



Financial Policies, Procedures & Controls

Purpose: The Town of Blue River is a municipality in the State of Colorado committed to protecting and using its assets to provide municipal services in an efficient and effective manner. Proper financial practices are important in doing this, since proper practices help to prevent and detect errors and fraud. Good financial practices also assure the residents of the Town of Blue River that tax payer money is being used for the benefit of the Town.

1. General Practices

- A. *Review of Risks.* These policies were drafted after consideration of the risks associated with the various aspects of our financial operations to enact policies and procedures designed to minimize those risks. The Board of Trustees will review these policies each year to consider whether the risks have changed. Such changes may include receipt of grant monies for the first time or receipt of grants with restrictions, a change in the statutory laws regulating the Town, hiring of employees or a major change in administration. If so, the Board of Trustees will need to identify any new risks and adopt appropriate procedures to minimize those risks. The Board of Trustees shall consult with a professional if necessary to ensure that it is properly addressing the risks.
- B. *Execute.* There are several fiscal “roles” in the Town organization-custody, authorization, execution, and monitoring. For example, the person or people that have the authority to sign checks are acting in the custodial role. The Board of Trustees approves payment of all bills. The Board of Trustees also acts in the authorizing role when approving the annual budget and in making decisions to purchase a major item like a copier. The person who prepares the checks for signature by an authorized check signer is acting in the execution role, executing an action that has been authorized by the Board of Trustees through the annual budget or by the individual responsible for approving payment of the bill. The person who reconciles the bank statement acts in the monitoring role. The Board of Trustees also act in a monitoring role when it reviews the monthly financial reports to be sure that its plan-the budget-is being executed properly.

As much as possible, the Board of Trustees seeks to separate the responsibilities for fiscal roles so that at least two and preferably more individuals fulfill these roles. It is particularly important that the same person does not authorize, execute and monitor a transaction. At each step of handling funds, the organization shall ensure that more than one person verifies that the step is done correctly.

2. Receipt of Funds

- A. *Risks:* The Town faces the risk that funds received may be stolen or lost or that someone may be falsely accused of stealing funds.
- B. *Policy:* All funds, whether cash or check which the Town receives will be prepared for deposit only. Deposits will be prepared by one party and executed by a second. No monies removed to make payments or for other purposes. All cash receipts should be deposited into the bank as soon as possible. This allows for a complete accounting and independent verification of what happens to the funds.
- C. *Procedures:*
 - i. **Receipt of Checks or Cash in the Office or By Mail.** The Town Administrator opens all mail addressed to the Town and the Municipal Court. The Administrator logs all payments in the designated account spreadsheets, and makes photocopies of each payment. A copy of the spreadsheet is attached to the copies of all corresponding deposits and kept in Town Hall files.

For Court Fines, a receipt is written out and either handed to the customer or mailed to the customer. A copy of the payment with receipt is attached to both the original fine and a copy of the citation. A breakdown of how the payment is applied is filled out and attached to the front of the citation, and payment and filed with packet in the court files. The DMV copy with fine and point adjustments is then mailed to the state.

All deposits are kept in a locked safe. Deposits are sorted by department.

At the end of each week, the Administrator delivers all bills and deposits with the spreadsheet breakdown to the Town Treasurer. The Town Treasurer inputs all deposits into the accounting system and makes all deposits to the bank. The Town Treasurer will endorse all checks by an endorsement stamp that provides that the check is "For Deposit Only" and will be paid to the order of the corporate bank and lists the Town and account number. This reduces the risk that a check may be stolen and cashed.

Copies of all receipts are kept on file at Town Hall. Deposit slips are kept on file with the Town Treasurer and in town hall.

Credit Cards: All credit card transactions are processed through Square. Transactions are then logged in a spreadsheet provided to the Town Treasurer at the end of the month. Receipts are emailed to the customer. The transaction is logged with the weekly deposits.

3. Disbursement of Funds/Use of Town Property

A. Payments By Check

- i. *Risks:* The Town faces the risk that the funds will be spent on unauthorized items, that someone will steal the funds by taking blank checks or by writing

checks to payees who are not vendors, that someone will use Town property for personal purposes or that payments made will be improperly recorded.

- ii. *Policy:* Make all disbursements from the Town funds by check with the exception of petty cash or the Town debit card. This allows the Town to track how funds are spent, who is spending and who is authorizing expenditures.

iii. *Procedures*

1. **Opening Bank Accounts.** Bank accounts may be opened only upon authorization by the Board of Trustees.
 - a. All bank accounts must be opened with the Town's employer identification number (EIN).
 - b. The Board of Trustees shall approve the authorized signers on the Town's bank accounts.
 - c. Because of the Treasurer's role in reconciling the bank statement, the Treasurer cannot be a signatory.
 2. **Custody of Checks:** The Town Treasurer is the only person authorized to have access to unused check stock. The checks shall be stored in a secured, locked location and information about how to access them shall be kept confidential.
 3. **Check Authorization.** All invoices will be forwarded weekly to the Treasurer for review and authorization to pay.
 - a. The Town Administrator will review all invoices for mathematical accuracy, agreement with a written invoice, conformity to budget or Board of Trustee authorization and compliance with grant fund requirements.
 - b. The Town Administrator will ensure that all conditions and specifications on a contract or order have been satisfactorily fulfilled, including inventorying items received against packing slip counts.
 - c. The Town Administrator will code the invoice with the appropriate expense or chart of accounts line item number and other information needed for accounting purposes.
 - d. By approving an invoice, the Town Administrator indicates the invoice has been reviewed and authorizes the check.
 - e. The Treasurer is responsible for timely follow-up on discrepancies and payment.
- **Expenses Not Invoiced.** In some cases, expenses may be not invoiced, such as rent. When such expenses are due, the Treasurer needs to ensure that the expense is in the budget and write a note authorizing payment of the expense and the amount of the expense.

- ii. **Payment by Checks.** Upon approval of the invoice, or other billing, the Town Treasurer is authorized to prepare all checks for the monthly Board of Trustees meeting including financial statements listing the checks (warrants) to be approved by the Board of Trustees.
- If a check is voided, the check will have “VOID” written in large letters in ink on the face and have the signature portion of the check torn out. Voided checks will be kept on file.
 - In the event that it is necessary to issue a duplicate check for checks in the amount over \$50, the Treasurer will order a stop payment at the bank on the original check.
- iii. **Duties of Check Signatories.** All checks will be signed by the signers designated by the Board of Trustees. Prior to signing a check, a check signer will do the following:
- Compare the check to the original invoice or the Treasurer’s note to pay the expense.
 - a. Compare the amount on the check to the amount on the invoice or note.
 - b. Be sure that the Treasurer has initialed the invoice. This is to protect against the risk of duplicate payments.
 - c. Check the date on the invoice or the Treasurer’s note against the date of signing the check. If the difference is more than 60 days, get written approval from the Treasurer before signing the check. This is to mitigate the risk that the organization is paying a duplicate payment.
 - Check to be sure that the amount of the check is not clearly unreasonable. For example, a \$30,000 monthly payment for bookkeeping services would be unreasonable for a small Town.
- iv. **Prohibited Practices.** In no event will:
- Invoices be paid unless approved;
 - Blank checks be signed in advance without documentation of other back up;
 - Checks be made out to “cash,” “bearer,” etc.
- Each check signer will be made aware that signing blank checks exposes the Town to theft since the bank is entitled to charge the account for any check that has a valid signature. A signed blank check is an invitation to theft.
- v. **On-line Payments.** If online payments are made, arrangements will be made with the bank to allow the Treasurer to have online, read-only access to the account. It will also be arranged with the bank to be sure that only the individuals the Board of Trustees have authorized as check signers will be permitted to authorize the payment of bills electronically. In addition to the monthly reconciliation, the Treasurer will periodically check the account to compare the bank automatic payments with vendor statements.

- Any use of the Town debit card will be tracked and submitted to the Town Treasurer on a weekly basis and approved by the council.

B. Petty Cash Funds.

- Risks.* Payments by cash are not a completely documented and are not as easily monitored as payments by check and thus subject the Town to increased likelihood of misappropriation.
- Policy.* The Petty Cash Fund should only be used when payment by check or debit card are impracticable.
- Procedures.*
 - **Administration of Petty Cash Fund.** The Town Administrator is responsible for the administration of the Petty Cash Fund. The Fund shall be funded with checks made out to “Petty Cash-name of Town Administrator” and initially recorded in the Petty Cash Fund account. The Town Administrator will require receipts for all purchases and may ask those reimbursed to sign for money the Town Administrator provides as reimbursement.
 - The Town Administrator will record all cash purchases in a journal and save the receipts. When the fund gets low, the Town Administrator will summarize all expenditures and attach receipts for the Town Treasurer. The check written to replenish the Petty Cash Fund will be recorded and allocated across appropriate expenditure categories for the items that were purchased with Petty Cash, so that these expenditures made through the Petty Cash fund are properly classified by type.

C. Expense Reimbursement

- Risk.* The Town does not have the same level of control over expenses incurred on behalf of the Town by those who pay with personal funds and seek reimbursement as it does for expenses paid directly by the Town. The Town is in a diminished capacity to determine whether the good or service purchased was done so competitively, whether there is a personal benefit to the person seeking reimbursement and how the expenditure fits in with the rest of the Town’s budget.
- Policy.* In proper circumstances, Board members, employees and volunteers are entitled to be reimbursed for expenses related to the Town that they incurred on behalf of the Town. To receive reimbursement, the following requirements must be met:
 - The expense must have been authorized in advance by the Trustees or by the Town Administrator.
 - The expense must have been incurred for goods or services purchased for the Town.
 - If the expense is travel, the travel must be for work related to the organization. Mileage reimbursement will be no more than the

standard mileage rate as established by the IRS. The Town will reimburse meal expenses incurred in direct connection with the Town's business, or at the per diem rate established by the IRS.

iii. Procedures

- To be reimbursed for expenses:
 - a. Documentation. Reasonable documentation must be provided showing the date, amount and what the expense was for. Credit card receipts that do not describe the purchase are not reasonable documentation. The receipt must describe the purchase.
 - b. Other Reimbursement. The voucher must reflect other sources of reimbursement other than the Town's portion.
 - c. Timely submission. Documentation must be submitted with a request for payment within 60 days from the date the expense was incurred.
 - d. Overpayment. If overpayment has incurred, any excess reimbursement must be returned within a reasonable period of time.

D. Purchasing

- i. *Risks.* The Town wants to ensure that all purchases on behalf of the Town are authorized by the Board of Trustees or by Board policies. Unauthorized purchases deplete the Town's resources and interfere with the Board's ability to govern effectively.
- ii. *Policy.* All purchases made on behalf of the Town must be made pursuant to the Board-approved budget and other established Board rules.

iii. Procedures.

- The Town Administrator can authorize purchases of \$ 500 or less which conform to the Town budget. The Board of Trustees must approve purchases above that amount. The Board of Trustees must authorize any purchase which does not conform to the Town's budget making amendments where necessary.

E. Use of Town Property.

- i. *Risks.* The Town faces a risk that individuals will use Town property without authorization for personal purposes. Usage reduces the useful life of property and degrades municipal assets. Such use also betrays the trust of the residents who expect that Town resources will be used only for the purposes of Town business.
- ii. *Policy.* Property and equipment owned by the Town may only be used for Town activities or activities approved by the Town. They may not be used for personal purposes.
- iii. *Procedures.* If a Board of Trustee, officer, employee or volunteer want to use Town property or equipment for any purpose other than a Town purpose,

that individual must obtain permission from the Board of Trustees and reimburse for usage where practicable.

4. Creation of Town Obligations

- A. *Risks.* The Town needs to ensure that any obligation undertaken in the Town name is authorized by the Board of Trustees and is for Town purposes.

A. Credit and Debit Cards

- a. *Risks.* Town credit and debit cards can be misused when people charge personal expenses on them, failure to obtain documentation showing that a purchase was for the Town or put expenses on the Town card for purchases that are embarrassing to the Town.
- b. *Policy.* The Town will not authorize the use of debit cards for any purposes. The Board of Trustees will determine whether there is a compelling need for the Town to obtain one or more credit cards. If the Board of Trustees determines that credit cards are needed, the Board will authorize specific individuals to utilize a Town credit card. The cardholder may not use a Town credit card for personal purposes, even if he or she plans to reimburse the Town.
- i. The following purchases are not allowed on the Town credit card:
1. Personal purchases
 2. Cash advances or loans
 3. Payroll advances
 4. Purchased for other organizations
 5. Alcohol or drugs
 6. Personal entertainment
 7. Fuel for personal vehicles
 8. Purchases from a business personally owned or operated by the cardholder unless pre-approved by the Board.
 9. Any individual purchase exceeding \$ 500.00. Aggregate monthly purchases also shall not exceed \$ 500.00 without prior approval.
- c. *Procedures.*
- i. In order to use the card, the cardholder must follow these procedures:
1. Cardholder Agreement. Upon issuing a Town card to a cardholder, the cardholder must sign a statement that the cardholder has read and understands this Credit Card policy and will reimburse the Town for any personal charges on the card.
 2. Advance Approval. The Board must give advance written approval to make a purchase whenever practical. The cardholder's purchase request should describe the purchase and cost.

3. Original Receipts. The cardholder must keep the original itemized receipt that describes each purchase made on the card. The credit card signature receipt is not sufficient.
4. Notification of use of the credit card: The cardholder will submit weekly a detailed breakdown of the credit card use with original receipts noting the date, vendor and amount of each charge. This will allow the Treasurer to be aware of the cash that will be required to pay the credit card bill and alert the Treasurer to potential unnecessary use of the credit card.
5. Notification of Loss/Theft. The cardholder must notify the bank and the Town immediately in the event the card is lost or stolen.

5. Bank Reconciliation and Online Monitoring

- A. *Risks.* Even the most honest and attentive individual makes mistakes. Monitoring allows the discovery of errors. If Town records and the bank records do not agree, it is likely that the Town records are wrong. Monitoring also assists in identifying discrepancies between accounting records and banking records that suggest theft or fraud, checks signed by unauthorized signers, and identify theft.
- B. *Policy.* The Treasurer will monitor the Town's accounts regularly and will prepare a monthly written reconciliation of all bank or investment accounts which proves that the balances presented on the financial reports agree with the records of the financial institution.
- C. *Procedures*
 - i. Bank Statement. Hard copies of bank statements will be mailed to the Town. The Town will authorize the Treasurer and Administrator to be able to view bank statements online.
 - ii. Reconciliation. The Treasurer will reconcile the bank statement monthly. The reconciliation should be done within 7 days of receiving statement notifications.
 1. Check all checks for correct signatures and number of signatures and protest to the bank any incorrect signatures.
 2. Review the checks in the bank records to ensure that:
 - a. The name of the payee, the amount of the check and the date of the check agree with the Town's accounting records;
 - b. Whoever the check was made out to was the depositor of the check; and
 - c. Each check has a valid signature.
 3. Compare the bank deposit records with the accounting records to determine whether each deposit recorded in the accounting records agrees with the bank record.
 4. Evaluate the cash entries in the receipt book against the bank record of deposits to ensure that all cash was deposited.
 5. Evaluate whether the ending balance in the general ledger cash account agrees with the bank statement, after making the adjustments on the bank reconciliation form.

6. List all outstanding checks. On all checks outstanding over 90 days, take appropriate action to cancel them.
 7. List all deposits in accounting records not yet recorded by the bank.
- iii. If the reconciliation is done electronically, the Treasurer must check off on a form to be given to the Board that the review was performed.

D. **Online banking.** The Treasurer and Administrator should have online, read-only access to the bank account. The account should be reviewed on a weekly basis to check for identity theft or other suspect activity. The Treasurer should reconcile the bank statements and spot check the online payments as described above.

E. **Return of Cancelled Checks by the Bank.** The Board of Trustees will determine whether it is necessary to direct the bank to return the cancelled checks with the bank statement. If the Board determines that it will not require return of the cancelled checks, it will establish procedures to ensure retention of the electronic images of the checks for at least 3 years and proper disposition/destruction of records thereafter.