

RESOLUTION 17-04

**A RESOLUTION AUTHORIZING THE CITY OF RIDGETOP
TO ADOPT AN INTERNAL CONTROL POLICY**

WHEREAS, it is important that the City of Ridgetop and its employees follow certain policies and procedures as instructed in the Internal Control Policy; and

WHEREAS, it is the responsibility to the taxpayers, ratepayers, and constituents to be good stewards of public monies and property; and

WHEREAS, the State of Tennessee Legislature adopted T.C.A. 9-18-102 9a), requiring that each city or town adopt an Internal Control Policy, which will be approved by the Board of Mayor and Alderman, and will be on file for viewing at any time.

NOW, THEREFORE, BE IT RESOLVED BY COUNCIL OF THE CITY OF RIDGETOP, TENNESSEE, this resolution allows the Board of Mayor and Alderman to approve this policy.

Duly passed this 16th of May 2017.

Mayor

City Recorder

INTRODUCTION

The City of Ridgetop has the responsibility to its taxpayers, ratepayers and citizens, to be good stewards of public monies and property. In our effort to serve the public as city officials or employees, the city established this Internal Control Policy using widely recognized best practices and state and federal directives.

The internal control system consists of three objectives and five main components.

Three objectives of internal controls:

1. Reporting – reliability
2. Operations – effective and efficient
3. Compliance – compliant with applicable laws, regulations, contracts and grant agreements

Five main components of internal controls that are required

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

Internal control is defined as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance the city's objectives will be achieved. Each department should set goals and objectives and then formulate a plan to reach these goals. Consistent monitoring of all these components will ensure that department heads are aware of any changes that need to be done.

Control Environment

The control environment is the foundation for all other components of internal control, providing discipline and structure. Moreover, management established the tone at the top regarding the importance of internal control and expected standards of conduct, and reinforces expectations at various levels. Control environment factors include the integrity, ethical values and competence of the city’s personnel; the way management assigns authority and responsibility, and organizes and develops its personnel; and the attention and direction provided by the governing body.

Objectives

- The governing body and management should conduct business with integrity and ethical behavior
- Provide direction and oversight for the city’s control system
- Hire qualified and competent management
- Establish structure, authority and responsibility and hold individuals accountable for internal control responsibilities

Policies

- A personnel manual is updated from time to time
- Job descriptions and minimum job requirements are updated from time to time
- The governing body uses the budget process as a means of oversight with department heads
- Organizational charts are reviewed for needed changes in regards to authority and responsibility.

Procedures for the above Policies

Conflict of Interest

- City Recorder will prepare the conflict of interest forms with the W-4 forms
- If conflicts are not documented or if any conflicts are suspected the Mayor should be informed
- The Mayor will question the elected official or employee to determine if a conflict exists and a resolution will be made to correct the problem

Personnel Manual

- MTAS personnel will assist the Recorder to review the manual and note any changes in policies and procedures.

Oversight with Department Heads

-The Board of Mayor and Aldermen will meet with department heads to discuss audit findings and budget spending

Organizational Charts

-Charts are reviewed periodically as positions are added or changed. As part of the personnel manual, all positions will have a job description as well.

Risk Assessment

City officials and management assess risk of operations continually. The city has chosen to transfer the most common types of risk through the purchase of the following types of insurance: Property and Casualty, Liability, Errors and Omissions, Workers Compensation.

There are risks we cannot anticipate or know about and as it relates to financial and compliance issues we have identified. Internal controls will not eliminate all risk, but will help reduce risk to gain reasonable assurance that reporting and compliance objectives are being met. These risks affect the ability to survive, maintain financial strength, maintain quality of services and the city's public image.

Objectives

- Collections are complete, timely and accurate
- Disbursements are for a valid city purpose, properly recorded, approved by department head
- Assets are properly safeguarded
- The City is in compliance with contractual, local, state and federal laws and regulations

Risk

- Collections could be lost or misappropriated, or not recorded properly
- Collections may not be deposited in the bank and recorded timely
- Disbursements could be unauthorized, for personal items, or items never received
- Bank balances may be inaccurate due to failure to reconcile bank accounts
- Capital assets or inventory items could be missing
- Inventory is not available when needed
- Grant funds could be spent for unallowable items
- Grant rules may not be followed which could result in having to return federal funds
- Federal reporting requirements were not met

The significant areas of risk are identified above and policies and procedures will be documented in the next section to explain how the city plans to put internal controls in place to help reduce some of the risks associated with these areas of operations.

Control Activities

This section is where detailed procedures will be documented. The objectives, policies and implemented procedures will be described for each of the significant areas identified in the Risk Assessment section.

General Collections/ACH

Objectives

- Collections are completed in a timely and accurate manner
- Collections are safeguarded
- Collections are recorded accurately and timely in the accounting system

Policies

- Receipt will be issued for each collection made
- Clerk will count down each cash drawer daily
- No checks shall be cashed from the cash drawer
- All cash drawers will be closed out and counted daily
- All funds will be deposited daily
- There will be no checks or cash left out of a deposit. If there is a question as to how it should be processed, it will be deposited as miscellaneous revenue in the appropriate fund to be resolved later
- Delinquent accounts are dealt with according to city policy
- Court collections are done in accordance with AOC and reported to the state

Procedures

- Clerks immediately stamp all checks "for deposit only" and issue prenumbered receipts for all collections. The receipt should have date, amount, and payer, cash or check. A copy is given to customer and one kept.
- Clerks will prepare deposit ticket and will make a list of each check on the ticket or on will be produced by a report.
- When deposit is prepared and ready for deposit, a police officer is notified and takes the deposit to the bank. If one is not available, the City Recorder will take to the bank.
- The Recorder will check the daily cash reports, and deposit slips. The Recorder reviews the bank statements and signs off if correct.
- The Recorder will periodically perform surprise cash counts to the drawers to make sure they are in balance, and that there are no personal checks being held in the cash drawers.
- All monies are to be recorded on the Daily Cash Receipt Report.

Policies

- All cash drawers are locked in the vault during closed hours
- Access to the vault is always restricted
- Deposit bag is secured until the Police arrive to transport to the bank
- At no time will cash be left out in the open unattended
- Employees are prohibited from interchanging city assets with personal assets
- All accounting system updates and changes are discussed with office staff and appropriate changes made if necessary
- The clerk will review all of the cashier's daily collection reports

Procedures

- The vault should be unlocked each morning. And the vault locked each evening.
- All cash drawers will be counted away from the front desk and will be done one at a time so there is always one clerk to take payments
- All computer passwords will be changed periodically
- All banking transactions should have a paper copy to record the transaction

Distributions

All disbursements are for a valid city or utility purpose and necessary. Payments shall be made in a timely manner and be accurately coded and recorded in the accounting system. The city's purchasing policies will comply with state law. All invoices shall match the payment made and it shall be made in a timely manner. Each check requires two signatures and each check shall have documentation attached at the time of signing.

Department heads shall be responsible for keeping a watch over their budgets and make sure the line items stay within the budget amounts.

Payroll time sheets are turned in every Monday morning at the start of the work day. They should be filled out by the employee with their signature and the signature of their department head. City Recorder should make sure all hours are entered correctly and payroll deductions are properly supported and calculated. All personnel files shall have required federal forms. All raises shall be approved by the Mayor if not at budget time.

Safeguarding of Assets

Objectives

- Ensure city and utility assets are properly valued and protected
- Ensure city and utility assets are protected against loss, misappropriation or theft
- Ensure inventory items are available when needed for use, and that all items are on inventory list when purchased.

- Ensure banking balances are kept to the minimum with occasional deposits into Local Gov't Investment Pool.
- Ensure that fund balance is monitored and not used to cover unauthorized purchases or expenses beyond reasonable need
- A physical inventory will be conducted periodically
- All capital assets that are beyond use for the city and cannot be sold for gain shall be reviewed by the Mayor and department head
- Once approved, assets may be sold at a public auction or destroyed with appropriate documentation.

Policies

- All bank accounts are held in financial institutions under the municipality's name
- All checks require two signatures
- All credit cards are signed out to the employee and all receipts are returned when the card is returned
- If receipt is lost, employee must fill out the proper paperwork
- All grant records must be kept in an orderly fashion and must be monitored frequently so that grant funds are spent correctly and timely
- Gas and Diesel PIN numbers will be given to each employee that is required to purchase fuel and the employee is required to only purchase fuel for work use, and also required to keep the PIN number private to others. If employee gives their PIN number to another person, he or she might lose all privileges associated with obtaining fuel.
- Periodically, surprise visits will be made of all city owned vehicles to check to see if all mileage is being recorded correctly.
- All utility adjustments are approved by the Finance Commissioner
- Billing software assures that data is completely and accurately processed with all radio read machinery in top working order
- Cut-off list is reviewed and extensions approved by the City Recorder
- Personal use of equipment or city assets are not allowed by employees or by city officials
- Personal use of take home vehicles are not allowed.

Monitoring

Objectives

- To practice activities to monitor the policies set forth
- Address deficiencies noted in the internal control system

Policies

- Continue to work on areas that are lacking in internal control and have an annual risk assessment conducted by the city's management.

- Establish more efficient and effective operations over time
- Ensure accurate and reliable financial information is used in decision making

Procedures

- Management will review cash drawers and deposits randomly to make sure that policies are being followed, such timely deposits.
- Bank reconciliation includes a list of outstanding checks

Summary

The City of Ridgetop will consider other areas that should be under a risk assessment and document in the manual when necessary. Department heads will be urged to report to management any area that is lacking in efficiency and effectiveness.