

**Town of Wenham**  
**Financial Policies and Procedures**

Part 2 Approved

**Miscellaneous Funds  
Policies and Procedures**

**Approved by:  
Board of  
Selectmen**

**Effective:  
09/01/15**

**SPECIAL REVENUE FUNDS**

**Revolving Funds**

**POLICY:**

The Town has two types of *Revolving Funds*:

1. Funds established pursuant to MGL Chapter 44 §53E1/2 and
2. Funds established based upon acceptance of specific statutes authorizing revolving funds for specific purposes.

The Town's policy is to comply with the Commonwealth's laws and the Department of Revenue's standards that govern each category of revolving fund.

**PROCEDURES for Chapter 44 §53E1/2 Revolving Funds:**

- The Accountant shall oversee and assure that an annual expenditure budget and revenue budget is prepared for all Chapter 44 §53E1/2 revolving funds of the Town. The revolving fund requests by the department shall be prepared based on the same guidelines and standards distributed by the Town Administrator to department heads for preparation of their annual General Fund budgets. The budgets shall be subject to the same level of review as all General Fund expenditure proposals.
- The proposed revolving fund revenues and expenditures shall be included as part of the Administrator's proposed budget for the ensuing fiscal year.
- Town Meeting must vote the *Annual Expense Budget Authorization* for all Chapter 44 §53E1/2 revolving funds. The authorization shall be included as a separate section of the *Appropriations Order*. In any fiscal year the limit on the amount that may be spent from a revolving fund may be increased with the approval of the Board of Selectmen and Finance Committee provided, however, that the one percent limit established by clause (4) of the third paragraph of Chapter 44 Section 53E1/2 is not exceeded.
- The Accountant shall assign a separate fund in the chart of accounts for the revolving fund.
- Notwithstanding the fact that Town Meeting has voted a spending limit for

Chapter 44 §53E1/2 funds, expenditures cannot be authorized for payment by the Accountant that exceed the sum of the fund balance and the year-to-date revenues.

- Town Meeting must annually vote to authorize all of these funds.
- Unexpended balances shall revert back to the General Fund at year-end if that specific Chapter 44 §53E1/2 revolving fund is not re-activated at the Annual Town Meeting for use during the following fiscal year.

**PROCEDURES for Other Revolving Funds:**

- The Accountant will record expense budgets for each revolving fund based on actual revenues received for that fund.
- The Accountant shall adjust the expense budget for the fund based on additional revenues reported on the *Schedule of Departmental Payments to the Treasurer* received from the Treasurer/Collector.

**Receipts Reserved for Appropriation Funds**

**POLICY:**

The Town has several *Receipts Reserved for Appropriation Funds* that, pursuant to Massachusetts General Laws, require the Town Meeting to vote an appropriation as the authorization for any expenditure from the fund. Receipts reserved for appropriation funds include insurance reimbursement greater than \$20,000, sale of surplus property, etc.

**PROCEDURES:**

- The Accountant shall certify the total receipts reserved for appropriation funds available, and the Town Administrator shall prepare a resolution for vote by Town Meeting any time there is a planned use of monies from a receipts reserved for appropriation fund. The resolution should include the purpose of the proposed use of the funds and the specific amount of funds requested for appropriation by Town Meeting.
- The Town Clerk shall forward all approved appropriation orders voted by Town Meeting to the Accountant within five days of the vote of Town Meeting.
- The Accountant shall record the vote appropriation as an inter-fund transfer from the Receipts Reserved for Appropriation Fund to the General Fund in order to provide sound control and to assure that no excess expenditures are made from the receipts reserved fund.
- Expenditures for the purpose authorized by Town Meeting will be made from the General Fund after the inter-fund transfer is made from the Receipts Reserved for Appropriation Fund.

## **CAPITAL PROJECT FUNDS**

### **POLICY:**

The policy of the Town, consistent with UMAS fund accounting, is to use capital project funds to account for the financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds or trust funds.

### **PROCEDURES:**

- Town Meeting votes the approval of a capital project.
- The Accountant will establish a new capital project fund and post the approved budget based on a Town Meeting vote, at the point that the project is financed through either:
  - a. Receipt of bond or grant anticipation loan proceeds
  - b. Receipt of an approved inter-fund transfer
  - c. Receipt of long-term bond proceeds.
  - d. General Fund expenditure.
- The Accountant will not approve any-invoice, nor allow any obligation to be incurred, in a capital project fund without one of the three financing methods listed above being in place.
- Most capital project fund budgets are multi-year budgets and will be expended over a multiple fiscal years.
- On a quarterly basis, the Accountant shall review all open capital projects in order to identify completed capital projects with available balances that may be used to finance other capital needs of the Town.
- When the capital project is completed, the Accountant will close out the fund. A *Residual Equity Transfer* will be appropriated consistent with MGL Chapter 44 §20.

## **TRUST FUNDS**

### **POLICY:**

The policy of the Town is to oversee and assure the appropriate expenditure of funds in conformance with the trust agreement, and authorized payments based on approval of trustees of the trust. The Accountant will only establish trust funds for assets that the Town is holding in trust for a third party, such as scholarships, cemetery perpetual care and library trusts.

The Town's trust funds are fiduciary funds and each trust fund account has been created to conform to the requirements of the trust agreement. The Town has expendable trust funds and non-expendable trust funds.

## **PROCEDURES:**

- The Accountant, for purposes of sound control of trust fund expenditures, and the Treasurer/Collector, for purposes of sound investment of trust funds, shall each maintain a file of the detailed trust documents which describe the purposes the funds can be used for, any trust fund investment restrictions and any limitations on the expenditure of the funds. The file shall also retain documents that define what portion of the fund is expendable and which portion is non-expendable, and who is authorized as to the signing authority to expend funds.
- Based upon the source trust fund documents, the Accountant shall segregate the non-expendable portion from the expendable portion. Until verified as expendable, all trust funds shall be deemed to be non-expendable.
- Although no annual appropriation is made for a trust fund, the Accountant shall require expense budgets for the expendable portion of the trust in order to monitor and control expenditures. Since the non-expendable portion is not available for expenditure, no expense budget is required.
- In order to insure that the purposes of each trust are achieved, the treasurer/collector or other custodian of the trust fund assets shall invest the trust funds to maximize return consistent with the terms of the trust document.
- The Accountant will only pay trust fund disbursements through the town's accounts payable system on a warrant approved and signed by the Accountant, Town Administrator, Treasurer/Collector and majority of the Board of Selectman.

## **AGENCY FUNDS**

### **General Agency**

#### **POLICY:**

The policy of the Town is to utilize agency funds for the purpose of accounting for assets that are controlled by the Town when acting as an agent for a third party.

#### **PROCEDURES:**

- The Accountant records contributions and withdrawals, as the Town is only an agent for these funds. As such, the fund has neither revenue accounts nor expenditure accounts; contributions received are recorded as liabilities and funds withdrawn reduce the liability.
- The Accountant shall establish authority for approval of disbursement of all agency funds. Final disbursement, return of all deposits, planning fee deposits and performance bonds shall be approved for release upon receipt of appropriate documentation indicating completion of work to the Accountant.
- All agency fund payments shall be processed through the town's accounts payable system and paid on the warrant signed by the Accountant, Town Administrator, Treasurer/Collector and a majority of the Board of Selectman.

**Cash Receipts, Cash Disbursements, Petty Cash,  
Tailings and Reconciliation of Cash Policies and  
Procedures**

**Approved by:  
Board of  
Selectmen**

**Effective:  
09/01/15**

**PURPOSE:**

To establish sound financial controls and practices to assure all cash receipts are deposited on a timely basis, are recorded on a timely basis, that disbursements are made only after proper authorizations and safeguards; and to assure that cash is reconciled on a timely basis.

**AUTHORITY:**

MGL Chapter 41 §§35, 41 and 57

**CASH RECEIPTS**

**POLICY:**

It is the Town's policy that the Treasurer/Collector's office is solely responsible for the entry of cash receipts to the TOWN'S FUND ACCOUNTING system. The Treasurer/Collector's office is responsible for all bank deposits. In all instances, Town departments must turn over receipts to the Treasurer's office not less than once a week. At a minimum, revenue shall be turned over immediately to the Treasurer/Collector'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/Collector.

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

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

**PROCEDURES:**

- Departments that collect receipts will complete a *Form AD-9/10* entitled *Schedule of Departmental Payments to the Treasurer - Attachment VII.11* to report respective receipts by appropriate General Ledger revenue account.
- Departmental staff shall deliver the form with the cash and checks to the Treasurer/Collector's office.

- The Treasurer/Collector signs the Form AD-9/10 as a verification that the total amount indicated on the form reconciles with the total cash and checks presented.
- One copy of the Form AD-9/10 is forwarded directly by the department to the Accountant as an independent source document for the Accountant to verify that the receipts have been entered to TOWN'S FUND ACCOUNTING by the Treasurer/Collector's office. This copy is sent the Accountant at the same time the receipts are submitted to the Treasurer/Collector.
- The department retains one copy of the Form AD-9/10 as signed by the Finance Assistant Treasurer/Collector for a minimum of 3 years.
- The Finance Assistant enters all receipts reported on the schedule as miscellaneous receipts in the Accounts Receivable module of TOWN'S FUND ACCOUNTING by the respective code.
- Departmental cash receipts (as well as all committed receipts) are reported on a *Cash Sheet* and tape that balances to all "departmental turnovers" and other committed receipts for the day. When all cash, checks and the tape reconcile, the deposit slip is then prepared and all documentation is turned over to the Treasurer/Collector for recording in the *Cashbook* and deposit at the bank.
- All cash receipts activity for a specific date will be entered to a TOWN'S FUND ACCOUNTING batch within four days of receipt. The TOWN'S FUND ACCOUNTING batch must reconcile to the Cash Sheet and tape submitted to the Treasurer/Collector on the prior day.
- Each town department that receives cash receipts should review the TOWN'S FUND ACCOUNTING *Revenue Year to Date Report* for their department each month to verify that all cash receipts that were turned over the Treasurer/Collector are recorded accurately to the respective General Ledger account. Any discrepancies shall be reported to the Accountant immediately.

### **EMERGENCY DISBURSEMENTS (MANUAL CHECKS)**

#### **POLICY:**

The Town's policy is that only in extenuating circumstances will the Treasurer/Collector allow the issuance of a manual check outside of the normal warrant process.

#### **PROCEDURES:**

- In a bona fide emergency where payment must be made to a vendor outside of the normal accounts payable process, the Accountant and 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 the manually produced check upon receipt of the signed authorization of the Town Administrator and Accountant.
- The Treasurer/Collector must provide the Accountant with a copy of the manually produced check.

- The Accountant must include this payment on the next week's TOWN'S FUND ACCOUNTING 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.

## **PETTY CASH ADMINISTRATION**

### **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:**

- Requests 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 or 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 in 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 *Bill Schedule* 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 inappropriate uses, the petty cash account will be terminated.

## **TAILINGS (Uncashed Checks)**

### **POLICY:**

The Town's policy is to identify and research all *Uncashed Checks (Tailings)* as a 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 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 two months, 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 checks on the weekly accounts payable warrant. The uncashed payroll checks 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, and amount of check, name and address of check recipient.
- The Treasurer/Collector shall send a 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 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 it to the Treasurer/Collector for approval.
- After signing the document, the Treasurer/Collector shall submit the *List of Abandoned Property/Uncashed Checks* to the Accountant. The Accountant will increase the revenue of the Town on the General Ledger and eliminate the liability.

#### **RECONCILIATION OF CASH**

##### **POLICY:**

It is the policy of the Town that the Treasurer/Collector and the Accountant shall reconcile cash as recorded in the *Treasurer's Cashbook* and as recorded on the General Ledger at the close of the prior month. The Treasurer/Collector maintains a *Reconciliation of Cash* documenting the reconciliation for each period. Each official is responsible to sign the *Summary Cash Reconciliation* spreadsheet annually and to then submit a letter and the *Summary Cash Reconciliation* spreadsheet to the Finance Committee 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 last bank statement.
- The Treasurer/Collector identifies all reconciling items between the cashbook and the bank statements. These items will include: deposits in transits, 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 cashbook based on the reconciliation 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 sixty days as described above under the *Tailings Policy and Procedures*.
- The Treasurer/Collector will maintain the cashbook on a daily basis for warrants issued, deposits, transfers between accounts and investment income.
- After the month's activity in the cashbook is reconciled to the bank statements, the Treasurer/Collector or designee produces the month-end TOWN'S FUND ACCOUNTING *Account Trial Balance for Treasurer's Cash* and the TOWN'S FUND ACCOUNTING *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 TOWN'S FUND ACCOUNTING General Ledger
  2. Disbursements Reconciliation documenting:
    - The disbursements per the cashbook and
    - The disbursements per TOWN'S FUND ACCOUNTING 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 research and document any adjustments.

- A final *Cash Reconciliation Summary Statement* is produced and signed by both the Treasurer/Collector and by the Accountant that states the cash balances per the General Ledger and per the cashbook, and documents any adjustments to either the cashbook or to the General Ledger.
- The *Cash Reconciliation Statement* and cover letter is submitted to the Town Administrator within 60 days of the close of the fiscal year as documentation that cash is reconciled.

## Financial Administration of Grants Policies and Procedures

**Approved by:  
Board of  
Selectmen**

**Effective:  
09/01/15**

### **PURPOSE:**

To establish financial and control standards and practices for federal and state grants that are centralized for purposes of control within the Accountant's office, to prevent deficits in grant funds (special revenue funds) and to promote timely grant reimbursements to minimize reliance on the Town's cash and accordingly optimize the Town's cash flow.

### **AUTHORITY:**

MGL Chapter 44 §53A

### **POLICY:**

Consistent with the requirements of state law, it is the policy of the Town that the Accountant will only record a grant budget on the General Ledger for a municipal department based upon a vote of the Board of Selectmen to accept the grant. The Accountant will monitor grant expenditures for consistency with the grant award requirements. The Accountant will monitor the department's submittal of reimbursement requests to assure timely reimbursements.

### **Chapter 90 - State Highway Grants**

The *Highway Improvement Fund* is used to account for capital maintenance and improvement activities undertaken with the state Chapter 90 highway improvement grants. Each year, the Town receives an annual grant award based on a formula. The Board of Selectmen must vote to accept the total annual grant award. Over the course of the fiscal year, the Department of Public Works (DPW) is responsible for preparing applications to the Massachusetts Department of Transportation (MassDOT) for grant fund use. It is the policy of the Town that no grant funds related to the specific projects may be obligated until the Town has written approval for specific projects.

### **PROCEDURES:**

- **Preparation of Annual Chapter 90 Budget Order**

The Accountant will prepare a grant acceptance order for the Board of Selectmen indicating the total amount of the Chapter 90 funding for the fiscal year award.

- **Vote of the Board**

A majority vote of Town Meeting is the authorization for the Town's annual participation in the Chapter 90 program. At this point, there is no authority

to expend funds as the DPW does not have the individual project approvals from MassDOT.

- **Recording of Chapter 90 Budget Order**

The Town Accountant should record in the TOWN'S FUND ACCOUNTING *General Ledger - Chapter 90- Highway Fund* and by subfund the total undistributed grant award for the fiscal year. No obligations are to be recorded against this undistributed grant award budget.

- **Approval of Specific Projects by the State Highway Department**

Upon approval of a specific road project by the state highway department the Accountant will:

- Set up specific project level and object level accounts for the approved project
- Transfer the approved project amount from the *Undistributed Grant Award Budget* to the *Project Budget* by specific object codes that are relevant for the project (personal services, contractual services, materials etc.)

- **Payment of Project Invoices and Reimbursement Requests**

- The DPW is responsible for the management of the various Chapter 90 improvement projects.
- When invoices are received they should be reviewed, coded, entered into TOWN'S FUND ACCOUNTING and then submitted to the Accountant's office consistent with the procedures in the town's *Accounts Payable Policy*.
- In order to assure timely reimbursement and minimize the period of financing with Town of Wenham cash, the DPW will prepare and submit a *Chapter 90 State Highway Reimbursement Request*. It will be submitted to the Accountant at the same time that the invoice is presented for payment on the warrant.
- The DPW Director will sign the reimbursement request as an attestation that all materials, supplies have been received and services completed for the requested reimbursement.
- The Accountant should assure that all invoices paid on the warrant are attached to and reflected on the reimbursement request.
- The Accountant will sign the reimbursement request consistent with state highway program requirements and based on verification that all costs to be paid on the warrant are included in the reimbursement request.
- The reimbursement request must also be signed by the Town Administrator. The Accountant (or designee) is responsible for forwarding the request to MassDOT.

- **Record the Chapter 90 Receivable**

- The Town Accountant will record the amounts requested for

reimbursement, by project, as a receivable within the *Chapter 90 Fund*, offset by deferred revenue.

- The Accountant will investigate any reimbursement request that is outstanding for more than sixty (60) days.

- **Close out of Specific Projects**

- As specific projects are completed, a project close out package is prepared by the DPW and reviewed by the Accountant for consistency with the activity recorded on the General Ledger.
- Based upon the Accountant's review, the close out package is forwarded to MassDOT by the Accountant (or designee).
- The Accountant transfers any unobligated balance in a project budget, at close out, to the undistributed budget line of the appropriate Chapter 90 grant award year.

### **Other Federal Grants and State Grants (Award Programs)**

#### **Procedures:**

- **Award of Grant**

When any department receives a grant award, they should notify the Accountant and provide copies of grant guidelines, regulations and allowable costs. The Accountant and relevant department official will discuss control procedures and set up of a line item budget on the General Ledger.

- **Preparation of Grant Budget Order**

After notification of an award from a granting agency, the Accountant will prepare a grant acceptance order indicating the total amount of the grant for vote of the Board of Selectmen. The documentation submitted to the board should include an assessment of the fiscal impact on the Town.

- **Vote of the Board of Selectmen**

A majority vote of the Board of Selectmen is required to formally authorize the Town to begin to make obligations and expend funds.

- **Recording of the Grant Budget Order**

The Town Accountant should record the grant budget in the appropriate fund and subfund of the General Ledger based on receipt of both the grant award letter/documentation and the vote of the selectmen. Each grant will have a unique TOWN'S FUND ACCOUNTING sub fund number. The budget should be recorded in total and then by line items approved in the grant award budget (personal services, professional services, materials etc.). DOE grants should assure coding also by program, location and grade level to assure ability to complete the *Department Of Education's End-of-Year Report*.

### **Grant Amendments and Revisions**

After the award of the grant, a granting agency may decrease the grant, increase

the grant or make revisions to line item budgets.

- o When a department managing the grant receives a grant amendment or adjustment the department must immediately forward it to the Accountant.
- o The Accountant will record the grant amendment on the General Ledger and make the appropriate increase or decrease to the grant budget. If line items were adjusted the "object" budgets will be revised on the General Ledger.

### **Payment of Project Invoices and Reimbursement Requests**

- Each Town department is responsible for the management of their grant expenditures consistent with the grant award requirements.
- When grant funded invoices are received, they should be reviewed, coded, and then submitted to the Accountant's Office consistent with the procedures in the town's Accounts Payable Policy.
- The Town Accountant and the relevant department official should discuss grant requirements and timing of reimbursement requests (at time of expenditure, monthly or quarterly) consistent with the reimbursement standards of the granting agency.
- Each Town department should request reimbursements from the granting agency as often as allowed per grant guidelines. The town department must submit evidence of the grant reimbursement request at the same time it is submitted to the granting agency, to assure timeliness of reimbursements.
- Since many grants are processed as reimbursements, the Accountant will monitor the "deficit" balances to assure that they are temporary balances and that reimbursements are received within the allowable timelines (60 days, 90 days etc) for that grant.
- Upon the completion of a grant project/program, the department should complete their final grant status/expenditure report to be submitted to the granting agency. The General Ledger of the Town is the official record of grants funds expended and receipts received.
- The Accountant will review the department's final grant report/close out for accuracy of funds received and expenditures. The Town's General Ledger is the official record of all grant activity. Any funds due to the granting agency should be subject to review and certification by the Accountant based upon the activity as recorded on the General Ledger.

### **Closeout of Grants**

#### **Procedures:**

As grants are completed, the municipal department that received the grant must prepare a grant close out package and submit it to the Accountant. If the grant had allowed drawing of funds based on estimated expenditure and actual expenditures were less, then the granting agency will require the return of unexpended funds.

The Accountant will review the department's documentation to the grant receipts and expenditures as recorded on the General Ledger. Any funds due to a granting agency must reconcile to the grant activity as recorded on the General Ledger. Only after the Accountant reviews the grant close out documentation to the General Ledger and approves it can a check be drawn to "refund" a granting agency.

Part 2 Approved

## Financial Reserve Policies and Procedures

Approved by:  
Board of  
Selectmen

Effective:  
09/01/15

### PURPOSE:

To formalize policies for the level of reserves and appropriate uses of the Town's various reserves in order to reduce risk in managing the Town's short and long-term needs, to improve financial planning, and to help preserve the Town's financial position and credit rating.

### AUTHORITY:

MGL Chapter 40 §5B

### POLICY:

It is the goal of the Town to maintain a sum in overall reserves that is between 5 and 10 percent of General Fund appropriations. The Town's operating reserves are defined as *Free Cash* and the *General Stabilization Fund*.

### Free Cash

### POLICY:

It is the Town's goal to maintain a minimum Free Cash balance of \$250,000. Historically, it has been the policy of the Town that Free Cash be utilized to subsidize the tax rate or to fund the annual operating budget.

It is the Town's goal to limit the amount of Free Cash used in the operating budget to a sustainable level and to endeavor to use these available funds for non-recurring one-time expenses such as capital projects. For the purposes of this Policy, the following are deemed to be the highest and best uses of Free Cash:

- Appropriated Reserve – an amount to provide for extraordinary or unforeseen expenditures;
- Stabilization Fund – to fund or replenish the Stabilization Fund;
- Capital Improvement Program – to fund capital projects that would otherwise incur borrowing costs associated with the issuance of debt;
- Special Use – to augment the Town's trust funds related to benefits and unfunded liabilities related to employee benefits;
- Extraordinary Deficits – to fund any potential deficits that would otherwise be carried over to the following fiscal year;
- Emergency Appropriations – to allow for fiscal flexibility as unexpected situations arise.



## **PROCEDURES:**

- Within 60-75 days of the close of the fiscal year, the Accountant should submit the Town's *Year-end Balance Sheet*, *Free Cash Checklist*, and the *Year-end Reporting Checklist* to the Department of Revenue/Bureau of Accounts (DOR) for certification.
- Upon certification of Free Cash by the DOR, a copy of the certified balance should be provided to the Treasurer/Collector, Accountant, Town Administrator and members of the Board of Selectmen and Finance Committee.
- At the time of submittal of the Town Administrator's proposed budget for the ensuing fiscal year, the Town's (projected) Free Cash balances should be included with a recommendation on the use of said funds, ensuring that a minimum Free Cash balance is retained consistent with this Policy.
- Reserve funds should be allocated only after an analysis has been prepared by the Accountant and Town Administrator and presented to the Board of Selectmen and/or Finance Committee as applicable. This analysis should provide sufficient evidence to establish that the remaining balance is adequate to offset potential future downturns in revenue and to meet the daily cash needs of the Town.

## **General Stabilization Fund**

### **POLICY:**

It is the policy of the Town to maintain a *General Stabilization Fund*.

### **PROCEDURES:**

- Within 75 days of the close of the fiscal year, the Accountant shall report the balance in the General Stabilization Fund balance to the Treasurer/Collector, Town Administrator, and members of the Board of Selectmen and Finance Committee.
- The Town Administrator may recommend to the Finance Committee as part of the recommended annual budget to maintain Stabilization Fund reserves, to increase them via a transfer from Free Cash, or to use a portion for non-recurring capital needs proposed in the annual budget for the ensuing fiscal year. The proposed budget should disclose the balance in the Stabilization Fund.
- Any votes to increase or to expend from the Stabilization Fund shall require a two-thirds vote of the Town Meeting, consistent with the requirements of state law.
- At no time can an appropriation placed into the fund exceed 10% of the previous year's real property tax levy nor can the fund balance ever exceed 10% of the Town's equalized value.

## **Fraud Prevention and Detection Policy and Procedures**

**Approved by:  
Board of  
Selectmen**

**Effective:  
09/01/15**

### **PURPOSE:**

The Town's Fraud Prevention and Detection Policy (Policy) is established to facilitate the development of controls which will aid in the prevention and detection of fraud against the Town. It is the intent of the Town to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

Furthermore, the purpose of this document is to confirm that the Town supports and fosters a culture of zero tolerance towards fraud in all of its forms.

### **AUTHORITY:**

Red Flag Program Clarification Act of 2010

### **APPLICABILITY:**

This Policy applies to the Board of Selectmen and all other elected town officials; their appointees; all employees of the Town and all members of its boards, committees or commissions.

This Policy also applies to any other persons "acting on behalf of the Town", including vendors and contractors, consultants, volunteers, temporary and casual employees and grant sub-recipients.

### **SCOPE:**

This Policy applies to any suspected fraud, abuse, or similar irregularity against the Town.

### **OBJECTIVE:**

This Policy is set forth to communicate the Town's intentions regarding prevention, reporting and investigating suspected fraud, abuse and similar irregularities. The Town desires to create an environment in which employees and/or citizens can report any suspicion of fraud.

Further, this Policy is set forth to communicate the Town's desire to protect the assets, resources and reputation of the Town. It is through this policy that the Town also seeks to protect all officials, employees and associated parties from false or erroneous allegations by providing them with sufficient knowledge and training relative to the Town's fraud prevention policies and procedures to ensure that they

fully understand the culture of the environment they are operating within.

This Policy provides management with specific guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties.

**DEFINITIONS:**

Abuse refers to, but is not limited to:

- Improper or misuse of authority
- Improper or misuse of Town property, equipment, materials, records or other resources
- Waste of public funds, or
- Any similar or related irregularity.

Abuse can occur in financial or non-financial settings. When considering if an event or action might be construed as being abusive, one should consider if it would pass public scrutiny.

Any Other Persons "Acting on behalf of the Town" shall mean all persons responsible for or to the municipal government and/or the town's enterprises placed in that position by some official relationship with the Town.

Appointed Officials shall mean all persons responsible for or to the municipal government and/or the Town's enterprises placed in that position via an appointment.

Consultants shall mean all individuals and organizations conducting business with or on behalf of the municipal government and/or the enterprises of the Town.

Elected Officials shall mean all persons responsible for or to the municipal government and/or the Town's enterprises placed in that position by the voters of Wenham via a Town ballot.

Fraud or other irregularity refers to, but is not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of Town activities
- Disclosing confidential and/or proprietary information to outside parties
- Accepting or seeking anything of material value from consultants, contractors, vendors or persons providing services or materials to the Town
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any claim for reimbursement of expenses that are not made for the exclusive benefit of the Town
- Any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes, or
- Any similar or related irregularity.

Grant Sub-recipients shall mean all individuals and/or organizations that receive any programmatic funding or “in-kind assistance” from the municipal government and/or the Town’s enterprises.

Management shall mean those individuals who have been placed in a position of trust by a lawful Town appointing authority to assist in carrying out the objectives of that department of the Town for which they are employed.

Town Administrator shall mean the highest-ranking person responsible for the municipal government and the Town’s enterprises.

Town Employee shall mean all employees of the municipal government and all of the enterprises of the Town. This definition is inclusive of all employees regardless of the designations full-time, part-time, temporary or casual.

Town of Wenham is a Massachusetts municipal corporation and shall include all its activities, as well as all boards, committees, and commissions elected or appointed by the Board of Selectmen and other appointing authorities.

Vendors and Contractors shall mean all individuals and organizations conducting business with or on behalf of the municipal government and/or the enterprises of the Town.

Volunteers shall mean all contributors of unpaid personal services to the municipal government and/or the enterprises of the Town.

**POLICY:**

It is the policy of the Town to investigate and report to appropriate governmental authorities, as required, any violations of compliance with town policy, state and federal laws and regulations or internal accounting controls.

**PROCEDURES:**

**Responsibilities**

The Town’s management is responsible for establishing and maintaining policies and controls that provide security and accountability for the resources entrusted to them. Internal controls are intended to aid in preventing and detecting instances of fraud and related misconduct. Management is also expected to recognize risks and exposures inherent in their area of responsibility and be aware of indications of fraud or related misconduct. Responses to such allegations or indicators should be consistent.

Every employee has the responsibility to assist the Town in complying with policies and legal and regulatory requirements, and in reporting known violations. It is the policy of the Town to encourage the support and cooperation of all employees in meeting the Town’s commitment and responsibility to such compliance.

**Reporting**

Employees shall report suspected instances of fraud or irregularity to their immediate

supervisor or their next appropriate management level. However, in certain circumstances, it may be appropriate for employees to report suspected instances of fraud or irregularity directly to the Town Administrator (if the alleged fraud has been committed by the employee's supervisor).

It is the responsibility of an employee or relevant manager to ensure that the suspicion of fraud and/or irregularity that is reported to them is reported as soon as practical to the Town Administrator. The written or verbal report shall be sufficiently detailed and inclusive to ensure a clear understanding of the issues raised. In the event that the Town Administrator is the subject of, or otherwise identified as involved in the acts underlying such report, the person making the report may notify and forward such report to the Board of Selectman who will then lead the investigation.

Town employees are not to initiate investigations on their own. However, anyone may report suspected violations or concerns by letter to the Town Administrator and shall indicate that he or she is an employee of the Town. The report shall be sufficiently detailed and inclusive to ensure a clear understanding of the issues raised. Mark the envelope "Confidential and Private." It is the policy of the Town that anyone who reports a violation may make such report confidentially and offsite.

There shall be no retaliation by the Town's employees against any employee who makes a report pursuant to this policy even if, after investigation, the Town Administrator determines that there has not been a violation of any applicable Town policy, state or federal laws and regulations or internal accounting controls. However, employees who make reports or provide evidence which they know to be false or without a reasonable belief in the truth and accuracy of such information may be subject to disciplinary action.

### **Anonymous Allegations**

The Town encourages individuals to put their names to allegations. Concerns expressed anonymously are difficult to investigate; nevertheless, they will be followed up at the discretion of management. This discretion will be applied by taking into account the following:

- Seriousness of the issue raised
- Credibility of the concern
- Likelihood of confirming the allegation.

### **False Allegations**

Employees or other parties must understand the implications (resources and costs) of undertaking investigations, and shall therefore guard against making allegations which are false and made with malicious intent. Evidence of malicious intent will result in disciplinary action, and may include termination.

### **Training, Education and Awareness**

In order for the Policy to be sustainable, it must be supported by a structured education, communication, and awareness program.

It is the responsibility of management to ensure that all employees and other parties, are made aware of, and receive appropriate training and education with regard to this Policy, and the related policies and procedures of the Town.

## **Investigation**

It is the Town Administrator's intent to fully investigate any suspected acts of fraud, abuse, or similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, length of service, or relationship with the Town of any party involved in such an investigation. In conducting investigations, the Town Administrator will consult with and receive guidance from the town attorney, the Police Department and others they identify.

## **Media Issues**

Any staff person contacted by the media with respect to an audit investigation is encouraged to refer the media to the appropriate public communications official of the Town. The alleged fraud or audit investigation shall not be discussed with the media by any person other than those trained to do so. The Town Administrator will consult with the management of the department involved and assist them in responding to any media requests for information or interview.

## **Reporting to External Auditors**

The Audit Committee will report all information relating to fraud investigations to the external auditors of the Town.

## **Whistleblower Protection**

In addition to whistleblower protections provided by federal and state laws, this Policy provides that retaliation against employees is prohibited.

A. Except as provided in an earlier subsection (False Allegations), no appointing authority or employee shall initiate or administer any disciplinary action, deny a promotional opportunity, write an adverse job performance evaluation or in any way adversely affect an employee on account of the employee's disclosure of information. This section shall not apply to:

1. An employee who discloses information that the employee knows to be false, or who discloses information with disregard for the truth.
2. An employee who discloses information from public records that are closed to public inspection pursuant to the Massachusetts Public Records Law.
3. An employee who discloses information that is confidential under any other provision of law.

B. It shall be the obligation of an employee who discloses information under this part to make a good faith effort to provide to their employee, or appointing authority or the Town Administrator, the information to be disclosed prior to its public disclosure.

## **Security and Confidentiality**

All work products of the Town Administrator's investigations, including but not limited to working papers, notes, interviews, and other information relating to investigations will not be shared, discussed, or given to anyone without an absolute need to know or pursuant to court order. The Town Administrator will provide a secure environment for the storage of all work-in-process regarding investigations, subject to applicable law.