

Town of Milton Key Controls by Operating Area

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Introduction

Internal control is an institutional-wide process of managing and monitoring operating, financial and compliance activities designed to provide reasonable, not absolute, assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

For the purposes of this summary, the term internal control refers specifically to internal control over financial reporting.

Internal control is not one event or circumstance, but a series of actions and activities that are built into the management process of the Town (the Town of Milton). It serves as the first line of defense in preventing and detecting errors and fraud. Since the internal control process is affected by individuals, it cannot provide absolute assurance that the Town is achieving its objectives, but rather provides only reasonable assurance. Internal control is subject to inherent limitations such as cost-benefit considerations, faulty human judgments, management override and employee collusion. Because of these inherent limitations, internal control systems operate at different levels of effectiveness. When internal control is operating at its best, the Town management will have reasonable assurance that:

- They understand the extent to which the institution's operating objectives are being achieved
- Annual financial statements are being prepared reliably
- Applicable laws and regulations are being complied with
- Assets are being safeguarded

The Committee of Sponsoring Organizations of the Treadway Committee (COSO) was formed to sponsor the National Commission on Fraudulent Financial Reporting. In 1992, COSO published Internal Control – Integrated Framework, which established a framework for internal control and provided evaluation tools that businesses and other entities could use to evaluate their internal control systems. This summary is based on that framework which identifies five interrelated components which work together to create a process of control. Weak controls in one area can be offset by strong controls in another area. The five interrelated components of internal control identified by COSO are:

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- Control Environment
- Risk Assessment
- Information and Communication
- Monitoring
- Control Activities

The relative strength of an institution's internal control depends in large part on the actions of management and how well individuals understand their responsibilities and how they relate to internal controls. Thus, internal controls need to be communicated and employees need to be trained and educated in order for them to be most effective. The following documentation describes the five components of internal control and demonstrates the internal controls that have been implemented by the Town as documented in this Comprehensive Financial Policies and Procedures Manual. This documentation will serve to both communicate and educate employees on the Town's internal control efforts.

Control Environment

The control environment is the general tone or climate regarding internal controls throughout an institution. The major themes of the control environment include governance, integrity and ethical values, management style/philosophy, accounting and business competencies, personnel policies and human resources. These elements are essential in the administration and monitoring of all other control components.

In general terms, the Town control environment is described by the Town in the following manner. The management philosophy of the Town will be directed by the Town Manager. The administration at the Town will continually show its commitment to effective internal control by demonstrating ethical behavior (leading by example) and providing guidance to staff for proper behavior. This includes being proactive, accountable, honest, respectful, dependable, timely and using the Town resources efficiently. Further, the Town administration will be committed to competence. Therefore, appropriate human resource policies ensure that employees who are hired have the necessary knowledge, skills, and experience to perform their function within the institution. Town employees will receive appropriate training and career development opportunities. The organizational structure is set up to provide for appropriate delegation of responsibility and authority as well as adequate supervision for operating activities at all levels. The Town has implemented the following specific controls which support their description of their control environment above.

Those charged with governance of the Town are actively involved and have significant influence over the institution's internal control environment and its financial reporting. Frequent e-mails, telephone discussions and board/committee discussions are used to keep those charged with governance aware of key developments that may impact financial reporting.

Risk Assessment

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Risk assessment is the ongoing process of identifying and analyzing relevant risks that must be managed in order to meet the objectives set by the Town. This being said, a precondition to risk assessment is the establishment of objectives. The financial reporting objectives set by the Town relates to the preparation of reliable financial statements which are fairly presented in conformity with Generally Accepted Accounting Principles. The Town's compliance objectives relate to conforming with applicable state and federal laws and regulations relating to taxes, employment, the environment, grant guidelines and OMB circulars. Factors to consider with regards to identifying risks include: past experience to meet objectives, quality of personnel, regulations, personnel, geographic distributions and the significance and complexity of the activity. Based on these considerations, the Town has implemented the following controls to ensure the continual assessment of risks within the institution.

The Town evaluates risks as part of its planning process at board meetings and on a day to day basis and recognizes the potential for fraud in high-risk areas of the institution, including revenue recognition, management override, accounting estimates and nonstandard journal entries. In their assessment of these high-risk areas, the Town considers incentives and pressures, attitudes and rationalizations, as well as the opportunity to commit fraud and has implemented appropriate control activities to mitigate these risks. (See the Control Activities section.) A fraud risk assessment has been used to track fraud risk factors that have been identified by the institution. When such risks are identified, existing controls are examined to determine that appropriate actions have been taken to address them. Most importantly during this risk assessment, management identifies and tracks risks related to laws and regulations that have an effect on financial reporting, including the requirements of GAAP. The Town continually updates their accounting manuals and monitors personnel changes to identify changes within operating practices that may affect the method or process of recording transactions and the application of GAAP. The accounting department has also helped in this area by putting a process into place to maintain a current knowledge of GAAP and other relevant pronouncements and is able to identify and address changes that have an impact on the institution.

Information and Communication

Necessary information must be identified, captured and communicated in a form and time-frame that makes it possible for employees to carry out their responsibilities. Controls over information and communication are needed to ensure that this happens. The Town has implemented several controls in this area to help guarantee that management and the governing board receives the documentation they need to make timely decisions. All personnel, particularly those in roles affecting financial reporting, receive a clear message from top management that both internal control over financial reporting and individual control responsibilities must be taken seriously and all employees receive adequate information to complete their job responsibilities.

Information relevant to financial reporting is identified, captured, processed and distributed within the parameters established by the institution's control processes to support the achievement

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of financial reporting objectives. The chart of accounts is adequate to maintain accountability and provide information on important reporting items such as permanently restricted, temporarily restricted and unrestricted resources, functional reporting of expenses, and compliance with terms and conditions of grants. This data, and other data underlying the financial statements, are captured completely, accurately and timely, in accordance with the institution's policies and procedures and in compliance with laws and regulations. Operating information used to develop the accounting and financial information serves as a basis for reliable financial reporting and operating information is used as a source of accounting estimates. Financial personnel receive detailed information when reviewing financial results and they meet with management to analyze and discuss operational results.

Communication exists between management and those charged with governance so that both have relevant information to fulfill their roles with respect to governance and to financial reporting objectives. The effectiveness of those charged with governance is supported by timely communications and open communication channels exist. Upstream communication is used by management to improve performance and enhance internal control.

The Town has a Fraud Reporting Policy to allow those who suspect fraud to report it to management, the Selectboard, or the auditor.

Fraud Prevention Policy – Policy 2013-06

PURPOSE. The purpose of this policy is to provide a mechanism for employees and officers to bring to the attention of the Town auditors [*the public accountant employed by the Selectboard*] any complaints regarding the integrity of the Town's internal financial controls or the accuracy or completeness of financial or other information used in or related to the Town's financial statements and reports. Town employees and officers shall not be discharged, demoted, suspended, threatened, harassed, or discriminated against in any manner for raising reasonable questions concerning the fair presentation of town financial statements in accordance with this policy. Complainants will have their confidentiality respected to the greatest extent legally possible.

REPORTS OF IRREGULARITY. Any employee who has a complaint regarding the integrity of the Town's internal financial controls or the accuracy or completeness of financial or other information used in or related to the Town's financial statements and reports, or who observes any questionable accounting practices, should report such complaint to the town auditors.

The report should include a description of the matter or irregularity, the period of time during which the employee observed the matter or irregularity, and any steps that the employee has taken to investigate the matter or irregularity, including reporting it to a supervisor and the supervisor's reaction. The report may include, at the employee's option, the employee's contact information if additional information is needed. However a report shall not be deemed deficient because the employee did not include contact information.

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Examples of reportable actions include any indication of fraud, misappropriation of Town resources, substantial variation in the Town's financial reporting methodology from prior practice or from Generally Accepted Accounting Principles, and the falsification, concealment, or inappropriate destruction of Town financial records.

INVESTIGATION. Upon receiving such a report, the town auditors will consult with the Town Manager and possibly law enforcement if the complaint is about another employee or officer; if the complaint is about the Town Manager, the town auditors will consult with the Selectboard prior to engaging a preliminary investigation if needed. The town auditors may consult with the Selectboard, Town Manager, Treasurer, any other Town employee, legal counsel and independent auditors as a part of their investigation. At the conclusion of the investigation, the Town auditors shall prepare a written response to the report, which shall be considered a personnel matter and exempt from Public Records law.

If after a preliminary investigation it is determined that the investigation will result in either discipline, termination, and/or further investigation or action by law enforcement, the confidentiality for the complainant can no longer be guaranteed. With the exception of elected officers and their appointees, discipline and termination require a pre-disciplinary hearing at which the designated Town authority is required to present reasons and evidence against the accused requiring the testimony of the complainant.

In accordance with 24 V.S.A. § 1686(c), any town officer who willfully refuses or neglects to submit his or her books, accounts, vouchers, or tax bills to the auditors upon request, or to furnish all necessary information in relation thereto, shall be ineligible for reelection for the year ensuing and be subject to the penalties otherwise prescribed by law.

ADOPTION: The Milton Selectboard acting in regular session on **October 28, 2013**, voted in favor of the **Fraud Policy**, as outlined herein as **Policy 2013-06**, and as of this date is effective until amended, repealed. Further, that this referenced Policy shall be part of the permanent record of the attachment of the same to the Minutes of the aforementioned meeting.

Monitoring

Monitoring is a process of assessing the quality of a system's performance over time. The Town does not currently have an internal audit function or other defined internal monitoring processes in place to evaluate their control systems. The Town's internal control is monitored informally through supervisory activities and reconciliations. The Town has external means of monitoring their controls as well. Independent auditors annually provide suggestions for strengthening internal controls and identify to the Town any deficiencies noted in the course of their fieldwork. The Town does their best to evaluate findings of employees and the external auditors to determine and implement the best course of action to correct the control issues at hand.

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The institution's ongoing monitoring serves as a primary indicator of both control operating effectiveness and of risk conditions and provides feedback on the effective operation of controls integrated into processes and on the processes themselves. This monitoring is built into operations throughout the institution and includes explicit identification of what constitutes a deviation from expected control performance, thereby signaling a need to investigate both potential control problems and changes in risk profiles.

Deficiencies noted that affect internal control over financial reporting are communicated regularly and as necessary by those charged with governance to management and the individual who owns the process and control involved and who is in the position to take corrective action.

Control Activities

Control activities are the policies and procedures that ensure necessary actions are taken to mitigate risks. A policy establishes what should be done whereas procedures are actions by people to implement stated policies. The Town of Milton performs a wide range of control activities, including, but not limited to, top level review, authorizing, verifying, reconciling, segregating duties, restricting access to assets and appropriately documenting transactions and information processing. The Town's internal control activities are extensive. The following is documentation of the procedures used for several of the Town's important operating areas and/or identification of the key controls for each area.

Journal Entries

A journal entry is a mechanism for recording financial transactions in the general ledger. All journal entries must have both a debit and credit (referred to as double-entry system) and the total debits and the total credits in the journal must be equal. The Finance Director gives journal entry information to the Fiscal Assistant II to complete and file electronically with supporting documentation. The supporting documentation includes the transaction date, the account numbers to be debited and credited, a description/explanation of the purpose of the journal entry, the journal name, the period the entry affects, and any externally created documents that support the entry. Journal entries are made in numerical order by fiscal year. The Finance Director reviews all journal entries weekly as another level of checks and balances. The Fiscal Assistant II scans journal entries into a shared folder on the server where they are stored for the amount of time required by law.

A transfer sheet is prepared by the Finance Department any time that funds are to be expended such as payroll, accounts payable, credit card clearing, between Town and school, TIF, etc. This transfer sheet is then brought to the Treasurer's Office to process the actual bank transfer. The Treasurer's Office makes the transfer of funds through the bank and attaches a copy of that bank

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verification showing that it has been done and signs off on the transfer sheet. The transfer sheet is then returned to the Finance Department to process the journal entry/entries. *Key Controls:*

1. The Finance Department staff prepares and posts all journal entries.
2. The Finance Director reviews all journal entries to verify that they were entered into the accounting system correctly.
3. All journal entries are accumulated with supporting documentation and scanned into a shared folder on the server.
4. Electronic copies of journal entries are stored for the amount of time required by law.

Budget

The Town engages in a financial planning/budgeting process on an annual basis. The Town also updates a five year projection of expenditures estimated based on known factors and other assumptions. The tax rate is set based on the approved budget and updated grand list annually. The budget preparation process begins in the fall of each year for the upcoming fiscal year (July 1-June 30). The Town Manager oversees the budget development process and makes recommendations to the Selectboard for approval to present to voters. Early in the fall, departmental budget sheets are distributed to the department heads to fill out and enter into the overall budget model for review by the Town Manager and Finance Director. The voters approve each year's budget the day after Town Meeting day in March.

Monthly revenue and expenditure budget reports are created by the Finance Director and reviewed by the Town Manager and all Department Managers.

Key Controls:

1. The Town Manager oversees the budget development process and makes recommendations to the Selectboard.
2. A final proposed budget is presented to citizens by the Selectboard on Town Meeting Day and approved by voters.
3. The tax rate is set based on the approved budget and estimated grand list annually and approved by the Selectboard.
4. The Town Manager with approval of the Selectboard can move budget funds between departments.

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Accounts Receivable

The Town of Milton has the following types of accounts receivable: property taxes, water/wastewater bills, impact fees, recording fees, septage disposal fees, commercial water sales, and any service or purchase that isn't paid for at the time of purchase. Currently, funds may be received through the various departments however, all payments must be processed at the Town Clerk's/Treasurer's office on a daily basis. For amounts billed through the NEMRC AR system, payments are received first by the Fiscal Assistant II and then processed at the Town Clerk's/Treasurer's office.

Key Controls:

1. Some types of payments may be received by the various departments. When this occurs, department heads create a cash receipt along with description of payment for each individual transaction and ensure that the payments are taken to the Town Clerk's/Treasurer's office on the same day of the transaction.
2. All payments (cash) are counted by a Clerk in the Town Treasurer's office; a second clerk counts to confirm the amount if over \$200.
3. The Town Treasurer's office generates a duplicate cash register receipt for all transactions which is date/time stamped and the copy is kept in the vault.
4. The following procedure is implemented daily by the Fiscal Assistant II or AP/Payroll Clerk in their absence:
 - Get the following from the Town Clerk's office:
 - People's United Bank bag
 - NEMRC Reports (saved electronically)
 - Receipts – backup
 - Add up cash – should match cash amount on report (but doesn't always because the NEMRC system does not show a breakdown on the daily report if there was a payment that was partially paid by cash and partially paid by check. This doesn't happen very often, but if total does not balance then check with the Town Treasurer's office to see what happened. Cash and checks could be off from report due to check overstated and cash returned to customer for difference.)
 - Verify the following on checks:
 - None are post-dated
 - All are signed
 - All are endorsed with the Town stamp on the back
 - Pull up "Deposit" spreadsheet in Town file, then:
 - Enter date (today's date)
 - Enter total cash @ bottom
 - Verify names/amounts as recorded by Treasurer's office
 - Total of cash and checks should match report – if it does, then print 2 copies of spreadsheet (double-sided if need be)
 - Fill out bank deposit slip – Fiscal Assistant II stores deposit books in their desk and a deposit book is also stored in the supply cabinet in the finance office which are locked when not in use:
 - Enter date (today's date)
 - Enter cash (currency & coins)

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- Enter total of checks @ bottom
- Enter grand total in 2 spots
- Put the following back in the bank bag:
 - White copy of bank deposit slip
 - “Deposit” spreadsheet printout
 - All cash
 - All checks
- Attach yellow copy of bank deposit slip to “Deposit” spreadsheet printout and return with backup and deposit bag to Treasurer’s office
-

Cash Reconciliations

The Fiscal Assistant II prepares the reconciliations on a monthly basis, except for the cemetery, which is done on a quarterly basis. The Fiscal Assistant II reviews copies of cleared checks on the bank statement for any unusual checks, such as a check written to a check signer and signed by that same check signer. The Fiscal Assistant II works with the Finance Director to resolve any internal issues. If an issue arises that appears to be on the bank’s end, the Fiscal Assistant II alerts the Finance Director and Town Treasurer who works with the bank to resolve the issue. Bank reconciliations are reviewed annually by the Independent Auditors.

Key Controls:

1. Bank statements are received unopened by the Fiscal Assistant II, although they are sent to the Treasurer.
2. Bank reconciliations are prepared on a monthly (quarterly for the cemetery and some escrow accounts) basis by the Fiscal Assistant II, who is someone who does not have check signing authority.
3. If it appears there is a problem on the bank’s end, the Fiscal Assistant II alerts the Finance Director and the Town Treasurer. The Town Treasurer then works with the bank to resolve the issue.
4. Bank reconciliations are reviewed annually by the Independent Auditors.
5. The Town Treasurer can inventory the Town’s bank accounts and determine which bank accounts support which governmental and enterprise funds.

Investments - Policy 2013-07

Investments may be made by the Treasurer with the approval of the Selectboard and after consultation with the Town Manager. The Fiscal Assistant II records activity, such as interest, dividends, capital gain distributions and unrealized and realized gains/losses, on a monthly basis when statements are received. An investment policy was approved by the Town’s Selectboard.

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The Finance Director and Town Treasurer review recorded investments for any possible impairments and make entries as necessary.

Key Controls

1. The Town Treasurer may make investments on behalf of the Town with the approval of the Selectboard. Any new bank or investment accounts must be authorized by the Selectboard by resolution before investments are made.
2. There is an approved investment policy in place which is followed when making investment decisions (see number 5).
3. The Selectboard periodically reviews investments to determine that they meet the restrictions or limitations outlined within the investment policy.
4. Recorded assets are reviewed for impairments by the Finance Director and Town Treasurer.
5. The Selectboard has adopted the following Investment Policy (Policy 2013-07) on November 4, 2013:

PURPOSE. In accordance with 24 V.S.A. § 1571(b), moneys received by the Treasurer on behalf of the Town of Milton may be invested and reinvested by the Treasurer with the approval of the Selectboard. The purpose of this Investment Policy is to establish the investment objectives, standards of investing prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures necessary for the proper management and investment of the funds of the Town of Milton.

This Policy does not apply to bond fund investments made in accordance with applicable bond debenture requirements.

OBJECTIVES. The primary objectives in priority order of investment of the funds of the Town of Milton shall be safety, liquidity, yield, and local investment:

Safety. Safety of principal shall be the foremost objective of Town funds. Investments will be undertaken so as to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk (the risk of loss due to the failure of the security) and interest rate risk (the risk that the market value of securities in the portfolio will fall due to changes in market interest rates). Credit risk will be minimized by diversifying the Town's investment portfolio so that the impact of potential losses from any one type of investment will be minimized. Interest rate risk will be minimized by investing operating funds primarily in certificate of deposits, savings accounts, draft checking accounts, money market accounts, or similar investment pools and limiting the average maturity of the Town's investment portfolio.

Liquidity. The Town's investment portfolio will remain sufficiently liquid to meet all reasonably anticipated operating requirements (for the upcoming year). This will be accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. The portfolio will consist primarily of insured securities with active secondary or resale markets. A portion of the portfolio may be placed in insured money market checking accounts to

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ensure liquidity for short-term funds.

Yield. The investment portfolio will be designed to attain a market rate of return throughout budget and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments will be limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Yield is of secondary importance compared to safety and liquidity objectives.

Local Investment. Where possible, funds may be invested for the betterment of the local economy. The Town may accept a proposal from an eligible institution that provides for a reduced rate of interest, provided that such institution documents the use of deposited funds for community development projects. Local investment is of tertiary importance but will be given higher deference if they can show they are County based or Vermont based institutions.

POOLING. Except where prohibited by law, cash and reserve balances from all funds will be consolidated to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to various funds based on their respective participation and in accordance with Generally Accepted Accounting Principles.

STANDARD OF CARE. The standard of care to be used by the Treasurer and Selectboard shall be the prudent person standard and shall be applied in the context of managing an overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

CONFLICTS OF INTEREST. The Selectboard and the Treasurer shall refrain from personal business activity that could conflict with the proper execution and management of the Town's investments or that could impair their ability to make impartial decisions. They shall disclose any material interests in financial institutions with which the Town conducts business, and further disclose any personal financial or investment positions that could be related to the performance of the Town's investments. Selectboard members and the Treasurer shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Town.

INTERNAL CONTROLS. The Selectboard, Auditor, Town Manager, Finance Director and Treasurer will establish a system of internal controls, which shall be documented in writing to prevent the loss of invested funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Town.

AUTHORIZED INVESTMENTS AND INSTITUTIONS. Public deposits shall only be made in qualified public depositories as established by Vermont law. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the Town must supply the following as appropriate:

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- 1 Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;
- 2 Proof of National Association of Securities Dealers (NASD) certification;
- 3 Proof of state registration;
- 4 Certification of having read and understood and agreeing to comply with the Town's investment policy; and
- 5 Evidence of adequate insurance coverage.

The Treasurer and Selectboard will conduct an annual review of the financial condition and registration of all qualified financial institutions and broker/dealers.

The following investments will be permitted under this policy:

- 1 U.S. Treasury obligations which carry the full faith and credit guarantee of the United States Government and are considered to be the most secure instruments available;
- 2 U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
- 3 Certificates of deposit and other evidences of deposit at financial institutions;
- 4 Bankers acceptances;
- 5 Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, D-1 or higher) by a nationally recognized rating agency;
- 6 Investment grade obligations of state and local governments and public authorities;
- 7 Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments;
- 8 Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- 9 Local government investment pools, either state-administered or developed through joint powers statutes, and other intergovernmental agreement legislation.

COLLATERALIZATION. Collateralization using obligations fully guaranteed by the full faith and credit of a Vermont municipality, the State of Vermont, and/or the United States Government will be required on certificates of deposit, repurchase agreements, and any uninsured cash holdings. The current market value of the applicable collateral will at all times be no less than 102% of the sum of principal plus accrued interest of the certificates of deposit or the repurchase agreement secured by the collateral. Collateral will always be held by an independent party, in the Town's name, with whom the Town has a current custodial agreement. Evidence of ownership must be supplied to, and retained by, the Town.

SAFEKEEPING AND CUSTODY. All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by an independent third-party custodian selected by the Treasurer as evidenced by safekeeping receipts in the Town's name. The safekeeping institution shall annually provide a copy of its most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

REPORTING. The Treasurer will prepare a quarterly investment report that analyzes the status of the current investment portfolio and the individual transactions executed over the last quarter. The report will include a listing of individual securities held at the end of the reporting period, realized and

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unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over a one-year duration that are not intended to be held until maturity, average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks, listing of investment by maturity date, and percentage of the total portfolio which each type of investment represents. Any new bank or investment accounts must be authorized by the Selectboard by resolution before investments are made.

ADOPTION: The Milton Selectboard acting in regular session on **November 4, 2013**, voted in favor of the **Investment Policy**, as outlined herein as **Policy 2013-07**, and as of this date is effective until amended, repealed. Further, that this referenced Policy shall be part of the permanent record of the attachment of the same to the Minutes of the aforementioned meeting.

Accounts Payable – Invoices and Purchase Orders

POLICY

Revised 10-5-20

Article 2, Sections 4402 - 4409

To: Milton Selectboard
From: Jessica Morris, Finance Director
Re: Purchasing Policy and Procedures
Date: October 5, 2020

EFFECTIVE DATE - Immediately

PURPOSE. The purpose of this Purchasing Policy is to obtain the highest quality goods and services for the Town of Milton at the lowest possible price, to exercise financial control over the purchasing process, to clearly define authority for the purchasing function, to allow fair and equal opportunity among qualified suppliers, and to provide for increased public confidence in the procedures followed in public purchasing.

AFFIRMATIVE ACTION AND LOCAL PREFERENCE. Whenever possible, qualified small, minority and women-owned businesses shall be included in the solicitation lists for bids or non-bid purchases. If the purchase is federally funded in whole or in part, minority and women owned businesses must be included in the solicitation lists and all other affirmative action requirements outlined in the grant provisions must be followed. The Town may exercise a preference for local businesses for purchases funded exclusively by the Town but only if such a preference does not result in unreasonable prices or

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rates due to a lack of competition. For purchases funded in whole or in part with federal funding the Town may not exercise a preference for local businesses.

CODE OF CONDUCT. Employees, officers and agents of the Town who are involved in the procurement and selection of bids and purchases shall make reasonable efforts to avoid real, apparent, or potential conflicts of interest. No employee, officer or agent of the Town shall participate in selection, award, or administration of a contract if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when:

the employee, officer or agent,

any member of his or her immediate family,

his or her partner, or

an organization which employs, or is about to employ, any of the above, has a financial or personal interest in the firm/vendor selected for award.

An employee, officer or agent of the Town who is involved in the procurement and selection of a bid or purchase and who has a real or apparent conflict of interest must disclose that conflict of interest within the context of a duly warned Selectboard meeting that occurs before the bid selection or purchase takes place. Such disclosure must be documented in the minutes for that meeting which shall be retained as part of the official record surrounding the bid or purchase.

Officers, employees and agents of the Town will not solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to sub -agreements.

Officers, employees and agents who fail to follow the above Code of Conduct shall be sanctioned or disciplined, to the extent permitted by law, for violations of the above standards.

DOCUMENTATION. Records documenting the procurement process for any Minor or Major purchases, as those terms are defined below, including the reason for the specific procurement method chosen, the basis for the award and contract pricing (showing evidence that the process was fair and equitable), as well as any other significant decisions that were part of the procurement process shall be maintained for a period of at least three years from the date of the submission to the Federal government of the final expenditure report if the purchase or project was funded with federal grants, or until the completion of any litigation, claim, negotiation, audit, or other action involving the records, whichever is

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longer. Otherwise, records shall be maintained by the Town in accordance with the retention and disposition schedules as set by the Vermont State Archivist.

PURCHASING AUTHORITY.

Purchasing Agents. The following employees are designated to act as Purchasing Agents for the Town:

Town Manager

Directors

Department Heads

Purchasing Agents are responsible for ensuring that the best possible price and quality are obtained with each purchase and Purchasing Agents shall review all proposed procurements to avoid unnecessary or duplicative purchases of equipment, supplies and services. Purchasing Agents shall also ensure that competition is not restricted with limits on the geographic location of vendors, with unreasonable requirements or qualifications placed on vendors, or by allowing vendors to be selected who have engaged in noncompetitive pricing practices.

Incidental Purchases. Employees who have been designated to act as Purchasing Agents may make purchases of up to \$4,999.99 without prior approval, provided those purchases are limited to the amount of the budget authorized by the Town.

Minor Purchases. Employees who have been designated to act as Purchasing Agents may make purchases with a value between \$5,000.00 and \$14,999.99 only with prior approval of the Town Manager and are limited to the amount of the budget authorized by the Town. Although not required, competitive quotes from at least three vendors should be obtained whenever possible.

Major Purchases. All purchases over \$15,000.00 require prior approval of the Selectboard. The Selectboard shall review all proposed procurements to avoid unnecessary or duplicative purchases of equipment, supplies and services. The Selectboard shall also ensure that competition is not restricted with limits on the geographic location of vendors, with unreasonable requirements or qualifications placed on vendors or bidders, or by allowing vendors to be selected who have engaged in noncompetitive pricing practices.

If federal funding is used for purchases between \$10,000 (\$2,000 in the case of construction projects subject to Davis Bacon requirements) and \$250,000, price or rate quotes must be obtained from two or

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more qualified sources following the affirmative action provision of this policy and all provisions regarding fair and unrestricted competition.

For all purchases with a value between \$5,000.00 and \$14,999.99, price and rate quotations shall be obtained from at least two qualified vendors to ensure that the Town has received a fair and reasonable price. Vendors will be selected based on cost, the quality of the goods and services offered, and the ability, capacity, and skill of the vendor demonstrated under prior contracts with the Town.

Large purchases with a value of \$15,000.00 or more must follow a sealed bid process as outlined below.

Purchases at or exceeding \$250,000 or construction projects of any value that are funded with federal dollars must follow a sealed bid process as outlined below and also follow any procurement guidance as outlined in the grant agreement. In addition, a pricing analysis must be completed by the purchasing agent or a qualified consultant prior to issuing the request for proposal to ensure that there is a reasonable estimate against which to compare bid proposal pricing.

PURCHASE ORDERS. In certain situations, the Selectboard or his/her designee may determine that it is desirable to use a purchase order for a particular transaction. This is particularly true when there is an anticipated or perceived difference between the expectations of the Town and the Vendor in terms of a certain purchase transaction. In these instances, the Finance Director would issue a purchase order to the vendor, outlining the terms and conditions associated with the transaction. In situations described above, the purchase order serves as a legal document to protect the Town in the event of non-performance by a vendor. All capital purchases require a purchase order.

SEALED BID PROCESS. The sealed bid process shall be initiated by the issuance of a Request for Bids prepared by the Selectboard or its designee. Notice of the Request for Bids may be made by letters to known providers soliciting bid responses, advertisements posted in public locations within the Town, advertisements posted on the Town's website, and/or advertisements placed with the Town's paper of record.

BID SPECIFICATIONS. A list of bid specifications shall be prepared for each purchase over \$15,000.00 and shall be available for inspection at the Town office. Bid specifications shall include:

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Bid name.

Bid submission deadline.

Date, location, and time of bid opening.

Specifications for the project or services including quantity, design, and performance features.

Bond and/or insurance requirements.

Any special requirements unique to the project or purchase.

Delivery or completion date.

For construction projects, language that sets a requirement for a bid guarantee in the amount of 5% of the bid price from all bidders, as well as performance and payment bonds in the amount of 100% of the contract price from the contractor awarded the bid. If federally grant funded, the bidders must also include costs for Davis Bacon compliance if that is a requirement of the federal agency providing the funding.

For federally grant funded construction projects over \$2,000, a statement that contractors will be provided with a copy of the most current wage determination (from the DOL website at <http://www.wdol.gov/dba.aspx>) and must comply with the Davis Bacon Act.

Language that reserves for the Selectboard the right at its sole discretion to reject any and all bids, wholly or in part, to waive any informalities or any irregularities therein, to accept any bid even though it may not be the lowest bid, to call for rebids, to negotiate with any bidder, and to make an award which in its sole and absolute judgment will best serve the Town's interest. The Selectboard reserves the right to investigate the financial condition of any bidder to determine his or her ability to assure service throughout the term of the contract.

Once a Request for Bids has been issued, the bid specifications will be available for inspection at the Town office.

BID SUBMISSION. All bids must be submitted in sealed envelopes or electronically as specified by the Request for Bids, addressed to the Town in care of the Town Manager or his/her designee, and plainly marked with the name of the bid and the time of the bid opening. Bid proposals will be date stamped on the outside of the envelope immediately upon receipt; the electronic date stamp will be used when submitted electronically. Any bid may be withdrawn in writing prior to the scheduled time for the opening of bids. Any bids received after the time and date specified shall not be considered and shall be returned to the bidder unopened.

Bidders shall bid to specifications and any exceptions must be noted by the bidder. A bidder submitting a bid thereby certifies that the bid is made in good faith without fraud, collusion, or connection of any kind

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with any other bidder for the same work, and that the bidder is competing solely on his/her behalf without connection with or obligation to any undisclosed person or firm.

BID OPENING. Every bid received prior to the bid submission deadline will be publicly opened and read aloud by the Town Manager or his/her designee. The bid opening will include the name and address of bidder; for lump sum contracts, the lump sum base bid and the bid for each alternate; and the nature and the amount of security furnished with the bid if required.

CRITERIA FOR BID SELECTION. In evaluating bids, the Town Manager or his/her designee will consider the following criteria:

- Price.
 - Bidder's ability to perform within the specified time limits.
 - Bidder's experience and reputation, including past performance for the Town.
 - Quality of the materials and services specified in the bid.
 - Bidder's ability to meet other terms and conditions, including insurance and bond requirements.
 - Bidder's financial responsibility.
 - Bidder's availability to provide future service, maintenance, and support.
 - Nature and size of bidder.
 - Contract provisions that are acceptable to the Town.
-
- For federally grant funded construction projects over \$2,000, contractor's indication of acceptance of wages in the current wage determination provided as part of the Request for Bids.

 - Any other factors the Town Manager or his/her designee determines are relevant and appropriate in connection with a given project or service.

In addition to the above, in the case of a contract supported by federal funds, the additional criteria shall apply:

There shall be no preference exercised for local contractors or suppliers.

Minority and women-owned businesses must be included in the solicitation list for the request for proposal.

13. The Town will not select a bidder who is listed on the Excluded Parties List System website (<https://www.sam.gov>).

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CHANGE ORDERS. If specification changes are made prior to the close of the bid process, the Request for Bids will be amended and notice shall be sent to any bidder who already submitted a bid and a new bid process will be initiated. Once a bid has been accepted, if changes to the specifications become necessary, the Town Manager or his/her designee will prepare a change order specifying the scope of the change. Once approved by the Selectboard, the contractor and an authorized agent of the Town must sign the change order.

EXCEPTIONS. The following exceptions may apply, however there must be written documentation created and maintained that outlines the process and rationale for such exceptions:

Competitive Proposals. If time does not permit the use of sealed bids, or the award will be made on the basis of non-price related factors, a competitive proposal process shall be initiated by the issuance of a Request for Bids (RFB) or Request for Qualifications (RFQ) prepared by the Selectboard or its designee that includes the factors that will be used to evaluate and compare the proposals. Bids or qualifications shall be obtained from an adequate number of qualified sources (at least two vendors) to ensure that the Town has received a fair and reasonable price and all notification and record keeping requirements of the sealed bid process shall be followed. If architectural or engineering services are being solicited, this process should be used with the most qualified firm or individual awarded the bid and price or fees negotiated after the award. If competitive proposals are used, all of the above steps in the sealed bid process should be followed except that: 1) the bid submission need not be sealed; and 2) price will not be the primary factor in the proposal selection.

Sole Source Purchases. If the Town Manager or his/her designee determines that there is only one possible source for a proposed purchase, it may waive the bid process and authorize the purchase from the sole source.

Recurring Purchases. If the total value of a recurring purchase of a good or service is anticipated to exceed \$15,000.00 during any fiscal year, the bid process shall be utilized and shall specify the recurring nature of the purchase. Once a bid has been accepted, all future purchases shall be made from that bidder without necessity of additional bids, until such time as the Selectboard votes to initiate a new bid process.

Emergency Purchases. The Town Manager or his/her designee may award contracts and make purchases for the purpose of meeting the public emergency without complying with the bid process. Emergency expenditures may include immediate repair or maintenance of town property, vehicles, or equipment if the delay in such repair or maintenance would endanger persons or property or result in substantial impairment of the delivery of important Town services.

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Federally funded non-competitive purchases for \$250,000 or more require a cost analysis to determine the reasonableness of the proposed pricing and should be completed in accordance with the requirements of the federal or state agency issuing the grant funding.

This Procedure shall amend and replace any provisions of any procedure of the Town in effect at the time of enactment.

The Milton Selectboard, acting in regular session voted in favor of the amendment to the Purchasing Policy, as outlined in Policy Article 2, Sections 4402 & 4409 above, as amended. Further that this referenced Policy shall be part of the permanent record by attachment of the same to the Minutes of the aforementioned Meeting this 5th day of October, 2020 and is effective as of this date until amended or repealed.

Adopted: October 5, 2020

Finance will verify that a new vendor exists by making a phone call to the vendor and/or checking their existence and validity by Google search to include making sure the vendor has a physical address. The Finance Department will also check the online federal and state debarment lists.

Invoices are authorized by the department head or Town Manager with proper coding, signature and date, then submitted to Finance for posting in NEMRC.

On the Thursday before a Selectboard Meeting, the Accounts Payable Clerk prints a Warrant Report. The invoices/purchase orders and Warrant Report are then reviewed first by the Finance Director, then the Town Manager, and then the Selectboard Clerk. The Selectboard Clerk then submits the Warrant Report to the entire Selectboard for approval.

On Tuesdays after the Selectboard meeting, the signed Warrant Report and associated invoices/purchase orders are given back to the AP/Payroll Clerk. The AP/Payroll Clerk then goes into NEMRC and prints checks. All checks are then given to the Town Treasurer to sign. The AP/Payroll Clerk attaches one of the check stubs with each corresponding invoice. Checks with an attached stub and remittance are then mailed out. Each check stub and supporting documentation is scanned into Laserfiche and stored electronically for the amount of time required by law. Hard copies are kept on site until the audit is complete and then shredded.

Finance staff will keep a log of the check register. A copy will be provided to the Treasurer who will account and verify the use of the checks after each payroll and warrant.

Key Controls:

1. Finance will satisfy itself that a new vendor exists to the best of their ability.
2. All invoices/purchase orders are required to have approval from the appropriate department head or Town Manager as required by the purchasing policy.

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3. Thursday before Selectboard meetings, accumulated invoices/purchase orders that are ready to be paid are documented in a Warrant Report. The Warrant Report with invoices and all documentation are reviewed and initialed at the top of the warrant in the following order: the Finance Director, the Town Manager, the Selectboard Clerk, and then the Selectboard.
4. All payments are made through NEMRC.
5. Checks are printed then given to the Town Treasurer to sign with a signature stamp. The stamp is kept in the vault where it is not available for other staff to access.
6. Electronic images of checks and the associated documentation are kept for the amount of years required by law.
7. At month end the Finance Director will run a check register for the period being closed. They will verify the starting check number is sequential to the report for the month prior and will also verify that there are no checks missing from the order. Should there be missing checks they will document the reason, i.e. voided check, accidental destruction.

Payroll

The Human Resource Director ensures that each new employee fills out all payroll paperwork on or before their first day of work and is set up to receive paychecks in the upcoming pay period.

The Human Resource Director also completes a Personnel Action Report (PAR) for any action for the employee such as a new hire, department change, going from full time to part time, or changes in pay due to raises, etc. Each PAR is signed off on by the department head and Town Manager, and then the data is entered into NEMRC by the Payroll Clerk. The Payroll Clerk also uses the PAR, time sheets, and leave requests to verify hours, vacation time, sick time, personal time, comp time, comp time earned, etc. For an employee requesting any type of leave (vacation, sick time, personal time, comp. time, other) a leave request form must be filled out. It is approved by the department head. For a department head to request leave, it is approved by the Town Manager. The leave request forms are submitted with timesheets to serve as official documentation for the employee using leave time.

When employees receive a pay change, the Human Resource Director reviews union documentation and non-represented employee documentation to verify step or merit increases and shows the math on the PAR. This is then signed by the employee, the department head, the Human Resource Director, and the Town Manager and then given to the Finance Department. The Payroll Clerk enters the changes into NEMRC. PAR sheets are filed in personnel files and electronic files in both the Human Resources area and the Finance Department.

The Town of Milton has several different pay types set up in NEMRC. Below you will find the different pay types available for each employee:

Hourly Employees who do not work in the Police Department:

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- H1 Pay type for regular hourly rate
- OT Pay type for hourly employees who are eligible for overtime
- O1 Pay type for those employees who receive miscellaneous pay
- O9 Pay type for those employees who receive the Insurance Buy-out

Salaried Employees (including the Chief of Police):

- G1 Pay type for salaried amount
- O1 Pay type for those employees who receive miscellaneous pay
- O9 Pay type for those employees who receive the Insurance Buy-out

Police Department Hourly Employees:

- H1 Pay type for regular hourly rate
- OT Pay type for hourly employees who are eligible for overtime
- H2 Pay type For Shift Differential Pay
- O1 Pay type for those employees who receive miscellaneous pay
- O9 Pay type for those employees who receive the Insurance Buy-out

At the end of each pay period, all employees fill out time sheets that are signed by their department head. Each department head attaches all time sheets for their department to a department input sheet and hands in to the Finance Department by the Monday morning at the end of each pay period. The Payroll Clerk verifies that the time sheets, PARs, and leave requests match the agreed-upon hours for each employee. The Payroll Clerk enters data into payroll for processing, creates a journal entry and transfer sheet, and brings it to the Treasurer's Office. The Treasurer or their Assistant makes the transfer in the amount needed to cover payroll through online banking. The Fiscal Assistant II then enters the journal entry into the general ledger.

The Payroll Clerk then hands all input sheets and supporting documentations to the Town Manager for review and signature. The Payroll Clerk prepares a payroll warrant for review and approval by the Town Manager.

All checks are printed by the Payroll Clerk using NEMRC, and given to the Town Treasurer for his/her signature along with all the bills associated with payroll such as retirement, dues, etc. The Payroll Clerk brings the signed checks and associated paperwork back to the Finance Department and scans the bottom stub and all supporting documentation into Laserfiche by department. The hard copies are filed in the Finance office. On the Wednesday after the end of the pay period, the Payroll Clerk puts the checks, stubs, and any inserts into envelopes and puts them in the vault. Direct deposits are scheduled to transfer on Friday, and the Finance Department

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distributes all checks to Department Heads on Friday* morning. (* Checks are given out on Thursdays during summer hours for the Public Works department)

The Finance Department submits quarterly and annual reports to the State of Vermont to document pension contributions and quarterly reports to the Department of Labor.

Key Controls:

1. The Human Resource Director prepares an offer letter for all new hires and makes sure all new hire forms are completed by the new hire. These forms are shared with the Payroll Clerk in the Finance Department. The Finance Department keeps a copy in the personnel file, with tax documents in a separate binder. The Human Resource Director keeps a copy in their office with personal information in one file and financial information in another file. All file cabinets are locked nightly.
2. The Human Resource Director gets employee acknowledgments on policy or Administrative Code changes.
3. The Department Heads ensure that timesheets are signed by each employee.
4. Town Manager's Office reviews time card signatories to ensure those signing off on employee time cards have a reasonable knowledge of whether the time cards and reported leave is accurate.
5. The Human Resource Director creates Personnel Action Report (PAR) for any employee action.
6. The approved payroll budget file outlining compensation updates for each year is used in place of a PAR for annual increases.
7. The Payroll Clerk ensures that NEMRC is updated properly.
8. The Human Resource Director and Finance Director review payroll classifications and allocations to make sure the amounts are accurate and the Human Resource Director updates the master spreadsheets.
9. Department Heads document procedure that occurs with respect to leave time accruals. Reports are distributed monthly to departments and staff to check accuracy and to ensure time taken is being reported.
10. The Payroll Clerk uses a Payroll Checklist to ensure all steps are followed for each payroll period.

Financial Reporting

Monthly reports are processed in NEMRC by the Finance Department. The reports include: a Trial Balance and Balance Sheet, a Revenue and Expenditure Report of all governmental funds including all line items for the general fund, water, and wastewater fund and active line items in other funds for the Town Manager, Treasurer, department managers, and Selectboard to review. The Finance Director drafts a summary communication to accompany the financial statements as

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well. The Payroll Clerk sends leave accrual reports from NEMRC by department to every department manager monthly.

Finance staff reviews the Refund Report, Cancellation Reason Report, Cash Journal Report, and GL Summary Distribution Report generated from the CivicRec software against NEMRC monthly to reconcile to cash receipts and disbursements. Voided transactions should be verified or reconciled with refunds. This procedure should be documented in writing. Finance staff should distribute monthly revenue reports that tie back to specific department revenue (for instance police fines, various recreation program fees, fire department donations) as a second set of eyes to ensure revenues reported are commensurate with department activity.

On an annual basis, an independent audit is performed of the Town prepared financial statements. On a monthly basis, the Town staff reconciles the financial statements to the accounting records and supporting documentation. After the audit, the financial statements and related disclosures are approved by the Selectboard and included in the Town's Annual Report.

Town management defines, documents, communicates, and periodically reviews roles and responsibilities in the financial reporting process. In addition, knowledgeable personnel monitor changes in authoritative guidance and regulations that affect the institution and make the appropriate changes to the institution's accounting policies and procedures over financial close and reporting on a timely basis.

Key Controls:

1. The Finance Director fills out a month-end closing checklist to ensure that all required steps for monthly reports are completed.
2. Finance produces fund activity reports and balances that pertain to specific departments (for instance projects within the capital fund, impact fees, TIF, records restoration, grant funds) to ensure financial reporting tracks to expected activity.
3. An annual audit is performed by independent auditors hired by the Town.
4. Town Management and the Finance Department monitor changes in authoritative guidance on accounting procedures and policies.

Capital Assets – Policy 14-02

Capital assets are property owned by the Town and include: equipment such as vehicles, machinery, copiers, and certain office equipment; buildings and land; and infrastructure such as roads, bridges, tunnels, rights of way, and culverts. General capital assets should be capitalized and recorded when all of the following criteria are met: (1) The asset is tangible and complete. (2) The asset is used in the operation of the Town's activities. (3) The asset has a value and useful life at the date of acquisition that meets or exceeds the following:

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- \$5,000 value and two years of life for software, office equipment, maintenance equipment, and other equipment.
- \$5,000 value and two years of life for all capital improvements.
- All buildings and land must be reported regardless of value and useful life at date of acquisition.
- \$50,000 and three years of life for infrastructure and infrastructure improvements.

All general capital assets must be recorded at either historical cost or estimated historical cost. Assets acquired through donation will be recorded at their estimated fair market value on the date of donation. In addition to purchase price or construction cost, costs of capitalization may include incidental costs, such as bond interest and issuance cost, insurance during transit, freight, duties, title search, title registration, installation, and breaking-in costs. The straight line depreciation method will be used. The Finance Department will maintain the Capital Asset Management System. The Finance Department will prepare the procedure to implement this policy to include forms and backup. They will be responsible for entering information on new assets, adjustments, depreciation information, and retiring capital assets into the Capital Asset Management System. They must make sure all supporting documentation is available. All adjustments and retirement must be reported to the Finance Department. The Finance Department will perform a periodic inspection of the Capital Asset Management System for internal audit purposes. The capital asset inventory will also note any capital assets paid for in whole or part with federal funding with a reference to the specific funding source. Department heads will be required to submit bills of sale along with a signed purchase order when a new asset is purchased. Department Heads will also be required to notify the Finance Department when an asset is retired -either sold or no longer able to perform its expected role. This will assist the Finance Department in keeping the asset listing up to date as well as providing the necessary documentation to verify asset value at purchase.

In addition to the Capital Asset Management System, a physical inventory will be taken annually and completed prior to June 1st by the Department head or his/her designee. The Department head will be required to sign and approve all inventory adjustments resulting from the inventory. The department inventory will be filed with the Finance Department for internal audit purposes.

Key Controls

1. A formal capitalization policy is in place and was adopted by the Selectboard.
2. The Finance Department maintains the Capital Asset Management System and will prepare the procedure to implement this policy to include forms and backup.
3. The Finance Director enters information on new assets, adjustments, depreciation information, and retiring capital assets into the Capital Asset Management System and makes sure all supporting documentation is available.
4. All adjustments and retirement must be reported to the Finance Department.

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5. The Finance Department will perform a periodic inspection of the Capital Asset Management System for internal audit purposes. The capital asset inventory will also note any capital assets paid for in whole or part with federal funding with a reference to the specific funding source.
6. Department heads are required to submit bills of sale along with a signed purchase order when a new asset is purchased.
7. Department Heads are required to notify the Finance Department when an asset is retired -either sold or no longer able to perform its expected role. This will assist the Finance Department in keeping the asset listing up to date as well as providing the necessary documentation to verify asset value at purchase.

Debt Service – Policy 13-02

In order to borrow from another party to incur long-term debt, the Town must present the reason for the debt to the voters and the voters must authorize it. The majority of the Selectboard is needed to approve the instrument of that debt, including the term, interest rate, and amount. The Town can engage in inter-fund borrowing, but must keep a certificate of participation or promissory note as documentation and the instrument for the debt must be approved by the Selectboard.

The State of Vermont limits the amount that Town's can borrow to 10 times the value of a Town's grand list.

Debt service charges are built into the budget, with a break out of principal and interest. The Town should never borrow an amount for a term that would exceed its useful life. When considering taking on new debt, the current debt burden is reviewed.

DEBT MANAGEMENT POLICY
Town of Milton

PURPOSE: The purpose of this Policy is to establish guidelines for the issuance of debt by the Town of Milton. Debt levels and related annual debt service expenditures are important long-term obligations that must be managed with available short and long-term resources. This policy addresses the level of indebtedness that the Town can reasonably expect to incur without jeopardizing its existing financial condition.

Adherence to a debt management policy, along with utilization of sound and prudent financial practices and the Town's other financial policies, will assure the lending market that the Town is well managed and will meet its obligations in a timely manner.

PLANNING AND PERFORMANCE: Debt management means adopting and maintaining financial plans for both the issuance and repayment of debt. Determination to issue new debt should be made as part of the adoption of the annual capital budget, which prioritizes capital projects and identifies various funding sources available for those projects. Planning for repayment of debt will include analysis of the operating budget to determine if the fund (the fund should be clarified) will incur the additional debt service required by the new debt.

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USE OF SHORT-TERM AND LONG-TERM DEBT: Short-term debt should be limited to:

- borrowing to cover short-term, temporary cash flow shortages within the Town’s fiscal year through the use of tax anticipation notes, or
- inter-fund borrowing in those instances where there is an inadequate level of cash flow, or
- use of bond anticipation notes or inter-fund borrowing when cash is required to initiate a capital project prior to the receipt of bond proceeds

The Town Manager, Town Treasurer, and Selectboard shall manage the Town’s finances so as to avoid the use of short-term debt whenever possible.

Long-term debt should be issued for the acquisition, construction, or improvement of land, buildings, infrastructure, and public improvements that cannot be financed from current revenues or other resources. Current year budget appropriations and accumulated reserve funds should be used to minimize the amount of long-term borrowing that is required.

PURPOSE OF DEBT: General obligation debt funded by general fund property taxes shall be used for projects that provide a general benefit to Town residents and that cannot otherwise be self-supporting. Debt incurred for use by an enterprise fund, even if backed by a general obligation pledge of the Town, shall be self-supporting and repaid solely from the revenues of such fund, unless a general benefit to Town residents can be demonstrated.

REPAYMENT OF DEBT: The Town will conservatively project the revenue sources that will be utilized to repay any debt, and will analyze the impact on voters of both the additional debt service and any additional operating expenses resulting from the improvement, to determine if new debt should be issued and to structure the appropriate repayment terms for each debt issued. The maturity of long-term debt shall be kept as short as possible to minimize the overall impact on taxpayers during the life of the debt. At the same time, it should not be so short that the repayment will create an unreasonable burden. In no event shall the life of the debt exceed the life of the improvement being financed.

DEBT RATIOS: The following guidelines will be used when determining if debt should be issued:

- Debt service (principal and interest) as a percentage of total town general fund budget expenditures to be repaid with municipal property tax levy or other general fund revenue should not exceed 10%.
- Total debt issued should not exceed \$25,000,000 plus any amounts authorized by State approved Tax Increment Financing District Plans.

Key Controls

1. Any and all long-term debt is authorized by voters.
2. The Selectboard approves the debt instrument, including the term, interest rate, and amount.
3. Inter-fund borrowing must be approved by the Selectboard
4. The State of Vermont limits the amount a Town can borrow to 10x the grand list

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Vendor Card/Credit Card Policy – 2014-01

GOAL: To assure proper use and prevent misuse or abuse of Purchase or credit cards.

PURPOSE: The purpose of this policy is to provide guidelines for the use of all credit and purchase cards or anything obtained by the Town for purchases through vendors.

POLICY FOR GAS CREDIT CARDS:

Absolutely no debit cards will be authorized or used within the Town for purchasing goods or services in the "Town of Milton" name, in part or whole.

The Town Manager's Office assigns gas cards to Town vehicles and equipment. A log will be kept by the Town Manager's Office that shall include but not be limited to, the gas card number and vehicle/equipment the card is assigned to. Employees are assigned a Gas Card pin. A log of the employee, the department the employee is assigned to and the date the employee was assigned the pin will also be kept. These logs will be kept on file in a secure place and a copy will be forwarded to the Finance Department each time it is updated. The logs will be available for inspection by anyone at any time.

Employees will use the gas card for gas purchases for Town owned vehicles and equipment only. Personal use is strictly prohibited. Any violation of this policy may be grounds for dismissal and/or prosecution.

Employees will retain a gas card receipt which will be submitted to his/her work place office by the end of the shift/work day of the gas purchase. The department staff will submit all signed gas receipts to the Finance Office on a daily basis. These slips will be used to verify the monthly invoice received from the vendor.

If a receipt is not printed at the gas pump due to a machine error, the employee must record the gallons purchased, date of purchase, amount of purchase, gas card number and odometer reading of vehicle. This note must be legibly signed and department indicated by the employee.

Any purchase that does not have a gas slip receipt (signed by employee) may not be paid by the town and may become the responsibility of the employee assigned to that gas card.

Key Controls

1. Finance and Department Heads use gas card vendor reports to review periodically for instances of misuse of gas cards for personal use. The Wex Reporting includes a feature that can calculate mileage since the last fill up which can help identify whether cards are being misused.
2. Department of Public Works Director and/or Division Head should from time to time review security camera footage at highway facility to ensure public facility is not being

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used for personal benefit and for fuel and supply loss. Reviews should be reported to Town Manager's office.

POLICY FOR ALL OTHER CARDS:

Absolutely no debit cards will be authorized or used within the Town for purchasing goods or services in the "Town of Milton" name, in part or whole.

Employees wishing to obtain a Town owned credit or purchase card(s) will need to obtain written permission by the Town Manager.

The card application will be completed by the Town Manager. Both the Town Manager and the Town Treasurer will sign the completed application.

All cards will be kept under the jurisdiction of the Town Manager in a secure place. The Town Manager's Office will keep a log of all cards in their possession. This log shall include, but not be limited to, card numbers, card vendor, the date each card was received from vendor, the date each card was distributed to employee and the date it was returned by employee. This log will be kept on file in a secure place and a copy will be forwarded to the Finance Department each time it is updated. The log will be available for inspection by anyone at any time.

No card shall be used for any purpose other than for pre-approved Town purchases. Any violation of this policy will be grounds for dismissal and/or prosecution.

An employee wishing to use the approved cards will complete the following steps: (The current Purchasing Policy will be followed when completing all purchases.)

1. Once the purchase is approved by the Finance Director, the card will be given to the employee to make the purchase.
2. Once the merchandise is purchased, the employee will return the card to the Finance Office. The employee will forward the signed card slip to the Finance Department with proper coding and authorization to designate the slip to be paid.
3. The Finance Department will process the receipt for payment. Card statements will be sent to the Finance Office. Before payment is issued, the Finance Department will review the current balance of the credit account and reconcile any amount due with the actual invoices for the items purchased since the purchase order amount and invoice amount can sometimes vary. The actual amount due will be reconciled back to the expense accounts chargeable for each department budget.
4. Should an employee return any item purchased using the town's credit card, the employee will give receipt of credit documentation with proper coding and authorization to the Finance Department for processing.

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Grant Application Policy – 2014-02

PURPOSE: To balance administrative time spent gaining approval for grant authorizations with the need to keep the Selectboard informed of funding opportunities and commitments that may bind the Town to future expenses beyond what is currently budgeted.

PROCEDURE: Advise by summary of an application for a grant or funding opportunity. Obtain by motion of a majority of the Selectboard or by written resolution adopted by the Selectboard.

EXCEPTIONS: In instances where the grant application or funding opportunity is expected to be under \$5,000 and any required match is already specifically funded in a budget approved by the Selectboard and the voters or in a Capital Improvement Plan adopted by the Selectboard, written approval may be given by the Town Manager. Further, any application that provides labor in-kind and requires no commitments of the Town in-kind or financially beyond the present fiscal year may be approved by the Town Manager. The Town Manager will advise the Selectboard of any approved applications that meet these criteria. Notwithstanding this provision, it is recognized that a grantor may still require written authorization of the Selectboard to accept grant applications.

Key Controls:

1. The grant checklist is completed for each grant application to ensure that all required steps are completed.
2. The Selectboard approves grant applications over \$5,000 or grants that require a match not already specifically funded in the budget or in the Capital Improvement Plan.
3. The Selectboard approves grant applications where the grantor requires Selectboard approval.
4. The Selectboard accepts the grant agreement by resolution once it is received by the applicant and authorizes the Town Manager to execute the agreement. A copy of the fully executed agreement is submitted to the Finance Office.
5. If the grant does not require Selectboard approval, the department sponsoring the project to be funded by the grant will ensure the Finance Office is notified of a grant.
6. The Town Manager's Office will notify the Finance Office of grant authorizations by the Selectboard and provide a copy of the authorizing memo or resolution.
7. Departments sponsoring the project will review and sign off on any expenses or invoices eligible to be paid or reimbursed by the grant and forward them to the Finance Office for processing.
8. The Finance Office will submit reimbursement requests as required by the grant agreement.
9. The Finance Office maintains a file for each grant with the grant award letter, grant application, resolutions from Selectboard authorizing grant or memo from Town Manager authorizing grant, grant agreement, amendments, financial reports, requisitions or draw-downs, invoices, and cancelled checks, and any other background material appropriation.

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Seized Funds – Policy 01-05

DEFINITION: Forfeiture is the taking by the Government of property illegally used or acquired, without compensating the owner.

PURPOSE: To establish guidelines for the proper handling, tracking and expenditure of seized assets under the federal and state drug forfeiture laws.

A. Permissible uses for seized funds are as follows:

1. **Activities calculated to enhance future investigations.** The support of investigations and operations that may result in further seizures and forfeitures, e.g., payment of overtime for officers and investigators, payment of the first year's salaries for new law enforcement positions that supplement the workforce; payment for temporary or not-to-exceed-one-year appointments; payments to informants; "buy," "flash," or reward money; and the purchase of evidence.
2. **Law enforcement training.** The training of investigators, prosecutors, and law enforcement support personnel in any area that is necessary to perform official law enforcement duties.
3. **Law enforcement equipment and operations.** The purchase of body armor, firearms radios, cellular telephones, computer equipment, software to be used in support of law enforcement purposes, vehicles (e.g., patrol vehicles, surveillance vehicles), electronic surveillance equipment, uniforms, travel, transportation, supplies, leasing of office and other space for task force and undercover operations, and leasing of other equipment that support law enforcement activities.
4. **Detention facilities.** The costs associated with construction, expansion, improvement, or operation of detention facilities managed by the recipient agency.
5. **Law enforcement and equipment.** The costs associated with basic and necessary facilities, government furniture, safes, file cabinets, telecommunications equipment, etc., that are necessary to perform official law enforcement duties.
6. **Drug education and awareness programs.** The costs associated with conducting drug education and awareness programs by law enforcement agencies.
7. Pro rata funding of authorized law enforcement activities. · The costs associated with supporting multi-agency items or facilities. Example: a town purchases a new computerized payroll system; the police department payroll represents twenty percent of the total use of the payroll system. The police department may use shared money to fund its pro rata share (twenty percent) of the operating and maintenance expenses of the system. Property, facilities, equipment, and other items and services acquired with shared monies must be used only for law enforcement purposes unless written approval is obtained from the Executive Office for Asset Forfeiture. Such property must continue to be used predominantly for law enforcement purposes.
8. Asset accounting and tracking. The costs associated with the accounting, auditing and tracking of expenditures for shared cash, proceeds, and tangible property.

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9. Impermissible uses for seized funds are as follows:
- a. Payment of salaries for existing positions.
 - b. Uses of forfeited property by non-law enforcement personnel.
 - c. Payment of non-law enforcement expenses.
 - d. Uses not specified in the DAG-71 (Application for Transfer of Federally Forfeited Property).
 - e. Uses contrary to the laws of the state or local jurisdiction.
 - f. Non-Official government use of shares assets.
 - g. Extravagant expenditures.

POLICY:

- A. All money, property, assets, etc. seized under the Federal or State asset forfeiture laws and turned over to the Milton Police Department by the United State government or by the State of Vermont shall be placed in two separate PD Equitable Sharing accounts through the Town Treasurer. One account for Federal Asset forfeitures and one account for State of Vermont Asset Forfeitures.
- B. Adequate controls for the expenditures of seized funds are required for accountability purposes. Therefore, it is the policy of the Town and this agency to effectively manage the use of said funds so as to use these funds in a responsible and judicious manner.
- C. Seized funds shall be used in a manner as prescribed in the Guide to Equitable Share of Federal Forfeiture Property for State and Local Enforcement Agencies of March 1994.
- D. The Town Manager, Town Treasurer and Milton Police Chief will implement standard accounting procedures and internal controls (e.g., tracking share requests and receipts, depositing shares into a separate revenue account or accounting code, endorsing checks upon receipt, etc.) to track equitably shared monies and tangible property.

Key Controls

- 1. Checks received from the Federal Government may represent 80% of the total amount seized under the asset forfeiture laws. Upon receipt of the check, it shall be turned over to the Milton Town Treasurer who will deposit said check in the appropriate bank account entitled PD Equitable Sharing.
- 2. General purchases will follow the Administrative Code-Purchasing Policy of the Town of Milton. The Police Chief will complete additional forms that are required per the Guide. The exception to this rule would be requests by the Police Chief to use funds in regards to a confidential purchase for an investigation of a crime. The following procedures will be used for this instance:

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- a. The Police Chief will complete a Reimbursement Form in his name with the explanation marked confidential (pursuant to Title 1 section 317 (B) (5) of state statutes). The Police Chief will complete additional forms that are required per the Guide. The Police Chief will keep a detailed record of the confidential purchases that are made. The completed Reimbursement Form is then turned over to the Town Treasurer.
- b. The Town Treasurer or designee will withdraw the needed money from the PD Equitable Sharing bank account.

Utility and Tax Billing

Utility Billing occurs on a quarterly basis – January, April, July, October and is managed by the Finance Office.

Key Controls

1. Throughout the quarter, the Public Works department turns in New Meter Sheets or Meter Repair Sheets to the Fiscal Assistant I and the accounts are updated by the Finance Office.
2. Monthly meter readings are reviewed by the Public Works Administrative Assistant, Fiscal Assistant I and Finance Director. Correspondence is sent to users re: high consumption/missed reads/etc to notify them of a potential issue and contact the Public Works Department for a meter inspection. Meter inspection appointments are scheduled to verify if the meter is functioning correctly and replaced if necessary.
3. At the end of each quarter, the current status on meters are set to zero. and a program is run through NEMRC to download meters to Host2PC file which is sent electronically to the Water Department. At that time, the Water Department loads into handhelds and reads meters. Upon completion of the readings, the Water Superintendent emails the file to Finance Office and it is then uploaded from PC2Host into NEMRC for the production of bills.
4. The Finance Office runs Various Reports and scans for any obvious errors in the readings. A note is sent to the Water Superintendent showing any discrepancies or obvious errors on high or low usages. Once the Superintendent verifies these changes, the bills are run and processed for mailing. A copy is sent to each property owner.
5. The Finance Office keeps electronic records of any changes along with backup as to why changes are made to the system. At no time should anyone be making a change to the files without that backup attached.

Tax Billing occurs annually – on or before the 15th of August and is managed by the Finance Office.

1. Once the grand list is lodged with the Town Clerk and the tax rates set, the Assessor contacts NEMRC, and NEMRC transfers the grand list to an ‘As Billed’ entity in

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NEMRC and the Assessor's Office should not make any changes until after such time as Errors and Omissions are approved by the Selectboard. This is a very important step for the proofing of the tax book for the auditors.

2. The Finance Office then uses this 'As Billed' entity to create and process that year's tax bills with the rates as set forth by the State and the Selectboard. Weekly the Fiscal Assistant I checks for any downloads that may have come across from the Tax Department. Until such time as the deadline has passed for filing or updating their homesteads where corrected bills may need to be produced.
3. If there are any files reported, the Fiscal Assistant I then re-prints bills on those accounts and processes them – marking these bills on the front as 'State Corrected' and sending out with a letter stating this change was due to the Tax Department. This process is also used after Errors and Omissions, Assessor changes, etc. modifying the letter and bills as needed.
4. The Finance Office keeps electronic records of any changes with copies of those bills and backup so that it can be easily accessible for auditing or verification purposes. At no time should anyone be making a change to the files without that backup attached.

Ambulance Billing and Reconciliation

The Town of Milton contracts with Certified Ambulance Group (CAG) for fire and ambulance billing services.

Some call charges may be uncollectable and will be written off under the following circumstances:

- All fire and rescue calls not covered by any type of insurance, Medicare, Medicaid, etc. will not be billed. Amounts due sent to collections.
- Once CAG has exhausted all attempts of collection for insurance-covered fire/rescue calls and after two years these calls will be written off.

Key Controls

1. Fire and Rescue Staff will enter each fire and rescue call that occurs in the State provided electronic patient care reporting system, and also enter Fire Calls as PDFs to the CAG website
2. Fire Staff will cc Fiscal Assistant II when they submit Fire Calls to CAG
3. CAG will reconcile the EMS calls to SIREN and Fire Call PDFs and post reports to their website
4. The Fiscal Assistant II will access CAGs reports from the secure link sent by CAG
5. CAG retrieves data and invoices either the insurance carrier, Medicare, Medicaid, or Property/Casualty Insurance.

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6. On a weekly basis, CAG forwards a deposit report made into the General Fund cash account.
7. Once a month, CAG sends a full report of all receipts, billings and A/R balances for all the accounts they have billed.
8. The Finance Department reconciles CAG billing and deposits using the Finance Department CAG instructions.
9. The Finance Department will get status on unpaid claims from CAG, who will document the number of insurance company contact attempts for fire and rescue calls covered by insurance but remaining unpaid.
10. The Public Safety Director or their designee will review aging report with Finance Office on a monthly basis.

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Acknowledgement Signatures of all Staff Involved in Financial Operations

I have read The Town of Milton Key Controls by Operating Area document in its entirety and understand my role and responsibilities in each Operating Area. I agree to abide by these control procedures and to notify management if and when a procedure isn't being followed or needs to be amended.

Signature	Printed Name	Date
Town Treasurer	John C. Gifford	
Finance Director	Jessica Morris	
Fiscal Assistant II	Jaclyn Dodge	
Fiscal Assistant I/Assistant Treasurer	Shannon Maynard	
AP/Payroll Clerk	Doris Trainque	
Human Resource Director	John Bartlett	
Town Manager	Don Turner Jr.	