

TOWN OF GREENTOWN

INTERNAL CONTROL POLICY AND PROCEDURES

Through the avenue of the policies and procedures set out, the Greentown Town Council, Clerk-Treasurer, and employees have established and maintained an environment that sets a positive attitude towards internal controls and conscientious management. There are several key factors that have been considered in achieving these goals: integrity, competence, operating style, organization structure, assignment of responsibility, employee policy and procedure, and oversight. All aspects of the town's finances are in compliance with the Accounting and Uniform Compliance Guidelines for Cities and Towns, keeping financial records in conformance with Generally Accepted Accounting Principles (GAAP) and General Accounting Standards applicable to governmental units.

Cash handling procedures are necessary to ensure proper internal controls, segregation of duties, and adequate safeguards of the Town's assets. No one person should have complete control over a transaction and, in a perfect situation, a separation of duties between at least three persons is preferred in any cash handling transaction. The Town's limited office staff does not permit three persons to be involved in all cash handling situations but safeguards have been put in place and the Town assumes responsibility for the limited controls. Personnel are responsible for complying with the cash handling policies and procedures to ensure funds are accepted following the same process each time so that funds can be deposited in a timely manner and easily tracked while keeping both the funds and the personnel handling the funds secure. All aspects of the Town's cash policy and procedures are compliant with IC 5-11-1-27(j) regarding erroneous or irregular variances, losses, shortages, and thefts.

Certain pre-conditions must be met before cash handlers are authorized. This shall be done through verifying the employee's employment history, being subject to a background check, and the ability to secure a bond.

Receiving Cash, Checks and Credit Card Payments

Cash transactions are events with a beginning and an end and unless the proper documentation is in place and followed, there is no way to track the movement of money. All cash and checks are kept in a locked file cabinet in the alarmed utility office during non-business hours. Access to this office is limited to only those who need access and have been designated to have access.

Accountability for cash will be maintained throughout all cash handling operations. The internal controls set out are necessary to prevent mishandling of funds and safeguard against loss. These strong controls will also protect employees from inappropriate accusations or charges of mishandling funds. The Keystone System provides for unique employee password and user names which will not be shared. The Clerk-Treasurer must review and approve an adjustment before it may be posted to a customer's account.

The utility office has two clerks who open the receipts received by mail and receipts received through the after-hours drop box in sight of each other. The cash reconciliation is prepared and initialed by both clerks. The deposits are prepared and the totals are verified to the cash

reconciliation. The deposit is recounted and the amount verified by the clerk who is not taking it to the bank.

Checks are to be made out to the Town of Greentown, Greentown Utilities, or some similar manner. The check is reviewed to ensure it is properly completed. Credit Card payments can be made in the office, over the phone, or through the town's website using Invoice Cloud. Information provided when a credit card payment is made is confidential and must be protected to avoid any type of identity theft.

Cash handlers are not allowed to exchange checks for currency to make change nor are they to cash personal checks for themselves or co-workers. A cash portion of the deposit may not be replaced with a personal check.

When cash or checks are received for a utility payment and the customer does not include a portion of their bill, a substitute ticket is made out and saved for the payment. Each bill portion is stamped with the date received, processed, and retained for three years. All payments are processed and credited to the appropriate utility customer daily per State Board of Accounts directive. Bank deposits are made daily by the utility clerk.

When a utility payment is made through Invoice Cloud either by credit/debit card or bank draft, the amount paid is received into the Invoice Cloud bank account and entered onto an excel spreadsheet by the Utility Clerk with the amount credited to each utility. At the end of each month, after account reconciliements are completed by the Deputy Clerk-Treasurer, a transfer is made into general, water, wastewater, and stormwater accounts.

All receipts that are not utility payments shall be given to the Clerk-Treasurer's office for deposit. The Clerk-Treasurer's office records the receipt in Key Fund and prints a receipt. Receipts greater than \$500 will be deposited in the bank (currently First Farmers) by the next business day per IC 5-13-6-1 (d) & (g). The bank deposit receipt is attached to the Key Fund receipt along with backup documentation and filed by month.

Incoming ACH and wire payments are receipted into Key Fund by the Clerk-Treasurer or Deputy Clerk-Treasurer. The ACH or wire payment notification is attached to the receipt.

Petty Cash Control

The Utility Office is the custodian of the Petty Cash Fund (\$75) which is maintained to pay small or emergency items of operating expense. A receipt is required for each expenditure from the fund. A voucher with all original receipts totaling the cash claimed expended is prepared and filed to reimburse the fund for the expenditures. This voucher must be approved, allowed and processed in the same manner as other claims for the town.

Bank Accounts and Protecting Checks

All bank accounts are in the name of the Town of Greentown with a subtitle to specific funds (General, Water, Waste Water, Storm Water) utilizing the town's EIN obtained from the IRS. The number of accounts is limited to what is necessary to manage the town's business. Two persons are authorized on the accounts, the Clerk-Treasurer and Deputy, but only one signature is required on the checks. It is prohibited to write checks payable to "Cash." Voided checks are defaced and retained. Blank checks are kept in a locked cabinet in the Clerk-Treasurer's office. Checks will be

signed only when all proper documentation (invoice) is present to support the check and attached to the corresponding voucher. It is prohibited to issue an advance check.

At month-end, the Deputy Clerk accesses the bank accounts online and prints the bank statements. The Deputy completes the account reconciliations in Key Fund. Bank accounts are reconciled monthly and any variance explained and reconciled. The completed bank reconciliations are reviewed and initialed by the Clerk-Treasurer.

Credit Card Use

Only authorized persons may use the town's credit cards in accordance with the town's Credit Card Policy. The cards are used only for town business and all purchases must have a valid receipt returned with the card. Credit Card statements and corresponding receipts are examined each month to determine whether the charges are appropriate and related to town business.

Payment of Claims

Internal controls are designed to minimize errors in bookkeeping where there is a great deal of detailed information and data. Equally important, controls are necessary to deter employee fraud, embezzlement, and theft, as well as fraud and dishonest behavior against the town from the outside. Fraud, theft or loss is a significant problem for communities of all sizes and locations. The Uniform Internal Control Standards for Indiana Subdivisions addresses the issues and requires the Town Council to set the minimum level of internal control standards and procedures. Separation of duties is a primary means to deter losses but a small office staff presents challenges in achieving this goal. In order to attain an acceptable level of separation, persons outside of the office staff are called into service in reviewing records.

The Clerk-Treasurer is responsible for the disbursement of funds for payment of all legal claims against the town. These funds are disbursed to vendors, employees, or other agencies for payment for goods and/or services rendered. The town's records are maintained on a cash basis using the Keystone System. The Keystone accounting system includes, but is not limited to, general ledger, accounts payable, and accounts receivable. A payment voucher system is used for disbursement of funds. The town makes payments by checks, credit card, and electronic fund transfers (EFT). The only cash payment is when Petty Cash is expended.

Products and services are ordered by the designated town employees. Employee verifies receipt of products and services, and signs backup documentation which is given to the Clerk-Treasurer. Invoices for the Town, Streets, Water, Wastewater, and Storm Water are reviewed for accuracy and allowability. APV's are prepared in Key Fund. All claims are prepared and listed on the docket for Town Council approval. Completed claims with supporting documentation are available to the council members for review. In the event the due date occurs before the Town Council meeting and a penalty would be assessed to the invoice for being past due, and for regular recurring payments such as utility bills, and payments pre-approved by the town council, the Clerk-Treasurer has the authority to pay the invoice and record it on the docket for approval per Ordinance 2018-8.

If reimbursement is to an employee for a purchase, the employee must provide the original receipt and the reason for the purchase before an invoice is generated for reimbursement.

All financial programs and computers are password protected.

Payroll

Internal control procedures are especially important when recording, preparing, and distributing payroll. Having proper procedures in place protects the town's assets by reducing the risk of fraud and eliminating errors. In payroll there are four separate areas of tasks – hiring, recording and maintaining accurate time sheets, preparing payroll, and payroll taxes. Where possible these duties should be divided to provide proper internal controls but due to the small office staff, this is not possible.

Time sheets are prepared and signed by the employee and the employee's supervisor and reviewed for accuracy by the Deputy Clerk-Treasurer. Compensatory time, paid time off, and unpaid absences are reflected in the appropriate manner on the time sheets. The town's Employee Policy shall be consulted if any question arises in regards to payroll. The policy dictates calculation of compensatory time, paid holidays, number of vacation days and is adhered to. Completed time sheets are reviewed and signed by the appropriate supervisor. Once completed, the employee does not have access to the time sheets.

Payroll is prepared by the Deputy Clerk-Treasurer and reviewed by the Clerk-Treasurer. The payroll check register is attached to the claims docket presented to and approved by the Town Council at their regularly scheduled meetings.

Changes to an employee's payroll are documented either through a salary ordinance or through a signed and dated tax form. All tax forms and other employee records are maintained in the employee's file and the files are kept in a locked cabinet. Employees are paid per the current year salary ordinance. Payroll is processed through Keystone Fund which has controls in place to reduce errors and changes are noted through a change log. Payroll is paid by EFT on a semi-monthly basis.

Accounts Receivable

Internal controls are set to ensure the utility operations run efficiently, effectively, and are in compliance with state regulations and local ordinances. Effective internal controls provide reasonable assurances the town's assets are being protected and utility billing is accurate. Breaking of the utility billing and utility collections into segments would be ideal but limited office staff presents a unique set of circumstances. The town assumes the responsibility of lack of segregation of duties.

Utility billings are prepared by the utility clerks and sent out by the tenth of each month per the Utility Billing Policies and Procedures. Prior usage is compared to present usage to spot potential problems. If there is a problem, the customer is notified by phone. During the billing process, duplicate or missing readings are brought to attention. The printed bills are checked against the calculated charges to assure accuracy. Late fees and other appropriate charges are applied in a timely manner.

Each month receipts in the Keystone Utilities program are reconciled with Keystone Fund by the Deputy Clerk-Treasurer.

The billing program documents the customer's beginning balance, charges, payments, adjustments, and other information such as customer billing name, address, account number, and contact information. Each employee with access to the billing program is assigned a user name. The employee chooses a password and is directed to keep it secure and to not share it with any other employees.

Documentation is retained for all increases and decreases to the utility program. An excel spreadsheet is maintained showing daily receipts broken down for each fund.

Identity Theft Prevention

These internal controls are intended to identify red flags that will alert employees when new or existing accounts are opened using false information, protect against the establishment of false accounts, methods to ensure existing accounts were not opened using false information, and measures to respond to such events.

A photo ID is required to open a new account and is attached to a copy to the application and also scanned and attached to the account in Keystone.

An employee that suspects fraud may ask the applicant for more documentation, notify the Clerk-Treasurer, and notify the Greentown Town Marshal.

The utility office stores all files in a locked room where only employees with a legitimate need have access to the keys to the room. Employees do not leave sensitive papers out on their desks when leaving the office. All programs and computers are password protected. No personal information is given out on our customers. Sensitive information is guarded in areas where customers and other employees are allowed.

Annual Financial Report

The Deputy Clerk-Treasurer uploads the Annual Financial Report file from Keystone Fund software into Gateway and reviews year-end reports and compare to what is uploaded to Gateway to ensure that accurate reports are submitted for public inspection. The Clerk-Treasurer oversees the process, verifies the information is correct, and submits the report.

Federal Grant & SRF Distributions

All grant disbursement requests and SRF disbursement requests will be prepared by a Grant Administrator chosen by the Greentown Town Council. The Grant Administrator will prepare each drawdown according to guidelines set forth in the Grant/SRF Agreement. All items listed in the draw request must have been approved by the Greentown Town Council. The Clerk-Treasurer will review calculations for accuracy prior to submittal to the grant/loan agency. When notification is received that funds have been deposited, a receipt shall be prepared by the Clerk-Treasurer. The Clerk-Treasurer will prepare an APV and issue a check to the vendor within five (5) working days following the notice that funds have been disbursed. It is the duty of the Grant Administrator to monitor the project and to provide monthly reports on Davis/Bacon requirements, and to ensure all federal guidelines are being followed. A copy of all contractor & subcontractor payroll records will be kept by both the Grant Administrator and the Clerk-Treasurer. The Clerk-Treasurer will review all records for accuracy.