential delay, and an estimated completion date.

PROCEDURES:

- By June 1st the Accountant shall prepare a year-end closing guidance memo to all departments. The memo should give directions for:
 - The deadline of submission for all bills payable for the current fiscal year
 - The deadline for submittal of all encumbrances and requests for carry-overs of funds
 - An advisory on MGL regarding *Unpaid Bills of the Prior Year*.
- Departments may request encumbrances for any goods or services ordered but not received as of June 30th. The *Request for Encumbrance* shall be supported by a purchase order or a contract/agreement executed prior to the close of the fiscal year.
- Detailed receivable lists shall be run for all receivables and the timing of commitments and receipts coordinated with the treasurer/collector's office. No entries for commitments, receipts, abatements or other adjustments shall be entered into the accounts receivable system for the new fiscal year beginning July 1st until year-end detailed reports are run (normally two to three days after year-end).
- Accounts receivable credit balances must be identified and investigated. If the balances are not part of the detailed reports they must be summarized for comparison to General Ledger accounts. Tax title records, which are not on the computer system, shall be summarized and listed by taxes, liens, betterments, interest and fees.
- The Treasurer/Collector shall advise the Accountant of the last receipt entries posted into the collections system and included in deposits for the closing fiscal year. Deposits shall be made by noon of the next business day subsequent to year-end closing. Any un-posted items for unidentified receipts must be resolved and posted prior to closing.

- Year-end commitments for water shall be reported to the Accountant based on the date posted to the receivable system.
- Prior to closing, trial balances shall be printed and reconciling procedures as described above shall be applied to all accounts. Year-end closing entries to fund balance accounts shall be made where appropriate. Other adjustments shall be made, as necessary and final trial balances of all accounts shall be printed.
- Year-end reports shall be distributed to all departments for their review and approval. After all approvals have been obtained and all accounts adjusted, a complete detailed General Ledger shall be printed for all funds. The detailed General Ledger shall be compared to the trial balances for consistency. The detailed General Ledger and supporting trial balances shall be retained in the accounting office for future reference. In addition, tape back-up of the complete TOWN'S FUND ACCOUNTING data files should be retained.
- The Accountant shall print copies of the final year-end balance sheets, revenue reports and expenditure reports for all funds. The reports shall be retained in the *Year-end Close* binder and shall serve as the source documents for *Schedule A* and the *Year-end Free Cash Submittal* information to DOR.
- Closing entries for revenue and expenditure accounts are automatically performed in the TOWN'S FUND ACCOUNTING system. The beginning balances brought forward into the new fiscal year shall be compared to the final balance sheets to assure that the system has closed correctly.

Preparation and Submittal of Year-End Reporting Packet to DOR

POLICY:

The Department of Revenue - Bureau of Accounts (DOR) must certify Free Cash after the close of each fiscal year. Once Free Cash is certified, these funds are available for appropriation by Town Meeting for any purpose recommended by the Town Administrator and Finance Committee. Each year the Town will submit a timely filing (no later than the first week of September) of all year-end documents to the DOR in order to have Free Cash certified on a timely basis.

It is Town policy to regard Free Cash as a non-recurring revenue source, which is available for appropriation:

PROCEDURES:

- The Accountant will complete the Town's year-end UMAS financial statements (balance sheet and operating statement) no later than August 31st.
- The Accountant will complete the DOR end of year-end Free Cash Checklist.
- The Town Administrator will review the above documents and the documents should be submitted to DOR for certification of Free Cash.
- The Accountant should inform the Town Administrator and the Finance Committee of the projected amount of funds to be certified as "Free Cash". The Accountant should also submit a report explaining the key factors contributing to

the new Free Cash balance, including significant departmental turn backs (unexpended funds), actual revenues in excess of budgeted revenues, the close out of overlay surplus and the like.

- The Free Cash certification letter/email, when received by the Accountant, should be distributed to the Town Administrator, Finance Committee, Board of Selectmen, Board of Assessors, Finance Director, Treasurer/Collector, and the Town Clerk.

Preparation and Submittal of Schedule A to DOR

POLICY:

The policy of the Town is that the Accountant shall file *Schedule A* with the DOR by their annual deadline, normally November 30th. Schedule A is a comprehensive report of all of the town's revenues for all town funds, and of all expenditures by category of expenditure for all funds of the Town.

PROCEDURES:

- The Accountant shall prepare Schedule A after the close of the fiscal year and completion of all UMAS financial statements.
- The source document for all revenues to be reported on Schedule A shall be the Year-end Revenue Subsidiary Ledger.
- The source document for all expenditures to be reported on Schedule A shall be the Year-end Expenditure Subsidiary Ledger.
- The Accountant shall file Schedule A electronically on the prescribed DOR software.

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