

CITY OF BARRE

GENERAL INTERNAL CONTROLS

PURPOSE

This policy and procedure established guidelines for the process for ensuring that all financial activities of the City of Barre are supported by adequate documentation, oversight and approvals.

PERSONS AFFECTED

City Manager, City Clerk/Treasurer, Department Heads, Senior Accounting Clerk, Payroll Clerk, Assistant Treasurer, All City Employees who handle funds

POLICY & PROCEDURES

The system of internal controls is the plan of the City of Barre, and all methods and procedures adopted by management to assist in achieving the objective of ensuring, as far as practicable, the orderly and efficient conduct of its business.

This includes the adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of accounting records, and the timely preparation of reliable financial information. The system of internal control extends beyond the matters, which relate directly to the functions of the accounting systems, and relates to every aspect of City operations. Internal controls are policies and procedures that have been established to provide reasonable assurance that its objectives will be achieved.

The objective of the procedure is to:

- Ensure all activities have a clear and logical audit trail and there is a coordinated approach to procedures
- Ensure the policy, practices and procedures meet the highest level of accountability.

This general internal controls policy and procedure includes all approved and adopted policies and procedures:

- Fixed Assets.
- Capital Assets.
- Accounts Payable.
- Cash Management.
- Personnel Activity Reports/Timesheets/Time Cards.
- Any other current or future policy and procedure related to accounting and cash management policies and procedures.

General Ledger

Journals are to be checked on a monthly basis by the City Treasurer.

Control and clearing accounts are to be reconciled monthly, and these reconciliations are evidenced as reviewed by the City Treasurer.

Adopted by City Council on 4/10/14

Minutes of City Council meetings are to be promptly prepared and distributed by the City Clerk within five days of each meeting.

The chart of accounts is to be regularly updated to ensure correct account allocations are made. Such updates are require approval of the City Manager.

Management reports are prepared quarterly and reviewed so that variances to budget are explained and necessary action taken to rectify.

Computer System

The following procedures shall be adhered to for the NEMRC System:

- Each user of the system shall be allocated an individual login name, login password and user password to gain access to the system.
- User passwords limit user access to areas of the system that are necessary only for those work areas; e.g. payroll, maintenance systems, etc. are not available to most users. Where read-only access is requested and deemed appropriate, a read-only password will be issued.
- Maintenance of user login names and passwords are under the control of the City Manager.
- Management of the NEMRC System is under the control of the City Manager.
- Full backups of all servers are to be conducted every night. Portable hard drives to be rotated on a weekly basis. Portable hard drives will be kept in an off-sight bank safe deposit box, and will be transferred between City Hall offices and the bank so a backup of no longer than one week old is retained off site.

Separation of Duties Purpose of Segregation of Duties

Adequate segregation of duties reduces the likelihood that errors (intentional or unintentional) will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of the work performed. The segregation of duties provides three primary benefits: 1) the risk of a deliberate fraud is mitigated as the collusion of two or more persons would be required in order to circumvent controls; 2) the risk of legitimate errors is mitigated as the likelihood of detection is increased; and 3) the cost of corrective actions is mitigated as errors are generally detected relatively early in their lifecycle.

In those instances where duties cannot be fully segregated, mitigating or compensating controls will be established.

Separation of Duties in the Accounting Department

- The clerk/treasurer receives all bank statements and opens them for review. Upon completion of a preliminary review, the clerk/treasurer scans the statements and stores a scanned copy on her computer. The statements are then turned over to the senior accounting clerk (SAC) in the accounting department.
- The SAC reconciles all account statements against the NEMRC accounts payable, payroll and general fund modules. Upon completion, the clerk/treasurer reviews and signs off on the reconciliations.

- All invoices and timecards are reviewed and approved by the appropriate department head and city manager. Upon completion of the review and approval, the invoices and timecards are given to the payroll clerk for data entry into the AP and payroll modules. Warrants (check registers) for AP and payroll checks are created by the payroll clerk and given to the city council for weekly review and authorization to pay. Such authorization is included in each week's council meeting minutes.
- Checks are generated by the payroll clerk based on the approved warrants. The clerk/treasurer authorizes signatures on the checks through a password-protected portal. In the absence of the clerk/treasurer, the assistant treasurer has access to the passwords.
- The payroll clerk delivers all AP checks and accompanying stubs/envelopes to the assistant treasurer, who confirms the payee names and amounts and prepares the envelopes for mailing.
- Stubs from each AP check are attached to the original invoice and stored for seven years, as required by Vermont state records retention schedules.
- The auditors spot-check invoices, checks, and statements while performing the annual audit.

Registers

The following Registers/Records to be maintained:

- Personnel Records (kept by City Manager's office)
- City Buildings, Equipment and Machinery Register (kept by accounting office)
- Office Furniture and Equipment Register (kept by accounting office)
- Licenses & Permits Issued Register (registers kept by issuing department)
- Infrastructure Register (kept by engineering office)

The following items shall be kept within safe storage:

- Original copies of all leases, debentures, contracts and agreements shall be stored under lock and key in the City Manager's office.
- Titles of properties owned by the City shall be recorded in the City Land Records in the vault in the City Clerk's office.
- All cash not banked at the end of the day from cash register, petty cash and unclaimed wages shall be stored under lock and key in the vault in the City Clerk's office.
- Original copies of timesheets and documents, for period of twelve months shall be stored under lock and key in the payroll clerk's office.
- Unused checks, deposit slips and invoice blanks shall be stored in the vault in the City Clerk's office.
- Barre City records, including Council minutes, election results and oaths of office, shall be stored in the vault in the City Clerk's office.
- Weekly portable hard drives for main for the computer system shall be stored under lock and key in the server room.
- Keys to the locked storage areas are restricted to those staff and supervisors who oversee the contents. The combination for the vault is limited to staff in the Clerk's office.

Adopted by City Council on 4/10/14

Fees and Charges (not set by statute)

A schedule of fees and charges shall be approved by the City Council. The Council shall review the schedule on an annual basis. Any amendments shall follow the procedure as outlined in City Ordinance. The schedule shall include fees charged in all departments, and the fees shall be listed by department.

Issuing of Credit Cards

The Treasurer may make available credit cards to the City Manager, clerk/treasurer and Police/Fire Chief, as per the policy adopted by the City Council on 9/27/11.

Staff Acknowledgement of Internal Controls

All department heads and staff members who handle funds and accounting are provided with a copy of the internal control procedures. They are required to sign an attestation that they have reviewed, understand and will follow the controls.