

# CITY OF HOLYOKE

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## FINANCIAL POLICIES MANUAL

JUNE 2023



**DLS**  
DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

**PREPARED BY:**

**DLS | Financial Management Resource Bureau**  
[www.mass.gov/dls](http://www.mass.gov/dls)

Marcia Bohinc, Senior Project Manager



# DLS

DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder  
Commissioner of Revenue

Sean R. Cronin  
Senior Deputy Commissioner

June 16, 2023

The Honorable Joshua A. Garcia  
Mayor's Office  
City of Holyoke  
536 Dwight Street  
Holyoke, MA 01040

Dear Mayor Garcia,

I am pleased to present the enclosed financial policy manual for the City of Holyoke. It is my hope that our guidance provides direction and serves as a resource for local officials as we build better government for our citizens.

If you have any questions regarding the manual, please contact Zack Blake, Financial Management Resource Bureau Chief, at (617) 626-2358 or [blakez@dor.state.ma.us](mailto:blakez@dor.state.ma.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin  
Senior Deputy Commissioner



## INTRODUCTION

At the Mayor's request, the Division of Local Services (DLS) Financial Management Resource Bureau created a financial policy manual for the City of Holyoke. It is divided into two parts, the first containing policies associated with financial planning, and the second with day-to-day operations. These policies are based on municipal best practices and tailored to the specific conditions of Holyoke, incorporating the City's existing financial practices, both formal and informal, as well as current relevant ordinances.

The draft policy document is provided for the review and approval of the mayor, city council, school committee, and other local officials as applicable. However, city leaders must first make key decisions before many of the policies can be adopted. Each policy designates the responsibilities for the actions required to achieve the purpose and comply with the parameters. In several, the role of chief administrative and financial officer (CAFO) is tasked with oversight, analysis, and financial duties. As DLS previously recommended to Holyoke, the CAFO would bring together the city's siloed financial management functions of accounting, assessing, treasury, and collecting under one centralized organizational framework. This singular point of contact and oversight for financial management is needed for a community the size and complexity of Holyoke to give the elected policy makers an opportunity to implement the core financial management practices detailed in these policies, including capital planning, financial forecasting, and budgeting. Lacking a CAFO will require the designated responsibilities to be reassigned across the financial operation and risk the benefits and controls that would be gained with adopting policies.

The city also needs to analyze the current financial operations to determine the appropriate benchmarks and metrics in several of the financial planning policies. Ideally, this responsibility would fall to the CAFO as they look at the city's finances with a long-term perspective. The following chart summarizes the required benchmark decisions.

Policy/Section	Policy Decision	Holyoke: Adopted Target %	DLS Recommendation	Usage/Source
Capital Planning: Definition	Dollar threshold, useful life		\$25,000, five years useful life	
Capital Planning: Financing	Overall general fund capital financing		4 - 7%	Cash capital investment: Funding from property taxes, free cash, and stabilization funds
	General fund cash capital financing		2-3% net of debt	Cash capital investment: Funding from property taxes, free cash, and stabilization funds
Debt Management: Limits	Total debt service (GF, CPF, Enterprise)		3 - 5%	All available funds Either pay or reserve
	Annual general fund debt service		2 – 4%	General fund revenues Either directly to debt service or reserve to target
Debt Management: Structure	Long-term debt amortization		50%	Paid within 10 years
Financial Reserves: Totals	General fund		8 – 12%	Prior year GF budget
	Wastewater Treatment Enterprise		25%	Operating budget

Policy/Section	Policy Decision	Holyoke: Adopted Target %	DLS Recommendation	Usage/Source
Financial Reserves: Free Cash	Target total		3 – 5%	Prior year GF budget
	Appropriation/Usage		25%	Remain unappropriated
			20 – 30%	Cash capital budget
			< 10%, \$300,000	Noncapital special appropriations
			15%	Capital stabilization
			20%	General stabilization
			10%	OPEB
Financial Reserves: Stabilization Funds	General stabilization target		3 – 5%	Prior year GF budget
	General stabilization – Annual appropriation		0.3%	Prior year GF budget
	Capital stabilization target		1 - 2%	Prior year GF budget
	Cannabis			Based on host agreements
	Sewer Enterprise			
Financial Reserves: Overlay Surplus			Annual review	Use for one-time expenditures
Forecasting	Local Receipts		90%	Prior year's actual collections
OPEB	Total target		0.25%	Tax levy

Note that the policy presented for other postemployment benefits (OPEB) requires additional city council action before it can be adopted as presented. We recommend that the city establish a trust fund under [M.G.L. c. 32B, § 20](#) to accumulate and invest funds reserved for retiree health insurance and other post-employment benefits. With this acceptance, assets of the city's OPEB Fund will meet the Governmental Accounting Standards Board (GASB) Statement 75 requirements that: 1) the fund's contributions and earnings are irrevocably committed to OPEB use; 2) the OPEB plan's assets are dedicated exclusively to providing benefits to plan members; and 3) the OPEB plan's assets are legally protected against creditors. Along with accepting M.G.L. c. 32B, § 20 to establish a GASB-compliant OPEB trust fund, we also recommend city council authorize the prudent investor rule as detailed in [M.G.L. c. 203C](#) to make available the options required to meet the investment goals of the OPEB trust and designate the Treasurer as fund trustee.

Some operational policies refer to the Munis Enterprise ERP system software application. As the city transitions to a fully updated Munis platform, it has the opportunity to redesign traditional internal controls, eliminate redundant points of data entry, and provide a digital audit trail of financial activity. The applicable policies reflect this transition; however, to maintain checks and balances in a fully electronic process, the city must ensure that Munis is properly set up with user roles and associated permissions, electronic signatures, approvals, and workflows.

Last, future changes in circumstances, conditions, or guidance may warrant policy revisions, so we recommend that the city conduct policy reviews every few years. During these periodic reviews, the city should identify additional topics suitable for policies and incorporate them in the updated manual.

# HOLYOKE MASSACHUSETTS

## FINANCIAL POLICIES MANUAL







## **PREFACE**

The City of Holyoke is committed to safeguarding public funds, protecting local assets, and complying with financial standards and regulations. To that end, this manual of financial policies provides guidance for local planning and decision making. The policies are intended to outline objectives, provide direction, and define authority to help ensure sound fiscal stewardship and management practices. Each should be periodically reviewed and updated, as necessary.

With these policies, the City of Holyoke, through its Mayor, City Council, finance officials, and employees, commits to the following objectives:

- Sustaining a consistent level of service and value for residents and businesses
- Safeguarding financial integrity and minimizing risk through a system of internal controls
- Ensuring the quality and maintenance of capital assets
- Conforming to general law, uniform professional standards, and municipal best practices
- Protecting and enhancing the City's bond rating
- Promoting transparency and public disclosure
- Assuring accurate and timely reporting



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# **FINANCIAL PLANNING POLICIES**

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## ANNUAL AUDIT

### PURPOSE

To ensure the reliability, accuracy, and completeness of year-end financial statements and obtain independent verification that appropriate internal controls are in place to protect public assets, this policy sets guidelines for the City's annual engagement with an external audit firm.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Mayor in the overall responsibility to safeguard the City's fiscal health</li> <li>▪ Chief Administrative and Financial Officer (CAFO) oversight</li> <li>▪ Financial Management Offices and any City Official or operation whose activities are subject to being audited</li> </ul>
Scope:	▪ Goals and objectives for the City's annual engagement with an independent audit firm

### POLICY

The City's financial statements will be audited annually by a certified public accounting firm ("independent auditor"). Because the City typically expends more than \$750,000 in federal grant money each year, the contracted audit services will encompass the examinations called for in a "single audit," as outlined in OMB Circular A-133. In addition, every annual audit contract will include a requirement to review the City's financial management practices and report on any identified deficiencies in a management letter.

#### A. Auditor Selection

To ensure the opportunity for periodic new perspectives on financial practices, the City will solicit competitive bids from audit firms at a minimum of six-year intervals. In compliance with state statute, the contract will be awarded to the lowest qualified bidder with a good municipal auditing reputation (i.e., "responsive and responsible" vendor). If the firm serves beyond a six-year interval, it must agree to rotate the audit manager

#### B. Audit Engagement

Under the CAFO's direction, the City Auditor will coordinate the independent auditor's access to any requested City records, written procedures, or other documents. Every department head, official, or employee must respond to any such request timely and make themselves available to answer any auditor questions. Under the vendor contract, independent auditor will be required to provide the CAFO and Mayor with preliminary findings and present final audit and management letter results to the Mayor and City Council.

#### C. Corrective Action Plan

Whenever the independent auditor identifies a procedural weakness or deficiency, the independent auditor will describe it in a management letter citation. Upon receiving a preliminary management letter, the CAFO will work with the Financial Management Team members, and any other relevant City employees, to compose a written response to each citation, explaining the City's corrective

action plan (CAP) for the identified issue(s). This will typically require them to identify the citation's root cause(s) and then determine what controls must be implemented to correct the cause(s), consulting further with the independent auditor when necessary.

The CAFO will separately provide the Mayor with a CAP report that explains the plans in more detail, including the responsible parties and anticipated time frames for implementing the controls. Additionally, the status of CAP will be a monthly agenda item at Financial Management Team meetings until the Mayor is satisfied the new controls are working properly. The City Council will hold the Mayor, CAFO, and applicable financial officers accountable for any citations that repeat in a subsequent year.

#### D. Time frames and Reporting

Through adherence with the Reconciliations policy, it is the City's goal to ensure the independent auditor can complete the audit and management letter by December of the year following the fiscal year-end closing. The Mayor will provide copies of the final versions of both reports to the Division of Local Services within two weeks of receipt.

#### **REFERENCES**

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Holyoke policies on Financial Management Team, Procurement Conflict of Interest, Reconciliations, and Year-End Closing

MA Office of the Inspector General guidance: [A Local Official's Guide to Procuring and Administering Audit Services](#)

DLS Best Practice: [Annual External Audits](#)

Government Finance Officers Association Guidance: [Audit Procurement](#)

U.S. Department of Health and Human Services: [Single Audit](#)

#### **EFFECTIVE DATE**

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This policy was adopted on [date].



## ANNUAL BUDGET PROCESS

### PURPOSE

To promote transparency, procedural consistency, and fiscal sustainability, this policy establishes guidelines for developing, documenting, adopting, monitoring, and reporting the City's annual budget. As the City's central policy document, the budget prioritizes annual and longer-range objectives and is the means for turning strategic plans into fiscal reality. It constitutes a contract between the City and its residents, explaining how funds are to be raised and allocated for the delivery of services.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ City Council, Mayor, Finance Committee, and School Committee budget decision-making</li> <li>▪ Chief Administrative and Financial Officer (CAFO), City Auditor, and Board of Assessors job duties</li> <li>▪ All department heads and the boards and committees that have spending authority (all referred to here as "department heads") in their budget planning duties</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Annual budget development, documentation, adoption processes, and related activities</li> </ul>

### POLICY

City officials will work together to prepare a balanced budget for City Council adoption. The budget's creation will be guided by and reflect all the other financial planning policies adopted by the City and contained in its policy manual. In May of each year, the Mayor will present for the City Council's vote a balanced budget proposal for the fiscal year that begins on July 1. City Council has the sole authority to approve all budget appropriations, excluding any expenditures where appropriation is not required by statute (such as grants, gifts, and offset receipts). The City Council also has the sole authority to approve any amendments to previously approved appropriations, subsequent to recommendation by the Mayor.

The CAFO is responsible for creating an annual budget proposal for the Mayor's approval and City Council's later adoption. The CAFO will do so according to the Mayor's vision, goals, and strategic plans. All parties applicable under this policy are expected to comply with the milestone deadlines in the annual budget calendar when they are set each year. As part of this, department heads will timely provide the CAFO with all the information needed for the creation of an informative budget proposal document for submission to City Council by mid-May each year.

#### A. Budget Goals

At minimum each year, the City's budget goals will include the following:

**General Fund** – The goals for the general fund budget include preserving core services, fulfilling required mandates, and maintaining or enhancing the local quality of life, while also ensuring reserve levels that will allow flexibility to respond to changes in the economy and other unanticipated issues that could potentially affect the City's fiscal health.

**Capital Investment** — To pay for items in the capital plan, the City will strive to achieve and maintain the annual capital funding levels spelled out in the Capital Planning and Debt Management policies. Additionally, the City will plan to regularly fund, within departmental operating budgets, the maintenance costs for equipment, facilities, infrastructure, and other capital assets to maximize their useful lifespans.

**Enterprise Fund** – For the wastewater treatment plant (sewer) budget, the City will attempt to set user charges and fees sufficient to cover all of its associated direct and indirect costs so as to avoid or minimize any general fund subsidies.

B. Principles for Balanced, Sustainable Budgets

The Mayor and CAFO will prepare an annual budget proposal for adoption by City Council. The Mayor's proposed budget will include a report on the City's methods of operation, program service delivery, resource expenditures, and workforce allocations. To assure the creation of a budget that is both balanced and sustainable for future years, the following principles will apply:

1. Recurring revenues (e.g., property taxes, vehicle excises, service fees and charges, interest earnings, state aid) will be sufficient to support recurring expenditures (e.g., employee wages and benefits, materials, supplies, contracted costs, debt service).
2. The City will avoid using any one-time revenue source to fund ongoing services unless necessitated by exceptional circumstances, and any such usage will require the CAFO to document a plan to replace this source in future years.
3. The CAFO will review fee schedules every year, in conjunction with the associated department heads, and propose increases when necessary to ensure coverage of service costs.
4. All departmental budgets will be prepared to reflect the full costs of providing the services and list the proposed and prior-year actual allocations of full-time-equivalent employees.
5. The Mayor's final budget proposal will not underfund any fixed, recurring costs in the annual operating budget with the expectation that budget supplements will be available during the year but will instead fund them at the realistic amounts necessary to complete the year.
6. The CAFO will evaluate all contractual obligations, requests, and strategic priorities to determine annual pay increases for employees who are not covered by collective bargaining agreements.
7. When a forecast predicts annual revenues to exceed annual expenditures, the following options should be considered for the excess revenue:
  - Building up reserve fund target levels
  - Reducing debt
  - Advancing deferred capital expenditures
  - Funding the other postemployment benefits liability
  - Accelerating payments on other long-term obligations
  - Restoring services reduced from prior years
  - Considering new initiatives
  - Exploring tax relief
8. The Board of Assessors will vote to authorize a contribution to the overlay account to offset the City's liability for unpaid property taxes caused by abatements and exemptions. This amount shall be based on:

- Current balance in the overlay account
- Three-year average of granted abatements and exemptions
- Cases pending before, or on appeal from, the Appellate Tax Board
- Timing of the next five-year certification review by the Division of Local Services (DLS)

#### C. Tax Levy Considerations

The Mayor and CAFO will work with the Office of Planning & Economic Development, Building Department, and Board of Assessors to consider economic indicators, potential new growth, and property valuation trends to forecast anticipated tax levy growth. The Mayor will estimate available recurring revenue sources with the goal that the annual tax levy growth be less than the maximum amount allowed by Proposition 2½ in order to sustain or build excess capacity. Any usage of prior year excess levy capacity will be limited to no more than 25 percent.

The Board of Assessors will present its analysis of valuation trends to the City Council for determining the City's tax policy. The Mayor and CAFO will evaluate the estimated tax rate for the forthcoming year in terms of level of affordability, including the estimated average single-family tax bill as a percentage of the City's per capita income.

#### D. Budget Calendar

The Mayor and CAFO will coordinate a budget process that enables early identification and review of major policy issues, allows adequate time for public input, and analysis of options, leading to the timely publication of the annual proposed working budget detail and summary. The CAFO will create and disseminate to all policy boards and department heads an annual budget calendar that, at minimum, specifies dates for estimating initial revenue projections, sending out appropriation guidelines and returning departmental requests, updating the capital improvement plan, compiling a working budget, and completing the finalized budget proposal. The Mayor will deliver the budget proposal by mid-May and the City Council will vote to adopt the fiscal year budget within 45 days of receipt from the Mayor, with a target vote by mid-June.

#### E. Budget Document

The CAFO will produce a transparent and reader-friendly budget document that presents the City's short- and long-term strategic objectives and explains its fiscal challenges. As a model for the budget document, the CAFO will use standards established by the Government Finance Officers Association (GFOA) in its Distinguished Budget Presentation program. It will incorporate narrative information on City departmental and organizational goals; the plans and resource allocations needed to meet those goals; graphical information about available finances; analyses of revenues, expenses, and outstanding debt; and summary of the City's five-year capital plan.

#### F. Budget Monitoring

The City Auditor will continually monitor the budget and provide regular formal reports to the CAFO, Mayor, and City Council. The City will take immediate corrective actions if at any time during the fiscal year expenditure or revenue estimates indicate a projected operating deficit by year-end. Corrective

actions can include, but are not limited to, hiring freezes, expenditure reductions, layoffs, or use of contingency funds.

#### G. Cyclical Budget-Related Activities

Beyond the development, implementation, and monitoring of the budget, the budget cycle encompasses other events throughout the fiscal year. These include providing instructions for closing one fiscal year and opening of the new one in compliance with the [Year-End Closing](#) policy, preparing for an audit, submitting state reports and other documentation, and evaluating prior year results.

#### REFERENCES

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<a href="#">M.G.L. c. 40 § 5A</a>	<a href="#">M.G.L. c. 44, § 33A</a>	<a href="#">M.G.L. c. 59, § 21C</a>
<a href="#">M.G.L. c. 41, § 15A</a>	<a href="#">M.G.L. c. 44, § 33B</a>	<a href="#">M.G.L. c. 70</a>
<a href="#">M.G.L. c. 44, § 32</a>	<a href="#">M.G.L. c. 58, § 25</a>	
<a href="#">M.G.L. c. 44, § 33</a>	<a href="#">M.G.L. c. 58, § 25A</a>	

Holyoke policies on Capital Planning, Debt Management, Financial Management Team, Financial Reserves, Forecasting, Indirect Cost Allocation, Other Postemployment Benefits Liability, Overlay, Reporting, and Year-End Closing

Holyoke Charter Part I, Title VIII:

- Section 47 - [Annual estimates of expenditures by officers and boards; appropriations](#)
- Section 49 - [Transfers of appropriations; authorization of expenditures without appropriation; approval of bills, pay rolls and vouchers; fiscal year](#)

DLS Best Practice: [City Budget Process FAQs](#)

Government Finance Officers Association Best Practices: [Achieving a Structurally Balanced Budget](#), [Working Capital Targets for Enterprise Funds](#), and [Distinguished Budget Presentation Criteria](#)

#### EFFECTIVE DATE

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This policy was adopted on [date].

## CAPITAL PLANNING

### PURPOSE

To effectively maintain the City's infrastructure and protect the value of its capital assets, this policy outlines guidance for planning, reviewing, and coordinating capital improvements. Adherence to this policy will help the City meet its capital needs despite limited resources.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>Mayor, City Council, and Finance Committee budget decision-making</li> <li>Chief Administrative and Financial Officer (CAFO) and City Auditor job duties</li> <li>All department heads in planning for and requesting capital projects</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>All current and proposed capital projects for assets owned by the City</li> <li>Included are projects for which the City may seek Community Preservation Act (CPA) financing. However, this policy does not govern the procedures and decision making of the CPA Committee, which has sole budget-making authority for CPA funds.</li> </ul>

### POLICY

To acquire or extend the useful life of the equipment and infrastructure needed to achieve the highest possible levels of public services and quality of life affordable with available financial resources, the City will maintain an annually updated, five-year capital improvement plan (CIP). To protect the City's existing capital assets, the annual budget will include appropriate funding for capital maintenance costs by department. The City will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

The CAFO is responsible for developing the City's annual capital budget and CIP in accordance with the Mayor's directives, which involves maintaining a capital asset inventory, prioritizing projects, analyzing funding, and creating a long-term financial plan achievable within the City's budget limitations.

### POLICY SUMMARY

Capital Process Component	Policy Guidance
Capital Project definition	<ul style="list-style-type: none"> <li>Costs [\$25,000] or more, <u>and</u></li> <li>Has (or extends) useful life of [five (5)] years</li> </ul>
Annual Capital Budget	<ul style="list-style-type: none"> <li>Developed by CAFO based on departmental submissions</li> <li>Finalized by Mayor for proposal to City Council</li> </ul>
Multiyear Capital Improvement Plan (CIP)	<ul style="list-style-type: none"> <li>First year is the capital budget proposed for the next fiscal year</li> <li>Four subsequent years of capital project projections</li> <li>Updated and maintained by CAFO</li> <li>Finalized by Mayor for acceptance vote by City Council</li> </ul>
Capital Inventory	<ul style="list-style-type: none"> <li>Assembled and updated annually</li> <li>Responsibility of the CAFO and City Auditor</li> </ul>

Prioritization criteria	<p>In descending order:</p> <ol style="list-style-type: none"> <li>1. Eliminates public health or safety hazard</li> <li>2. Required by state or federal laws or regulations</li> <li>3. Supports adopted plans, goals, objectives, and policies</li> <li>4. Stabilizes or reduces operating costs</li> <li>5. Makes better use of a facility or replaces a clearly obsolete one</li> <li>6. Maintains or improves productivity or existing standards of service</li> <li>7. Uses outside financing sources, such as grants</li> <li>8. Directly benefits City's economic base by increasing property values</li> <li>9. Provides new programs having social, cultural, historic, economic, or aesthetic value</li> </ol>
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Capital Financing	Policy Guidance
Funding targets	<ul style="list-style-type: none"> <li>Overall capital spending: [4-7%] of the general fund budget <ul style="list-style-type: none"> <li>Non-debt, "cash capital" spending: [2-3%] of GF budget</li> <li>Annual capital debt service: [2-4%] of GF budget</li> </ul> </li> </ul>
Debt usage	<ul style="list-style-type: none"> <li>Short-term debt: Useful life &lt; 10 years</li> <li>Long-term debt: Useful life &gt; 10 years and cost &gt; \$100,000</li> </ul>
Cash capital	<ul style="list-style-type: none"> <li>Appropriate funding sources: levy, free cash, capital asset and sewer stabilization funds, revolving funds, overlay surplus, certain receipts reserved funds, grants</li> </ul>

#### A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over [\$25,000] and to have or to extend [five] or more years of useful life. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Improvements to physical infrastructure, such as streets and stormwater drains
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term capital lease
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of three or more years that, when aggregated, have total costs exceeding \$10,000

#### B. Capital Asset Inventory

To support a systematic acquisition and replacement schedule, the CAFO, with the City Auditor's assistance, will maintain and annually update a detailed inventory of all capital assets, which shall include dates built, acquired or last improved, original costs, current conditions, expected and remaining useful lifespans, depreciated values, extent of use, and any scheduled replacement or expansion dates.

#### C. Evaluation of Capital Projects

The CAFO will review capital project requests submitted by department heads as part of the annual budget process and may hold meetings with the department heads to discuss them.

When evaluating and deciding on project proposals, the CAFO will prioritize them using the criteria below:

1. Eliminates a hazard to public health and safety
2. Required by state or federal laws or regulations
3. Supports adopted plans, goals, objectives, and policies
4. Stabilizes or reduces operating costs
5. Makes better use of a facility or replaces a clearly obsolete one
6. Maintains or improves productivity or existing standards of service
7. Uses outside financing sources, such as grants
8. Directly benefits the City's economic base by increasing property values
9. Provides new programs having social, cultural, historic, economic, or aesthetic value

#### D. Multiyear Capital Improvement Plan

The CAFO will provide the Mayor with a report of recommendations for the forthcoming's year's capital budget and for updates to the CIP. The CIP will include a capital budget for the upcoming fiscal year and a four-year projection of capital needs and expenditures, detailing their estimated costs, descriptions, and anticipated funding sources. The Mayor may make changes to the CIP before presenting the finalized capital budget and CIP to the City Council for a vote.

#### E. Capital Financing

Annually, the City will strive to maintain overall capital spending at *[four to seven]* percent of the general fund budget. Included in that total, the City will endeavor to appropriate *[two to three]* of the general fund operating budget, net of debt, on direct capital investment allocations, through funding derived from a combination of property taxes, free cash, and stabilization funds. This cash capital funding target is a complement to the debt service maintenance goal defined in the [Debt Management](#) policy.

The CIP shall be prepared and financed in accordance with the following principles:

- Available funds (e.g., free cash, specialized stabilization funds) will provide funding sources for capital projects as much as practical.
- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.
- The CAFO will proactively work with the CPA Committee on strategies to finance projects that may be eligible for funding under the CPA statute.
- Before any long-term, bonded capital project is recommended, the project's annual operating costs and debt service costs shall be identified.
- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.

- Capital or debt exclusions will be considered to accomplish major capital projects, such as new construction or major renovations to existing facilities.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental expenses.
- To the extent feasible, all capital projects associated with the sewer and wastewater operation shall be financed from user fees.
- In accordance with Holyoke's [Debt Management](#) policy, the City will restrict long-term debt funding to projects with lifespans greater than 10 years and costs exceeding \$100,000.

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**REFERENCES**

Holyoke policies on Debt Management, Forecasting, and Financial Reserves

Division of Local Services (DLS) Best Practice: [Presenting and Funding Major Capital Projects](#)

DLS Financial Management Guides: [Capital Improvement Planning Manual](#) and [Capital Improvement Planning Guide](#)

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**EFFECTIVE DATE**

This policy was adopted on [date].



## DEBT MANAGEMENT

### PURPOSE

To provide for the appropriate issuance and responsible use of debt, this policy defines the parameters and provisions governing debt management. Policy adherence will help the City to responsibly address capital needs, provide flexibility in current and future operating budgets, control borrowing costs, and sustain capital investment capacity. It can also help the City to maintain or enhance a favorable bond rating so as to achieve long-term interest savings.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Mayor, City Council, and Finance Committee budget decision-making</li> <li>▪ Treasurer's debt management responsibilities</li> <li>▪ Chief Administrative and Financial Officer (CAFO) and City Auditor budget analysis and reporting duties</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ All short- and long-term debt obligations as permitted to be issued under state law, including general obligation bonds, revenue bonds, bond anticipation notes (BANs), revenue anticipation notes (RANs), grant anticipation notes (GANs), and lease/purchase agreements</li> </ul>

### POLICY

Under the requirements of federal and state laws, the City may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to meet short-term cash flow needs. The City may also refinance existing debt. The City will issue and manage debt obligations to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. The City will not issue debt obligations to construct, reconstruct, or purchase capital assets that can be acquired with current revenues.

The City may issue short-term debt (by a BAN, RAN or GAN) when it is necessary to fund immediate cash requirements as bridge financing in advance of receiving the anticipated funding. Short-term financing also makes sense when it allows the City to take advantage of a lower interest rate, when savings are to be had from aggregating issuances, or when market conditions are such that postponing the issuance of long-term debt for the greater portion of a project's cost may be a prudent option.

#### A. Debt Financing

In financing with debt, the City will:

1. Issue long-term debt only for purposes that are authorized by state law and qualify for tax-exempt bonds and only when the financing sources have been clearly identified.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital projects that cost at least \$100,000 and have at least 10 years of useful life or whose useful lifespans will be prolonged by at least 10 years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and

maintenance expenditures.

5. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
6. Use special assessments, betterment assessments, and similar dedicated revenues to fund long-term debt.
7. Retire any debt obtained through a BAN no later than six months after the date that its associated capital project is completed. If there is a financial advantage to deferring the issuance of permanent debt, the City will make annual reductions to the outstanding principal as if the permanent debt had been issued. This will prevent the City from carrying any BAN beyond the period in which it is necessary, reduce the interest rate risk the City will face, and help ensure the timely close out of capital projects.

#### B. Debt Limits

The City will adhere to these debt parameters:

1. Total debt service, including any debt exclusions and any self-supporting debt, shall be limited to 10 percent of general fund revenues, with a target balance of [*three to five*] percent.
2. As a control for maintaining consistent capital investment, the City will seek to replace maturing debt obligations with new issuances or appropriations to the capital stabilization fund so that year-to-year debt service expenditures and savings are maintained at a target level representing [*two to four*] percent of general fund revenues.
3. As dictated by state statute, the City's debt limit shall be five percent of its most recent equalized valuation.

#### C. Structure and Term of Debt

The following shall be the City's guidelines on debt terms and structure:

1. The City will attempt to maintain a long-term debt schedule such that at least [50] percent of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
3. The City will limit bond maturities to no more than 10 years, except for major buildings, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).
4. Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium (bonds) and accrued interest (notes).
5. For new long-term debt, the City will pursue net direct debt service schedules with annual principal and interest payments (net of any reimbursements or dedicated revenue sources) that are sustainable using recurring revenues.
6. The City will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines, and penalties to the federal government, and jeopardizing any debt issuance's tax-exempt status. The City must comply with certain time frames for spending borrowed funds to avoid having

to pay a rebate to the federal government on investment income earned on the funds. All funds must be used according to the following schedules or sooner:

Construction debt:		Capital Debt for non-construction projects:		All other municipal purpose debt:	
First six months	10%	First six months	15%	First six months	100%
First year	45%	First year	60%		
18 months	75%	18 months	100%		
Two years	100%				

#### D. Bond Refunding

To achieve potential debt service savings on long-term, tax-exempt debt through bond refunding, the City will:

1. Issue debt with optional call dates no later than 10 years from issue.
2. Analyze potential refunding opportunities on outstanding debt as interest rates change.
3. Use any net premium and accrued interest to reduce the amount of the refunding.
4. Work with the City's financial advisor to determine the optimal time and structure for bond refunding.

#### E. Disposition of Surplus Bond Proceeds

Whenever a completed or discontinued project has a surplus balance from bond proceeds, the CAFO will make a report of the information to the Mayor with a recommendation(s) on how the money should be repurposed. When the balance for a completed project is less than \$50,000, the Mayor will approve transferring the funds to an outstanding debt service obligation(s). If another circumstance applies, the Mayor will submit a proposal to the City Council to vote an appropriation(s) in accordance with the following statutory provisions:

- For a completed project with a balance of \$50,000 or greater: Vote to appropriate the balance for another purpose(s).
- For a project that was discontinued regardless of the surplus amount: Vote to abandon the project (by a two-thirds majority) and to appropriate the balance for a new purpose(s).

In the latter two circumstances above, the expenditure being offset by the surplus must have a purpose for which the City may authorize a loan for an equal or longer period of time than that for which the original loan was issued.

#### F. Protection of Bond Rating

To obtain and maintain a favorable bond rating, the City will:

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.

2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.

G. Reporting

1. The Treasurer will report to the City Council, Mayor, and CAFO on the City's debt status at least annually.
2. The City Auditor, with the City's financial advisor, will file an annual audit report and official disclosure statement within 270 days of the end of the fiscal year.

**REFERENCES**

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<a href="#">M.G.L. c. 44, § 4</a>	<a href="#">M.G.L. c. 44, § 8</a>	<a href="#">M.G.L. c. 44, § 20</a>
<a href="#">M.G.L. c. 44, § 6</a>	<a href="#">M.G.L. c. 44, § 8A</a>	<a href="#">M.G.L. c. 44, § 21A</a>
<a href="#">M.G.L. c. 44, § 6A</a>	<a href="#">M.G.L. c. 44, § 17</a>	<a href="#">M.G.L. c. 44, § 21C</a>
<a href="#">M.G.L. c. 44, § 7</a>	<a href="#">M.G.L. c. 44, § 19</a>	<a href="#">26 USC § 148</a>

Holyoke Capital Planning policy

DLS Best Practice: [Understanding Municipal Debt](#)

DLS Borrowing Guidelines: [Asset Useful Life Schedules and Maximum Borrowing Terms](#)

DLS Informational Guideline Releases 22-02: [Borrowing](#) and 22-01: [Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt](#)

Government Finance Officers Association Best Practice: [Refunding Municipal Bonds](#)

Internal Revenue Service Guidance: [A Guide for Issuers of Tax-Exempt Bonds](#)

**EFFECTIVE DATE**

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This policy was adopted on [date].

## FINANCIAL RESERVES

### PURPOSE

To help the City stabilize finances for the purpose of maintaining operations during difficult economic periods and to save funds for capital investment, this policy establishes prudent practices for appropriating to and expending reserve funds. With well-planned sustainability, the City can use its reserves to finance emergencies and other unforeseen needs, to hold money for future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact the City's credit rating and consequently its long-term borrowing costs.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Mayor, Chief Administrative and Financial Officer (CAFO), City Council, and Finance Committee budget decision-making</li> <li>▪ City Auditor and Board of Assessors job duties</li> <li>▪ Board of Public Works in rate setting decisions</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Goals for and appropriate use of financial reserves, including free cash, stabilization funds, retained earnings, and overlay surplus</li> </ul>

### POLICY

The City is committed to building and maintaining its reserves to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. Adherence to this policy will help the City withstand periods of decreased revenues and control spending during periods of increased revenues. In total for the general fund reserves under this policy, the City will strive to maintain a minimum funding level equivalent to *[nine to 13]* percent of its prior year annual general fund operating budget.

### POLICY SUMMARY

General Fund Reserve Name	Funding Target (% of PY general fund budget)	Appropriate Usage
Free cash	3-5%	<ul style="list-style-type: none"> <li>▪ One-time costs only, including cash capital</li> <li>▪ Transfer annually: <ul style="list-style-type: none"> <li>○ At least 20% to cash capital budget</li> <li>○ Less than 10% to noncapital one-time expenses</li> <li>○ At least 15% capital stabilization fund (SF)</li> <li>○ At least 20% to general SF</li> <li>○ Up to 10% to OPEB trust fund</li> </ul> </li> </ul>
General SF	5-7%	<ul style="list-style-type: none"> <li>▪ Emergencies and unexpected events</li> <li>▪ For operating costs only when current fiscal year revenues increase less than 2½% from the prior fiscal year</li> </ul>
Capital Asset SF	1-2%	<ul style="list-style-type: none"> <li>▪ Capital improvement projects that do not require debt</li> </ul>
Cannabis Impact SF	Based on hosts agreements	<ul style="list-style-type: none"> <li>▪ Support cannabis industry</li> </ul>

Sewer	Based on retained earnings	<ul style="list-style-type: none"> <li>▪ Sewer infrastructure and stormwater management</li> </ul>
Overlay	Based on annual analysis of levy shortfall risk and the cumulative balance from prior years	<ul style="list-style-type: none"> <li>▪ Any legal purpose</li> </ul>
<b>Enterprise Fund</b>	<b>Retained Earnings Target (% PY EF budget)</b>	<b>Appropriate Usage</b>
Wastewater Treatment Plant	25%	<ul style="list-style-type: none"> <li>▪ Rate Stabilization</li> <li>▪ Capital improvements</li> </ul>

#### A. Free Cash

The Division of Local Services (DLS) defines free cash as “the remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the previous year.” DLS must certify free cash before the City can appropriate it.

The City will strive to realize year-to-year free cash certifications equal to *[three to five]* percent of prior year’s annual general fund budget. To achieve this, the Mayor will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs.

The City will limit its use of free cash to building reserves, funding nonrecurring costs (i.e., one-time expenditures, such as capital projects and emergencies), and offsetting the City’s unfunded liabilities. The City will plan to appropriate free cash as follows:

- Set aside *[at least 25]* percent of the certified free cash amount as the starting balance for the next year’s free cash certification.
- Apply *[at least 20]* percent but no more than *[30]* percent to the cash capital budget.
- Use the lesser of *[10 percent or \$300,000]* for noncapital special orders (e.g., snow and ice deficit, building maintenance, etc.).
- Appropriate *[at least 15]* percent to the capital stabilization fund and *[20]* percent to the City’s general stabilization to achieve this policy’s target balances, with the total appropriations to the two stabilization funds capped at *[10]* percent of the previous year’s tax levy.
- Appropriate *[up to 10]* percent to the City’s other postemployment benefits (OPEB) trust fund as defined in the [OPEB Liability](#) policy.

#### B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. The City currently has four stabilization funds as follows:

**General Stabilization:** The City will endeavor to achieve and maintain a minimum balance of *[five to seven]* percent of the prior year general fund operating budget in its general stabilization fund, with

an annual appropriation of [0.3] percent of the prior year operating budget. The stabilization fund should only be used:

- To pay expenditures related to a catastrophic or emergency event(s) that cannot be supported by current general fund appropriations.
- When current fiscal year revenues increase less than 2½ percent from the prior fiscal year.

When possible, withdrawals of funds should be limited to the amount available above the [five] percent minimum target. If any necessary withdrawal drives the balance below this minimum due to extraordinary or unforeseen obligations that pose an immediate threat to the City's financial stability that cannot be funded by other sources, the withdrawal should be limited to one-third of the fund's balance. The Mayor and CAFO shall develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

#### **Special Purpose Stabilization Funds:**

- **Capital Asset Stabilization:** The Capital Asset Stabilization Fund is for the acquisition, development, or maintenance of capital assets. The City will appropriate annually to the fund so that over time it achieves a minimum target balance in the range of [one to two] percent of the City's prior year general fund budget. By sustaining funding in this reserve, the City can balance debt with pay-as-you-go and cash capital funding costs consistent with the [Capital Planning](#) policy.
- **Cannabis Impact and Innovation Stabilization Fund:** All revenues from community impact fees detailed in the host community agreements between marijuana businesses and the City of Holyoke are directed to this fund to support the operation of the City's cannabis industry consistent with the host agreements. This fund is administered through the office of Planning and Development.
- **Sewer Enterprise Stabilization:** This reserve is funded with excess retained earnings to support sewer and stormwater management and maintenance of wastewater treatment plant (sewer) infrastructure. (Section C below). Any balance acquired through wastewater treatment plant enterprise revenue must be retained in the enterprise fund if City Council votes to change the purpose or revoke this stabilization fund.

#### **C. Overlay Surplus**

The purpose of the overlay reserve is to offset unrealized tax revenue resulting from abatements and exemptions. It can be used for other purposes only after it is determined to have a surplus. Therefore, unlike the other two types of reserves, this policy does not set a consistent, specific funding target for it. Rather, each year as part of the budget process, the Board of Assessors will vote to raise an overlay amount on the annual tax recapitulation sheet based on the analytical factors outlined in the [Annual Budget Process](#) policy.

At the conclusion of each fiscal year, the Board of Assessors will submit to the City Auditor, CAFO, and Mayor an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, potential costs of current and future ATB cases, and any transfers to surplus. If the overlay balance exceeds the amount of potential liabilities, the Mayor may

request that the Board of Assessors vote to declare it as surplus and available for to be appropriated to the General or Capital Asset Stabilization Fund or for any other one-time expense.

#### D. Retained Earnings

The finances of the wastewater treatment plant department are accounted for through an enterprise fund, separately from the general fund, which allows the City to effectively identify the operation's direct, indirect, and capital costs, and set user fees at levels sufficient to recover them. Under this accounting, the City may reserve the enterprise fund's generated surplus (referred to as retained earnings) rather than closing the surplus to the general fund at year-end.

The City will endeavor to maintain a minimum reserve amount of [25] percent of the operation's prior year budget, which represents three months' worth of expenditures. These reserves shall be used to provide rate stabilization and to fund major, future capital projects. Whenever any major infrastructure improvement is being planned for the wastewater treatment plant enterprise operation, it may be necessary to revise its minimum target upward. To maintain the target reserve levels for the enterprise fund, the Board of Public Works must annually review, and when necessary, adjust user rates.

#### REFERENCES

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[M.G.L. c. 40 § 5B](#)

[M.G.L. c. 59 § 25](#)

[M.G.L. c. 44 § 53F½](#)

[M.G.L. c. 94G § 3](#)

Holyoke policies on Annual Budget Process, Capital Planning, Forecasting, Other Postemployment Benefits Liability, Overlay, and Year-End Closing

Holyoke Code of Ordinances Chapter 2, Article II, Division 4, Section 2-139 - [Stabilization funds](#)

DLS Best Practices: [Free Cash](#), [Reserve Policies](#), and [Special Purpose Stabilization Funds](#)

DLS Informational Guideline Releases 08-101: [Enterprise Funds](#), 17-20: [Stabilization Funds](#), and 17-23: [Overlay and Overlay Surplus](#)

Government Finance Officers Association Best Practices: [Fund Balance Guidelines for the General Fund](#) and [Working Capital Targets for Enterprise Funds](#)

#### EFFECTIVE DATE

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This policy was adopted on [date].



## FORECASTING

### PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for creating projections of revenues and expenditures as part of the annual budget process and multiyear fiscal planning. By presenting the future implications of current budget scenarios, forecasting helps local officials to make strategic plans for lasting fiscal sustainability and future investment.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Mayor, Chief Administrative and Financial Officer (CAFO), City Auditor, and Chief Assessor job duties</li> <li>▪ City Council and Finance Committee in budget analysis and decision-making responsibilities</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Creation, revision, and year-to-year conversion of a multiyear forecast of revenues and expenditures as part of the annual budget process</li> <li>▪ Guidelines for formulating the assumptions that form the basis for forecast projections</li> </ul>

### POLICY

To determine the City's operating capacity for future fiscal years, the CAFO, under the direction of the Mayor, will annually create a detailed forecast with five-year projections of revenues and expenditures. The Mayor will use the forecast to support decision making for the upcoming year's operating and capital budgets and the long-range capital improvement plan.

To guard against potential deficits, as a general rule, the CAFO will create conservative forecasts. In basic terms, this entails reviewing historical revenue and expenditure trends, anticipating factors that may impact those trends going forward, analytically developing assumptions, and then formulating reasonable revenue and realistic expenditure projections. Overly optimistic estimates can increase the risk of a revenue deficit, which would necessitate a reduction to the subsequent year's revenue to offset it. Conversely, underestimated projections may result in excess revenue that is unavailable to benefit the public in the same year as accrued and can be perceived as over taxation.

Early in the annual budget process, the CAFO and Mayor will present the initial forecast to the City Council. Throughout the budget development, the CAFO will update the forecast whenever there are changes in circumstances that would materially impact forecast projections and provide the Mayor with these updates.

With each new budget year, the CAFO will review the performance accuracy of prior-year forecasts and any evolving factors related to the underlying assumptions to consider how projections in the new forecast may need to be adjusted. Factors to consider include changes in laws, regulations, inflation rate, interest rate, City goals, and policy decisions.

#### A. Guidelines for Revenue Assumptions

The following principles shall guide the formulation of revenue assumptions:

- Projections of the property tax levy will be confined by the limits of Proposition 2½ (absent any overrides) and take into consideration consensus decisions regarding the City's level of excess levy capacity.
- New growth projections will take into account the City's three-, five- and 10-year averages by property class and advice from the Chief Assessor.
- The levy limit's relationship to the levy ceiling (which is 2.5 percent of the City's real and personal property total value) will be annually assessed to identify potential override capacity and guard against the levy limit approaching or hitting the ceiling, which would impact future levy growth.
- Local aid projections will correspond with economic cycles, while Chapter 70 educational aid will reflect trends in school choice, enrollments, tuition, and charter assessments.
- Estimates for local receipts (e.g., motor vehicle excise, inspection fees, etc.) will not exceed [90] percent of the prior year's actual collections without firm evidence that higher revenues are achievable.
- No one-time revenues will be applied in the projections to support recurring operating expenditures.
- Revenues from grant programs will be reviewed annually to determine their sustainability.
- The City will build and maintain reserves in compliance with its [Financial Reserves](#) policy.

#### B. Guidelines for Expenditure Assumptions

Annually, the Mayor, with the CAFO's analytical advice will determine a particular budget approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department). A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future. A level-funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because inflation in mandated costs and other fixed expenses still must be covered.

The following principles shall guide the formulation of expenditure assumptions:

- The City's current level of services will provide the baseline for projections.
- Historical trends in the growth of operating expenses and employee benefits will prevail.
- The City will annually meet or exceed the state's net school spending requirements.
- Trends in enrollments, school choice, tuition, and charter assessments will be factored.
- Only currently known increases connected to compensation plans or schedule for the salaries/wages of regular employees will be factored into the projections.
- Potential cost-of-living adjustments to account for the impact of future contract settlements and compensation plan increases will be calculated independent of the forecast.
- The forecast will integrate projected capital expenditure data contained in the City's five-year capital improvement plan.
- The City will pay all existing debt service obligations and adhere to its [Capital Planning](#) and [Debt Management](#) policies.
- The City will pay its annual pension contributions and make appropriations to amortize its other postemployment benefits (OPEB) liability.

**REFERENCES**

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[M.G.L. c. 44, § 20](#)[M.G.L. c. 44, § 53A½](#)[M.G.L. c. 44, § 63A](#)[M.G.L. c. 44, § 53A](#)[M.G.L. c. 44, § 63](#)

Holyoke policies on Annual Budget Process, Capital Planning, Debt Management, Financial Reserves, Grants Management, Indirect Cost Allocation, and Overlay

Holyoke Code of Ordinances Chapter 2, Article II, Division 1, Section 2-35 - [Classification and hiring schedules](#)

DLS Best Practice: [Revenue and Expenditure Forecasting](#)

Government Finance Officers Association article: [Financial Forecasting in the Budget Preparation Process](#)

**EFFECTIVE DATE**

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This policy was adopted on [date].

## INDIRECT COST ALLOCATION

### PURPOSE

To reimburse the general fund for all expenditures incurred on behalf of the wastewater treatment plant enterprise fund, this policy provides guidelines for equitably calculating and allocating those indirect costs.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Mayor, Chief Administrative and Financial Officer (CAFO), City Auditor and Public Works Director job duties</li> <li>▪ Treasurer in related administrative functions</li> <li>▪ Mayor, CAFO, and Finance Committee in budget analysis and decision-making responsibilities</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Encompasses the analysis, calculation, and accounting of the wastewater treatment plant enterprise fund indirect costs</li> </ul>

### BACKGROUND

The City has one enterprise fund for the wastewater treatment plant (sewer). Under authority established in [M.G.L. c. 44 § 53F½](#) the accounting transactions this enterprise fund are recorded and managed separately from the general fund. Revenues and expenses are not commingled with those of any other governmental activity, and consequently there are separate financial statements for each. Consolidating the enterprise fund direct and indirect costs, debt service, and capital expenditures into its own distinct, segregated fund allows the City to demonstrate to the public the true, total cost of providing the service.

### POLICY

As part of the annual budget process, the City Auditor will calculate the indirect costs to the general fund for the wastewater treatment plant enterprise and review them with the CAFO and Public Works Director. The CAFO, City Auditor, and Public Works Director will agree in writing to the indirect cost allocation methods and amounts prior to finalizing the annual budget proposal. Indirect costs will be determined using the most up-to-date cost information available to the City Auditor at that time. Based on the results, the City Auditor will record transfers between the relevant funds annually by June 15 of each fiscal year. The City Auditor will maintain written procedures detailing the calculation methodologies to arrive at the costs.

#### A. Cost Categories

The indirect cost calculation will account for the following enterprise-related expenditures budgeted in the general fund:

- Wastewater treatment plant department **personnel costs** for active and retired employees, including pensions, insurances, Medicare taxes, unemployment, and workers' compensation
- **Administrative services** performed on behalf of the enterprise's department by other departments, such as:

- Annual budget development, vendor/payroll warrant, general ledger bookkeeping, and financial reporting services provided by the City Auditor's Department
  - Banking, investment, tax title, benefits, and payroll services provided by the Treasurer's Department
  - Collections and tax title services provided by the Collector's Department
  - Human resource and benefit services provided by the Office of Personnel Administration
- The following **expenses**:
    - Information technology costs
    - Vehicle and property insurances
    - Legal services
    - Independent audit services
    - Actuarial services related to other postemployment benefits (OPEB)
    - Other costs that may be agreed to and documented

The City Auditor will calculate indirect costs based on the most recent fiscal year's appropriations and using either the actual, proportional, estimated support, or transactional methodology (described in Section B below) as appropriate for the particular cost category.

#### B. Explanation of Calculation Methodologies

1. **Actual cost**, involves identifying the specific costs attributable to the enterprise based on documented schedules or bills payable, including debt service and insurance premiums.
2. The **proportional** method is a straightforward calculation of the utility's net-of-debt budget as a percentage of the total combined net-of-debt budget of the utility and the general fund. The resulting percentage is then applied against the total budget (including employee benefits) of each City department that provides support to the utility or against the total cost of the specific type of expenditure.
3. A department or official may be able to provide a reasonable **estimate of support** (i.e., an estimate of the work hours spent supporting the utility). For example, the City Auditor estimates an average of two hours weekly, or five percent of her time, on wastewater treatment plant - related activities (e.g., creating warrants, bookkeeping). This percentage would then be applied against the City Auditor's salary and benefits, including health and life insurance, Medicare, retirement, and any workers' compensation.

$$\frac{\text{Hours worked on enterprise activities per year by individual(s)}}{\text{Total hours worked per year by individual(s)}} \times \text{Salary and benefits of individual(s) working on enterprise activities} = \text{Indirect Departmental Salaries}$$

4. The transaction-based method is calculated based on the number of transactions attributed to a service as a percentage of the whole. An example would be the total sewer bill collections

processed by the Collector's Office as a percentage of the total number of collections of all types processed by that office. This percentage is applied against the Collector's total budget, including health and life insurance, Medicare, retirement, and any workers' compensation attributable to the department.

$$\frac{\text{Number of enterprise-related transactions}}{\text{Total number of all like transactions processed by the non-enterprise department}} \times \text{Total budget plus benefits of the department processing the enterprise transactions} = \text{Indirect Departmental Salaries}$$

### C. Calculations by Cost Category

*The text in this section provides sample calculations for discussion purposes. Before adopting this policy, Section C should be reviewed and updated as necessary, and it should be expanded for any other costs that may be agreed to, such as information technology, legal services, etc.*

#### 1. **Health and Life Insurances**

Costs for health and life insurances will be calculated using the actual method by adding up the actual amounts paid by the City for the participating enterprise employees during the current fiscal year.

#### 2. **Medicare**

The City's Medicare cost represents the employer match of the Medicare tax charged to employees hired after April 1, 1986. Using the actual cost method and based on employee W-2s, the costs will be calculated as 1.45 percent of the total gross wages paid by the City on behalf of eligible enterprise fund employees during the preceding calendar (not fiscal) year.

#### 3. **Retirement**

Indirect pension costs will be calculated using the proportional method. The City's total annual contributory retirement assessment is multiplied by the respective proportion of the total enterprise fund department employee's compensation to the total employee compensation as reported to the Public Employee Retirement Administration Commission.

#### 4. **Audit**

Independent audit costs will be based on the proportional method. The wastewater treatment plant enterprise fund department shall pay the proportion of the cost of the City's annual independent audit based on effort of the City's independent auditor.

#### 5. **Administrative Services**

The indirect costs for enterprise-related administrative services performed by the Accounting, Treasurer, Collector, CAFO, and Mayor Departments will be calculated using the estimate of support method. It will be based on each department's annual estimate of the time required to perform the services for the enterprise fund.

**REFERENCES**

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[M.G.L. c. 44 § 53F½](#)

Division of Local Services Informational Guideline Release 22-16: [Enterprise Funds](#)

Government Finance Officers Association Best Practices: [Indirect Cost Allocation](#) and [Evaluating Service Delivery Alternatives](#)

**EFFECTIVE DATE**

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This policy was adopted on [date].

## INVESTMENTS

### PURPOSE

To ensure the City's public funds achieve the highest possible rates of return that are reasonably available while following prudent standards associated with safety, liquidity and yield, this policy establishes investment guidelines and responsibilities. In addition, the policy has been designed to comply with the Governmental Accounting Standards Board's requirement that every community define and disclose its investment risk management strategy.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ The Treasurer in the statutory duty to invest City funds</li> <li>▪ Any investment advisor(s) with whom the Treasurer contracts</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Goals, objectives, and allowable practices related to all the City's short-term operating funds and its long-term reserve, investment, and trust funds</li> <li>▪ Excluded are City funds invested by the Holyoke Retirement Board</li> </ul>

### POLICY

The Treasurer will invest funds in a manner that meets the City's daily operating cash flow requirements and conforms to state statutes governing public funds while also adhering to prudent investment standards. The Treasurer will manage all investments so as to achieve a fair market average rate of return within the context of all relevant statutory, safety, and liquidity constraints.

#### A. Investment Objectives

In priority order, the Treasurer's investment objectives shall be:

- **Safety:** Safety of principal is foremost, and the Treasurer will adhere to this policy's risk mitigation strategies for the purpose of preserving capital in the overall portfolio.
- **Liquidity:** The investment portfolio must remain sufficiently liquid to enable it to meet all reasonably anticipated operating requirements.
- **Yield:** The investment portfolio will be designed with the objective of attaining a fair market average rate of return throughout budgetary and economic cycles, in accordance with the City's investment risk constraints and the portfolio's cash flow characteristics.

The Treasurer will ensure that all **short-term operating funds**, such as general funds, special revenue funds, bond proceeds, and capital project funds remain sufficiently liquid to pay all reasonably anticipated operating requirements and debt service.

For **trusts and other long-term funds** (e.g., stabilization funds, cemetery perpetual care, and any similar funds set aside for long-term use), liquidity is less important than growth. The Treasurer will pool any individual funds that are invested in the same institution while also maintaining each fund in its own account to allow for the proper proportioning of interest and any realized and unrealized



gains or losses. All trust funds are under the Treasurer's control unless otherwise directed by their particular donor(s).

#### B. Conflict of Interest

The Treasurer is prohibited from making a deposit in any bank, trust company, or banking company for which he or she is or has been an officer or employee at any time in the last three years. The Treasurer will refrain from any personal activity that may conflict with the proper execution of the investment program or that could impair or appear to impair the ability to make impartial investment decisions. The Treasurer will disclose to the Mayor and City Council any large personal financial investment positions or loans that could be related to the performance of the City's investments. Further, when contracting for any investment services, the Treasurer will adhere to requirements under [M.G.L. c. 30B](#) and the City's [Procurement Conflict of Interest](#) policy.

#### C. Investment Instruments

Under this policy, and in compliance with state statutes, the table below defines allowable investment instruments and guidelines.

Instrument Type	Short-term Funds	Long-term Funds
Depository accounts in Massachusetts state-chartered banks, including savings, checking and NOW accounts, and money market deposit accounts	No limitations	No limitations
Certificates of deposit (CDs) in Massachusetts state-chartered banks only	Unlimited amounts and maturity up to three years	No limits on amounts or maturity dates
The <a href="#">Massachusetts Municipal Depository Trust</a> (MMDT), the State Treasurer's investment pool for public entities.	No limitations and the pool is liquid	No limitations
U.S. Treasury or other U.S. government agency obligations	Unlimited amounts and up to one year from date of maturity	No limitations
Bank-issued repurchase agreements ("repos") secured by U.S. Treasury or other U.S. government agency	Maximum maturity of 90 days	Repos are by their nature short-term and therefore not appropriate for the growth objective of long-term funds.

Instrument Type	Short-term Funds	Long-term Funds
Money market mutual funds	<ul style="list-style-type: none"> <li>▪ Must be registered with the Securities and Exchange Commission (SEC)</li> <li>▪ Must have the highest possible rating from at least one rating organization</li> <li>▪ These are liquid investments, so maturity term is not applicable</li> </ul>	<ul style="list-style-type: none"> <li>▪ Must be registered with the SEC</li> <li>▪ Must have the highest possible rating from at least one rating organization</li> </ul>
Common and preferred stock, investment funds, and any other type of investment instrument specified in the List of Legal Investments	Not allowed	<ul style="list-style-type: none"> <li>▪ The City's aggregate amount of long-term funds must exceed \$250,000 to invest in these.</li> <li>▪ Investment in mortgages, collateral loans, and international obligations is prohibited.</li> <li>▪ Cannot invest more than 1.5% of a particular fund in the stock of any single banking or insurance company</li> <li>▪ Cannot invest more than 15% of total aggregated funds in banking or insurance company stocks</li> </ul>

**Note:** This policy confines the allowed depository accounts only to those offered by Massachusetts state-chartered banks, a provision that is more restrictive than state statutes and the Massachusetts Collectors & Treasurers Association's sample investment policy statement. The reason is that the MA-chartered banks' depository accounts are fully insured through a combination of the Federal Deposit Insurance Corporation and the state's Depositors Insurance Fund. However, funds placed in these banks' mutual funds or annuity products are not covered by either insurance, and the Treasurer must manage those and any other type of investments in accordance with other applicable provisions of this policy.

#### D. Risk Tolerance Guidelines

The Treasurer will employ the following strategies to mitigate the range of investment risks:

Type of Risk	Mitigation Strategy
<b>Credit risk</b> is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.	<ul style="list-style-type: none"> <li>Investments in any of the following are safe from credit risk: state-chartered banks' depository accounts (including CDs), obligations backed by the U.S. Treasury or other U.S. government agency, and the MMDT.</li> <li>For any other investments, the Treasurer will only purchase investment grade securities highly concentrated in those rated A or better.</li> </ul>
<b>Concentration of credit risk</b> is the risk arising from all funds being invested in a single issuer.	The Treasurer will diversify the portfolio among multiple issuers/institutions (see Section E).
<b>Custodial risk for deposits</b> is the risk that, in the event of the failure of a depository financial institution, the City would not be able to recover deposits or to recover collateral securities in the possession of an outside party.	The Treasurer will negate this risk by only making deposits at MA-chartered banks.
<b>Custodial risk for investments</b> is the risk that, in the event of a failure of the counterparty to a transaction, the City would not be able to recover the value of an investment or to recover collateral securities in the possession of an outside party.	<ul style="list-style-type: none"> <li>The Treasurer will review the financial institution's financial statements and its advisor's background to ensure it has proven financial strength, capital adequacy, and an overall positive reputation in the municipal investment industry (see Section F).</li> <li>If a security is to be held by a third-party custodian, the Treasurer must approve that party and verify that the security is held in the City's name and tax ID number, as evidenced by its CUSIP (Committee on Uniform Security Identification Procedures) code.</li> </ul>
<b>Interest rate risk</b> is the risk that interest rate changes will adversely affect an investment's fair market value.	The Treasurer will negotiate for competitive interest rates that are locked in for long terms.
<b>Foreign currency risk</b> is the risk that an investment will lose value as the result of an unfavorable exchange rate.	The Treasurer will negate this risk by not investing in any instruments with foreign currency exposures.

#### E. Diversification

The Treasurer will invest in a diverse portfolio to prevent overconcentration in any institution, issuer, or maturity type. Apart from money placed in the MMDT or obligations backed by U.S. government agencies, the Treasurer will invest no more than 25 percent the City's long-term funds with a single financial institution. In addition, the Treasurer will ensure compliance with the various allowable

percentage thresholds for specific investment instruments and issuers set forth in the List of Legal Investments.

#### F. Selection of and Relationship with Financial Institutions

When selecting from among MA-chartered banks to hold short-term funds, the Treasurer will consider their fee structure, service efficiencies, and account management control features. For investing long-term funds, the Treasurer will also assess the soundness, stability and reputation of prospective financial institutions and dealers/brokers. Brokers must be recognized, reputable dealers and members of the Financial Industry Regulatory Authority. The Treasurer will require any brokerage houses and brokers/dealers wishing to do business with the City to provide the following:

- Audited financial statements
- Form ADV Part 2 showing the broker/dealer to be actively registered with both the SEC and Massachusetts Secretary of State's Office and providing information on the types of services offered, fee schedule, disciplinary information, conflicts of interest, and the educational and business background of management and key advisory personnel
- Statement that the broker/dealer has read and will comply with this policy

The Treasurer will also consult the [Veribanc](#) rating service to select and monitor financial institutions. The Treasurer may invest in institutions rated green by Veribanc and will continue to review their ratings quarterly. If a bank's rating turns yellow, the Treasurer will request the bank provide a written explanation with an expected timetable for changing back to green. If the rating remains yellow for a second quarter, the Treasurer will consider liquidating all funds that are uninsured or uncollateralized. If any rating becomes red, the Treasurer will remove the money from the banking institution.

The Treasurer will review all banking and financial services at least annually to ensure their quality and the competitiveness of their fee structure and interest rates. On an annual basis, the Treasurer will also send letters to banks in the local region requesting them to report all usage of the City's tax identification number as a means to ensure the number is used only by the Treasurer and no outside entities.

#### G. Standards of Care

The Treasurer must review, understand, and comply with the state's Prudent Investor Act ([M.G.L. c. 203C](#)). The Treasurer shall be relieved of personal responsibility for any individual security's credit risk or market price changes, provided that its purchase and sale have been carried out in accordance with the Act and the provisions of this policy.

#### H. Reporting Requirements

The Treasurer will assess investment activity and keep the Mayor and City Council apprised of any major changes by providing a report of investment activity annually or more often as needed. The investment activity report shall incorporate all of the City's investment funds and include the following information at minimum:

- List of all the individual accounts and securities held at the end of the period
- List of short-term investment portfolios by security type and maturity to ensure compliance with the diversification and maturity guidelines
- Summary of income earned on monthly and year-to-date bases
- Disclosure of the fees associated with managing each fund
- Brief statement of general market and economic conditions and other factors that may affect the City's cash position
- Statements on the degree of compliance with the provisions of this policy

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**REFERENCES**

<a href="#">M.G.L. c. 30B</a>	<a href="#">M.G.L. c. 44, § 55</a>	<a href="#">M.G.L. c. 110A, § 201</a>
<a href="#">M.G.L. c. 29, § 38A</a>	<a href="#">M.G.L. c. 44, § 55A</a>	<a href="#">M.G.L. c. 167, § 15A</a>
<a href="#">M.G.L. c. 44, § 54</a>	<a href="#">M.G.L. c. 44, § 55B</a>	<a href="#">M.G.L. c. 203C</a>

Holyoke policies on Antifraud and Procurement Conflict of Interest

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#)

MA Division of Banks [List of Legal Investments](#) and database of [MA-chartered banks](#)

Massachusetts Depositors Insurance Fund [FAQs](#)

MA Secretary of State webpage, [Massachusetts Securities Division](#)

Governmental Accounting Standards Board Statement 40: [Deposit and Investment Risk Disclosures](#)

SEC webpage [Form ADV Information](#)

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**EFFECTIVE DATE**

This policy was adopted on [date].

## OTHER POSTEMPLOYMENT BENEFITS LIABILITY

### PURPOSE

To ensure fiscal sustainability, this policy sets guidelines for a responsible plan to meet the City's obligation to provide other postemployment benefits (OPEB) for eligible current and future retirees. It is designed to achieve generational equity among those called upon to fund this liability and thereby avoid transferring costs into the future.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Mayor, City Council, and Finance Committee budget decision-making duties</li> <li>▪ Chief Administrative and Financial Officer (CAFO), Treasurer, Personnel Director, and Benefits Administrator job duties</li> </ul>
Scope	<ul style="list-style-type: none"> <li>▪ Budget decisions related to the City's OPEB liability</li> <li>▪ Liability mitigation</li> </ul>

### BACKGROUND

In addition to salaries, the City compensates employees with benefits earned during years of service to be received upon retirement. One such benefit is a pension, and another is a set of retirement insurance plans for health, dental, and life, which are collectively referred to as other postemployment benefits, or OPEBs. OPEBs represent a significant liability for the City that must be properly measured, reported, and planned for financially.

### POLICY

The City is committed to funding the long-term cost of the benefits promised its employees. To do so, the City will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The City will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers, as well as conducting periodic audits of the City's insurance rolls.

#### A. Accounting for and Reporting the OPEB Liability

The CAFO will obtain actuarial analyses of the City's OPEB liability every two years and will annually report the City's OPEB obligations in the financial statements that comply with the current guidelines of the Governmental Accounting Standards Board. The CAFO will ensure that the City's independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its annual audit and reports on these to the Mayor.

#### B. Trust Management and Investment

The City will establish an OPEB Trust Fund pursuant to [M.G.L. c. 32B, § 20](#) and designate the Treasurer as its trustee and custodian. As fund custodian, the Treasurer will manage the OPEB Trust Fund in conformance with the City's investment policy and the state's prudent investor laws. On an annual basis, the City will analyze its option to invest the OPEB trust with the [State Retiree Benefits Trust Fund](#).

To ensure that any investment advisor chosen for the OPEB Trust Fund follows the OPEB and Investment policies, the CAFO and Treasurer will do the following:

- Meet with the investment advisor at least semiannually to monitor the performance of the fund and the compliance with the City's policies.
- Monitor the fund's performance by comparing the investment advisor's results to a blended benchmark to be determined in conjunction with the investment advisor.
- Rebalance the portfolios at least annually or more frequently if appropriate.
- Review the OPEB policy every year to ensure it remains in compliance with governing regulations.

#### C. Mitigation

On an ongoing basis, the City will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The CAFO and Personnel Director will monitor proposed laws affecting OPEBs and Medicare and analyze their impacts. The Benefits Administrator will regularly audit the group insurance and retiree rolls and terminate any participants found to be ineligible based on work hours, active Medicare status, or other factors.

#### D. OPEB Funding Strategies

To address the OPEB liability, decision makers will analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The City will derive funding for the OPEB Trust Fund from taxation, free cash, and any other legal form. To ensure that the City's enterprise operation remains self-supporting, the Public Works Board will factor the wastewater treatment plant's OPEB contributions into the setting of its user fees.

Achieving full funding of the liability requires the City to commit to funding its actuarially determined contribution (ADC) each year. Among strategies to consider for funding the ADC:

- In accordance with the Financial Reserves policy, appropriate an annual portion of the certified free cash amount.
- Annually appropriate at least [0.25] percent from the levy toward the general fund OPEB liability.
- Appropriate annually increasing dollar amounts or percentages of yearly revenues for the general fund and enterprise fund operation.
- Determine and commit to appropriating an annual portion of free cash.
- Transfer unexpended funds from insurance line items to the OPEB Trust Fund.
- Appropriate amounts equal to the City's Medicare Part D reimbursements.
- Once the pension system is fully funded, on a subsequent annual basis, appropriate to the OPEB Trust Fund the amount equivalent to the former pension-funding payment or the ADC, whichever is less.

#### REFERENCES

[M.G.L. c. 32B, § 20](#)  
[M.G.L. c. 32B, § 20A](#)

[M.G.L. c. 44, § 54](#)  
[M.G.L. c. 44, § 55](#)

[M.G.L. c. 203C](#)

Holyoke policies on Financial Reserves, Investment, and Payroll Withholdings

Division of Local Services Information Guideline Release 19-10 [Other Postemployment Benefits Liability Trust Fund](#)

GASB Statements 75: [Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#) and 74: [Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#)

Government Finance Officers Association Best Practice: [Ensuring Other Postemployment Benefits \(OPEB\) Sustainability](#)

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**EFFECTIVE DATE**

This policy was adopted on [date].



## OVERLAY

### PURPOSE

To ensure the City can adequately offset all unrealized tax levy revenues, this policy sets guidelines for determining the annual overlay amount in the City's budget and for deciding whether any overlay balance can be certified as surplus.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Board of Assessors, Chief Assessor, and City Auditor job duties</li> <li>▪ Mayor, Chief Administrative and Financial Officer (CAFO), and Finance Committee in budget analysis and decision-making responsibilities</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Funding and maintaining the account for abatements and exemptions (overlay)</li> </ul>

### BACKGROUND

The allowance for abatements and exemptions, commonly referred to as the overlay, is an account to offset anticipated abatements and exemptions of committed real and personal property taxes, as well as any tax receivables deemed to be uncollectable. State statute allows overlay to be maintained in a single account, so that any levy deficit for a particular year need not be subsequently raised on the tax recapitulation sheet, provided that the total overlay account balance is greater than zero.

### POLICY

The Board of Assessors is responsible for proposing an annual overlay amount for the City budget sufficient to offset potentially unrealized revenue from that year's tax levy. The Mayor may propose for appropriation any overlay surplus subsequently determined by the Board of Assessors, for purposes consistent with the City's [Financial Reserves](#) policy.

Although Sections A - C below refer to the overlay as a single account, to better record historical information and facilitate reconciliations, the City Auditor will maintain overlay balances by levy year in subsidiary ledgers of the general ledger.

#### A. Annual Overlay

Each year, the Board of Assessors will vote in an open meeting to authorize a contribution to the overlay account as part of the budget process and to raise it without appropriation on the City's tax recapitulation sheet. The Chief Assessor will determine and propose to the Board the amount to be added to the overlay account based on the following:

- Current balance in the overlay account
- Three-year average of granted abatements and exemptions
- Potential abatement liability in cases pending before, or on appeal from, the Appellate Tax Board (ATB)
- Timing of the next certification review by the Division of Local Services (DLS) (scheduled every five years)

The Board of Assessors shall notify the City Auditor and CAFO of the amount of overlay voted.

**B. Excess Overlay**

Annually, the Chief Assessor and City Auditor will conduct an analysis to see if there is any excess in the overlay account balance by factoring the following:

- Current balance in the overlay account after reconciling with the City Auditor's records
- Balance of the property tax receivables, which represents the total real and personal property taxes still outstanding for all levy years
- Estimated total of potential abatements, including any cases subject to ATB hearings or other litigation

Upon determining any excess in the overlay account, the Chief Assessor will present the analysis to the Board of Assessors for its review and notify the City Auditor.

**C. Overlay Surplus**

If there is an excess balance in the overlay account, the Board of Assessors will formally vote in an open meeting to certify an amount to transfer to overlay surplus and will notify the Mayor, CAFO, City Auditor, and Finance Committee in writing of its vote. If the Mayor makes a written request for a determination of overlay surplus, the Board of Assessors will vote on the matter within the next 10 days and notify the Mayor of the result in writing.

After being certified, City Council may appropriate overlay surplus for any lawful purpose until the end of the fiscal year. The appropriation should be as prescribed in the City's Financial Reserves policy. Overlay surplus not appropriated by year-end will close to the general fund's undesignated fund balance.

**REFERENCES**

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[M.G.L. c. 59, §25](#)

DLS Informational Guideline Release 17-23: [Overlay and Overlay Surplus](#)

Holyoke policies on Annual Budget Process, Financial Reserves. Forecasting, and Tax Enforcement

**EFFECTIVE DATE**

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This policy was adopted on [date].

# **FINANCIAL OPERATIONS POLICIES**

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## ANTIFRAUD

### PURPOSE

To protect the City's assets and reputation from misappropriation and abuse, this policy provides guidelines to safeguard against fraudulent activities and any appearances thereof. The policy's objectives include:

- To create an environment in which employees and citizens can report any suspicion of fraud
- To communicate the City's intent to prevent, report, investigate, and disclose to proper authorities suspected fraud, abuse, and similar irregularities
- To provide management with guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ All elected and appointed City officials and employees</li> <li>▪ All other persons acting on behalf of the City, such as vendors, contractors, volunteers, casual employees, and grant subrecipients</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Any suspected fraud, abuse, or similar irregularity against the City</li> </ul>

### POLICY

The City is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, consultants, vendors, agents, or its own employees, to gain by deceit, financial or other benefits at the expense of taxpayers. City officials, employees and other persons acting on behalf of the City must, always comply with all applicable policies, laws, and regulations. A "Person acting on behalf of the City" refers to any individual responsible for or to Holyoke's government placed in that position by some official relationship with the City.

The City will not condone any violation of law or ethical business practices and will not permit any activity that fails to withstand the closest possible public scrutiny. The City intends to investigate any suspected acts of fraud or other similar irregularities regardless fully, objectively, and impartially of the position, title, length of service, or relationship with the government of any party who may be the subject to such investigation.

#### A. Actions Constituting Fraud or Abuse

Fraud and abuse can take many forms, all of which are covered by this policy and described in examples below.

Abuse of authority can occur in financial or nonfinancial settings and refers to, but is not limited to:

- Improper use or misuse of authority
- Improper use or misuse of City property, equipment, materials, records, or other resources
- Waste of public funds

Fraudulent activity includes, but is not limited to, the following:

- Any dishonest or fraudulent act

- Forgery or alteration of any document or account
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering because of insider knowledge of City activities
- Disclosing confidential or proprietary information to outside parties
- Accepting or seeking anything of material value from consultants, contractors, vendors, or persons providing services or materials to the City
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any claim for reimbursement of expenses not made for the exclusive benefit of the City
- Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes
- Any omissions and misrepresentations made in bond offering documents, presentations to rating agencies, and annual financial reports

#### B. Antifraud Responsibilities

Every employee has a duty to report any suspected fraudulent activity. Department heads are responsible for instituting and maintaining a system of internal controls to reasonably ensure the prevention and detection of fraud. All City officials, department heads, and supervisory staff must familiarize themselves with the types of fraud that could occur within their areas of responsibility and be alert for any indications of such conduct. The Mayor has primary responsibility for coordinating all fraud investigations.

#### C. Reporting Suspicion of Fraud

Any City employee or official who suspects fraud or abuse has occurred will promptly report it to the Mayor, who will duly post the matter for discussion in an executive session of the City Council. If the suspected fraud involves the Mayor, the employee/official will report it to the Chair of the City Council or to a different member of the Council if the Chair is suspected to be involved. Whoever receives the initial report will document it in writing and include sufficient details to ensure a clear understanding of the issues raised.

The Mayor is accountable for maintaining the confidentiality of all information related to a report of potential fraud, and the person making the report is protected from retaliation under the provisions of Section H below. The City therefore strongly encourages individuals to put their names to reports; however, an anonymous report can be emailed to the Mayor at [MayorsOffice@Holyoke.org](mailto:MayorsOffice@Holyoke.org).

#### D. Security of Evidence

Upon receipt of a report of suspected fraud, the Mayor will take immediate action to prevent the alteration, theft, or destruction of relevant records and assets. Such actions may include, but are not limited to:

- Limiting access to the location where the records and assets exist
- Preventing access by the individual or individuals suspected of committing fraud
- Relocating the records and assets to a secure location

#### E. Confidentiality and Media Relations

All participants involved in a fraud investigation will keep its details and results confidential so as not to violate any individual's expectation of privacy, and the Mayor will ensure that all related documents are securely stored. No investigation-related verbal information or documents may be shared with anyone not formally assigned to the investigation. No person employed by or otherwise acting on behalf of the City may make any comment to the media or any other party without explicit authorization from the Mayor or City Council.

#### F. Investigation

As soon as possible after receipt of a report of potential fraud or abuse, the Mayor will schedule a City Council executive session to consider the following:

- Is a formal investigation necessary, and if so, who will lead it?
- Is there an immediate need for legal assistance or advice?
- Is police involvement immediately necessary?
- Is there a need for any external support (e.g., forensic accountants, technology professionals)?
- Should the City Council and Mayor devise a media strategy on the issue?
- Is there a need to report the issue to any external parties?

The City will investigate every non-anonymous report of suspected fraud. For any anonymous report, the City Council will decide whether a formal investigation is justified based on the following:

- Credibility of the concern
- Seriousness of the issue (i.e., magnitude of negative impact to the City)
- Sufficiency of details provided to enable an investigation

To begin the formal investigation, the Mayor will consult with the City Solicitor to obtain guidance on next steps. From there, the Mayor may also seek the involvement of the City Auditor, Police Chief, and other personnel as needed. The Mayor may also recommend to the City Council the employment of an outside consultant to lead the investigation, such as an independent auditor.

#### G. Conclusion of Investigation, Corrective Actions, and Disclosures

At the investigation's conclusion, the Mayor or other assigned investigator will provide a written report of findings to the City Council. If it supports a finding of fraud, the City will pursue disciplinary action against any individual(s) involved and make every reasonable effort to recover any lost assets. On the advice of the City Solicitor, the City Council may also report the violation(s) to the local district attorney's office to pursue appropriate legal actions.

Additionally, the Mayor, in consultation with the assigned investigator if any, will determine the corrective actions needed to implement new or enhanced internal controls, in the subject department and potentially City-wide, to mitigate the risk of future fraudulent activity. The subject department head(s) will subsequently provide the Mayor with updates on the status of the corrective action(s) monthly or upon request.

If the City's investigation concludes that there was a violation of any federal criminal law involving fraud, bribery or gratuity potentially affecting a federal award, the Mayor will disclose such in writing to the federal awarding agency in compliance with the Office of Management and Budget's Omni Circular. Similarly, if there are findings of bond offering information falsification, the Mayor will disclose this in writing to the bondholders.

#### H. Whistleblower Protection

Regardless of an investigation's outcome, no employee who makes a good faith report pursuant to this policy shall be subject to retaliatory actions by City management, such as:

- Dismissal or threat of dismissal
- Discipline, suspension, or threat of these actions
- Intimidation or coercion
- Any other form of penalization or retaliation

Any party found to have retaliated against an employee for making a report pursuant to this policy will be subject to disciplinary action, up to and including termination.

If an allegation is made in good faith but not confirmed after the investigation concludes, no action will be taken against the originator. Any employee who knowingly makes a false report, provides evidence they know to be false, or provides information without a reasonable belief in its truth and accuracy may be subject to disciplinary action. Evidence of false allegations made with malicious intent will result in disciplinary action, up to and including termination.

#### I. Ethics Training and Annual Acknowledgments

In July every year, the Mayor will distribute this policy to all employees and officials along with a copy of the state's conflict of interest law, and each recipient is required to acknowledge receipt. In addition, every two years, all City employees must complete the state's conflict of interest training. Further, any City employee responsible for managing a vendor contract will ensure the vendor receives a copy of this policy and returns a signed acknowledgment. The City Clerk will maintain a database to track the status of all acknowledgments and employee trainings and will follow up with those who are noncompliant with either requirement.

#### REFERENCES

[M.G.L. c. 12, § 5A](#)

[M.G.L. c. 12, § 5D](#)

[M.G.L. c. 12, § 5J](#)

[M.G.L. c. 12, § 5B](#)

[M.G.L. c. 12, § 5E](#)

[M.G.L. c. 268A](#)

[M.G.L. c. 12, § 5C](#)

[M.G.L. c. 12, § 5F](#)

Holyoke Code of Ordinances Chapter 2, Article III, Division 1, Section 2-69 - [Ethics](#)

MA Office of the Inspector General webpage: [What is Fraud?](#)

MA Ethics Commission webpage [Summary of the Conflict of Interest Law for Municipal Employees](#)

U.S. Office of Management and Budget, December 2013: [Omni Circular](#)

#### EFFECTIVE DATE

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This policy was adopted on [date].



## CASH FLOW

### PURPOSE

To determine whether sufficient funds are available to cover current obligations, any surplus can be invested, or shortfall exists requiring temporary borrowing. An initial cash flow budget is developed prior to the beginning of a fiscal year and updated regularly throughout the year.

The Division of Local Services recommends maintaining a cash flow budget to forecast investment opportunities or borrowing needs. Major revenue sources like property taxes and state aid are generally received in large, lump sums at specific points in the fiscal year and do not necessarily coincide with expense patterns, which often results in cash surpluses or shortfalls during certain periods of the year.

The Government Finance Officers Association recommends cash flow forecasting as a best practice. When used as a cash management guide, it can lead to the optimized use of funds as well as insure sufficient liquidity.

### APPLICABILITY AND SCOPE

Applies to:	▪ Mayor, Chief Administrative and Financial Officer (CAFO), Treasurer, and City Auditor job duties
Scope:	▪ Managing the flow of cash to cover current obligations

### POLICY

The Treasurer will develop a cash flow forecast for the upcoming fiscal year after approval of the annual budget and before July 1 each year. The cash flow forecast will include all major revenue and expenditure types and their expected timing throughout the fiscal year. As the year unfolds, forecast estimates will be adjusted to reflect actual monthly activity. The Treasurer will submit the initial cash flow forecast and subsequent monthly updated cash flow reports to the City Auditor, CAFO, and Mayor monthly for review and discussion.

### REFERENCES

Government Finance Officers Association Best Practice [\*Cash Forecasts for Treasury and Operations Liquidity\*](#)

### EFFECTIVE DATE

This policy was adopted on [date].

## DISBURSEMENTS: ACCOUNTS PAYABLE

### PURPOSE

To mitigate the risks of errors or fraud and ensure the City expends funds only for legally valid liabilities, this set of policy and procedures establishes the guidelines and required steps for paying the City's bills.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Treasurer and City Auditor job duties</li> <li>▪ Mayor warrant approval responsibilities</li> <li>▪ All department heads and the elected or appointed officials with spending authority (all referred to here as "department heads") in submitting their requests for expense disbursements</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Guidelines for managing requests for and disbursements of City funds to pay accounts payable liabilities</li> </ul>

### POLICY

No disbursement for any accounts payable (AP) expense shall occur without the prior approval of the City Auditor and Mayor. Accordingly, the City Auditor is responsible for finalizing every AP warrant and the Mayor for approving each by their signatures. Any elected or appointed board or committee serving as a department head may vote to delegate the authority for approving AP submissions to one of its members, but no board or committee can assign this responsibility to a non-member. Any delegation must be communicated to the City Auditor and a record of any such transactions be made available to the full board or committee at the next meeting.

AP disbursements shall be made on a weekly basis. Every AP disbursement must be based on an original invoice and valid form W-9 for the payee. As a tax-exempt organization, the City will not pay sales tax on any expense, including those associated with any employee personal reimbursements. All invoices must be charged to the proper fiscal year. Payment for any bills payable for a prior fiscal year must be approved by vote of City Council in accordance with [M.G.L. c. 44, § 64](#).

To allow for the expedited processing of any checks that may go unclaimed (as permitted under [M.G.L. c. 200A, § 9A](#)), printed on the face of every disbursed check will be: "Void if not cashed within one year of issuance." The Treasurer will secure all checks in a safe until distributed.

All disbursement activity is subject to audit Holyoke's independent auditor.

In order to maintain checks and balances in a fully electronic process, the City must ensure that the Munis Enterprise ERP system is properly set up with user roles and associated permissions, electronic signatures, approvals, workflows, and digital audit history. Workflow approval rules are established based on the specific department and general ledger accounts from which the invoice is being paid.

#### A. Responsibilities Related to Disbursement Processing

Each **department head** is responsible for:

- Assuring that all purchases of goods and services follow the City's procurement policies and procedures.
- Verifying that adequate funds exist in the department's budget for every purchase request or AP submission.
- Entering AP invoices within one week of receipt for payment.
- Attesting to the accuracy of each AP submission for disbursement.

The **City Auditor** is responsible for:

- Including each requested expense on the AP warrant after completing the validations required by statute and this policy according to the timeframes in this policy.
- Preparing and approving AP warrants prior to the Mayor's authorization.
- Updating the general ledger with all AP warrant expenditures.

The **Treasurer** is responsible for:

- Upon receipt of AP warrants signed by the Mayor, imprinting the AP checks.
- Funding the AP checking bank account in the appropriate amount.
- Disbursing payments to vendors via mail or electronic funds transfer.
  - The Treasurer will not give any vendor checks directly to department heads or other employees.
- Updating the cashbook to document the disbursement activity.

The **Mayor** is responsible for approving all AP warrants.

#### B. Off-Cycle Disbursements in Exceptional Circumstances

An emergency or other imperative circumstance may compel an allowable exception to the usual disbursement schedule. In such rare cases, using Munis Invoice Entry and with the Mayor's approval, the City Auditor will process an off-cycle warrant for the Treasurer to fund and issue a check. Under no circumstances will the Treasurer issue a manual check outside the Munis system.

### **PROCEDURES**

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#### A. Departments Submit Invoices for Payment

The AP warrant process occurs weekly, with the warrant finalized on Monday and payments disbursed by Thursday. Departments must submit their requests for payment no later than the Thursday before the warrant week and include with each AP submission the original document(s) provided by the vendor. These could include an invoice, remittance stub, or another type of document, or a combination of these documents. To prevent duplicate payments, departments must not submit any follow-up bills for outstanding amounts. These are not considered to be originals. Instead, the department should email the City Auditor to inquire about the status of the prior submission.

For each purchase or service invoice, departmental staff will take the following steps.

Objectives	Steps
A-1) Validate charges are appropriate	<ul style="list-style-type: none"> <li>▪ Ensure the correctness of the <b>original</b> invoice's rates, calculated total, and that it contains, at a minimum:               <ul style="list-style-type: none"> <li>○ Vendor name and address</li> <li>○ Date of the invoice</li> <li>○ Quantity, description, and dollar value of the goods/services provided</li> <li>○ Date(s) when the goods/services were provided</li> </ul> </li> <li>▪ Verify three-way match: compare quantities and price on the purchase order, receiving document, and invoice. If matching, or if received quantity is less, proceed, otherwise, contact the purchasing department.</li> <li>▪ For purchases without a purchase order, verify goods received correspond to the itemized invoice or packing slip.</li> <li>▪ Verify that charges for services accurately reflect the work performed.</li> <li>▪ To document this validation review, sign or stamp each original invoice or other originating document.</li> <li>▪ Original invoices as issued by vendors must not be altered (cross out, erasure, "white-out", etc.) by the receiving City department. These will not be accepted for payment, except where the quantity and/or dollar value to be paid is changed to less than that listed on the original invoice. Generally, if any item on an original invoice issued by a vendor needs correction, it is up to the vendor to cancel the originally issued invoice and issue a new corrected original.</li> <li>▪ If the original invoice is lost or destroyed and the vendor only has a file copy or is able to produce a photocopy, an "Attestation Regarding Payment of Photo-copied or Otherwise Non-original Invoices" form must be completed and submitted with the document serving as the invoice.</li> </ul>
A-2) Create Munis invoice batch	<ul style="list-style-type: none"> <li>▪ Using Munis Invoice Entry, start a new batch of invoice submissions, entering all the system-required information for each invoice in the batch. Update or liquidate any associated purchase order.</li> <li>▪ If the invoice included sales tax, only input the cost of the item <u>without any sales tax</u>. The City Auditor will follow up with the vendor (see B-4 below).</li> <li>▪ Reconcile the batch total with the department's invoice control total.</li> <li>▪ Release invoice batch to department head for review and approval.</li> </ul>
A-3) Approve and submit the Schedule	<ul style="list-style-type: none"> <li>▪ Department head reviews the invoice entry batch(s) and attached back-up document(s) for accuracy and appropriateness, and then approves the batch submission or follows up on issues.</li> </ul>

#### B. City Auditor Reviews AP Submissions and Finalizes the Warrant

The City Auditor will take the following steps to review and finalize the AP warrant.

Objectives	Steps
B-1) Review accuracy of Schedule	<ul style="list-style-type: none"> <li>▪ Review the received invoice batch and supporting documents to ensure correctness in the following:               <ul style="list-style-type: none"> <li>○ The entered amounts correspond accurately to the invoices.</li> <li>○ Accounts being charged are correct.</li> <li>○ Sales tax is not included.</li> <li>○ Expense is in the appropriate fiscal year.</li> <li>○ Authorizing department head is appropriate.</li> </ul> </li> <li>▪ If any of the above is missing or incorrect, contact the person authorizing the expense for more information or documentation.</li> </ul>
B-2) Review for appropriateness of expenditure <sup>1</sup>	<ul style="list-style-type: none"> <li>▪ For each AP request not supported by a purchase order, verify the following:               <ul style="list-style-type: none"> <li>○ The expense is legal (i.e., consistent with the intent of the appropriation).</li> <li>○ Sufficient funds exist in the appropriation account.</li> <li>○ There is no evidence of fraud.</li> </ul> </li> <li>▪ If any of the conditions above cannot be verified, contact the department head for more information. If that does not resolve the issue, delete invoice entry from the batch and notify department head and Treasurer with the reason for rejecting the AP request.</li> <li>▪ If fraud is suspected, follow the City's Antifraud procedures.</li> </ul>
B-3) Verify vendor information	<p>Ensure vendor file includes current information for all payments:</p> <ul style="list-style-type: none"> <li>▪ Name and address</li> <li>▪ Tax Identification Number</li> <li>▪ Bank information for ACH payments</li> </ul>
B-4) Reject any charged taxes	<p>Send letter to any vendors that charged taxes stating that the City is exempt, and taxes will not be paid.</p>
B-5) Prepare warrant for signature	<ul style="list-style-type: none"> <li>▪ Select the departmental batches to be paid, assign a warrant number, and create a proof report.</li> <li>▪ Review and correct any errors.</li> <li>▪ Post the invoices to the Munis general ledger</li> <li>▪ Prepare the final warrant and print two copies.</li> <li>▪ Sign the warrants and deliver them to the Mayor's Office.</li> </ul>
B-6) Notify Treasurer to print checks and fund AP warrant	<ul style="list-style-type: none"> <li>▪ Provide Treasurer with authorized copy of warrant to print checks and fund the warrant.</li> </ul>

### C. Mayor Authorizes Warrant

The Mayor must review and subsequently authorize the AP warrant according to the following steps.

<sup>1</sup> [M.G.L. c. 41, § 52](#) requires the City Auditor to review every presented AP submission to determine whether it should be disallowed because it is either illegal, fraudulent, or excessive. "Excessive" means that it exceeds the budgeted appropriation.

Objectives	Steps
C-1) Authorize warrant	<ul style="list-style-type: none"> <li>Review the warrant for appropriateness by examining its listings and back-up documents. Direct any inquiries to the City Auditor.</li> <li>If no questions exist, sign both warrant copies.</li> </ul>
C-2) Notify City Auditor	Deliver the signed warrants to the City Auditor.

#### D. Treasurer Disburses Funds for AP Expenditures

The Treasurer will take the following steps to disburse funds to AP accounts.

Objectives	Steps
D-1) Prepare check run	<ul style="list-style-type: none"> <li>Select items to be paid.</li> <li>Assign check date.</li> <li>Run Check Run Report to verify total matches authorized warrant.</li> </ul>
D-2) Print checks	<ul style="list-style-type: none"> <li>In the Munis Print Checks program, assign the check numbers, verifying the first check is the next in order from the previous check run.</li> <li>If the checks are not in order, investigate why.</li> <li>If fraud is suspected, follow the City's Antifraud policy and report to the Mayor.</li> <li>Imprint AP information on blank checks.</li> <li>Create a Check Register report of the check run information and Positive Pay file</li> <li>Deliver the signed warrant, printed checks, and Check Register report to the Treasurer.</li> </ul>
D-3) Process EFTs	<ul style="list-style-type: none"> <li>Create EFT electronic file</li> <li>Create Vendor EFT register.</li> </ul>
D-4) Fund the warrant	<ul style="list-style-type: none"> <li>Prepare an AP Warrant Funding Schedule to document: <ul style="list-style-type: none"> <li>Check transfer amount</li> <li>Check numbers</li> <li>Total checks</li> <li>Wire funding account</li> <li>Wire funding amounts</li> <li>No check amounts and reasons</li> </ul> </li> <li>Verify total bank activity equals total AP warrant.</li> <li>On the bank's website, transfer funds from the general depository (or other funding) account to the appropriate checking or Automated Clearing House (ACH) AP accounts in the exact amounts.</li> <li>Print the bank's transfer report, attach it to the warrant, and retain them on file.</li> </ul>
D-5) Disburse funds	<ul style="list-style-type: none"> <li>Verify check numbers are documented on AP Warrant Funding Schedule.</li> <li>Initiate wire payments and ACH electronic payments.</li> <li>Transmit Positive Pay file to disbursing bank.</li> <li>Mail checks to the vendors along with any received remittance stubs.</li> </ul>

#### REFERENCES

[M.G.L. c. 41, § 3](#)

[M.G.L. c. 41, § 52](#)

[M.G.L. c. 41, § 56](#)

[M.G.L. c. 44, § 56A](#)

[M.G.L. c. 44, § 58](#)

[M.G.L. c. 44, § 64](#)

[M.G.L. c. 30B](#)

Holyoke Antifraud policy

Massachusetts Municipal Auditor's and Accountants' Association: [Accounting Manual](#)

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#)

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**EFFECTIVE DATE**

This policy was adopted on [date].

## DISBURSEMENTS: PAYROLL

### PURPOSE

To mitigate the risks of errors or fraud while ensuring that the City disburses salary and wage compensation to employees in valid amounts, this combination of policy and procedures establishes guidelines for payroll expenditures and the steps required to process them.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Treasurer, Senior Deputy Treasurer, City Auditor, and Personnel Director job duties</li> <li>▪ School Finance Department payroll responsibilities</li> <li>▪ Mayor warrant approval responsibilities</li> <li>▪ All department heads and the elected or appointed officials who submit requests for payroll disbursements (all referred to here as “department heads”)</li> <li>▪ All employees in reporting their time and attendance</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Guidelines for managing the processing of payroll, including employee compensation, withholdings, and leave time management and the associated disbursements of City funds.</li> </ul>

### POLICY

All regular City employees must complete electronic biweekly timesheets, which form the basis for their compensation. Department heads must review and approve the payroll reports of their employees, and the department heads’ own payroll reports must be approved by whomever appointed them. In the absence of the department head, a person designated by the department head must be approved by the mayor, City council, committees, and boards may designate any one of its members to make oath to a payroll for its members or employees. Any designation must be communicated to City auditor and a record of any such transactions be made available to the full board or committee at the next meeting.

No payroll expenditure shall occur without the prior approval of the City Auditor and Mayor. All payroll expenditures must be consistent with applicable collective bargaining agreements or personal service contracts.

The City will endeavor to enroll all employees in the Munis Employee Self Service portal for the timesheet and employee payroll options (e.g., address changes, withholding elections and changes, direct deposit). To accomplish this, the City Auditor and Treasurer will develop a workplan and timeframe for employee transition that includes ongoing outreach, education and communication, and phase in schedules.

All disbursement activity is subject to audit by the independent auditor.

#### A. Ongoing Maintenance of Payroll and Leave Time Data

The Treasurer Department is responsible for maintaining the Munis database of all active City employees, exclusive of School Department employees, including their salaries, pay rates, stipends, biweekly work hours, benefit options, withholdings, leave time accumulations, and leave time usage. Any change to an employee’s employment status, work hours, pay rate, or leave time accrual rate



can only be made by Treasurer staff based on a personnel action form (PAF) signed by the appropriate department head and the Mayor.

#### B. Responsibilities Related to Payroll Processing

Every employee is responsible for:

- Electronically documenting the hours worked or leave time used by specific date on a biweekly timesheet

Certain departments have their own payroll clerk who is responsible for:

- Police, Fire, Public Works, and Recreation Departments are further responsible for updating the Munis payroll for the period based on the department employee's timesheet submission
- School Department is responsible for the full payroll processing

Each department head is responsible for:

- Verifying that adequate funds exist in the department's budget for every payroll submission
- Electronically attesting to the accuracy of each submission
- Timely submitting the payroll requests to the Personnel Director

The Senior Deputy Treasurer (and/or any delegated staff) is responsible for:

- Maintaining employee master file in Munis:
  - Receiving new employee information and other employee changes via PAF from the Personnel Department
  - Updating leave time balances on both biweekly and annual accrual bases
- Verifying that all applicable payment tables (i.e., salary, overtime, premium, and accrual) are current and consistent with collective bargaining agreements, compensation schedules, or other authorized payment documents
- Processing biweekly payroll data in Munis:
  - Reconciling preliminary Earnings and Deductions Proof (payroll proof) to control totals and forwarding it to the City Auditor for review
  - Balancing final payroll proof components
  - Review payroll entries prepared by departmental payroll clerks
- Disbursing payroll payments from the appropriate City bank account
- Updating the cashbook to document the disbursement activity

The City Auditor is responsible for:

- Ensuring each requested payroll expenditure complies with statute and this policy
- Preparing and approving payroll warrants prior to the Mayor's authorization
- Including payroll withholdings on the subsequent accounts payable warrant
- Updating the general ledger with all payroll warrant expenditures

The Mayor is responsible for approving payroll warrants.

#### C. Payroll Disbursement Exceptions

On an exception basis caused by imperative circumstances, the Mayor and Treasurer may together authorize a payroll disbursement outside of the normal payroll process. After receiving this

authorization and through the Munis payroll system, the Senior Deputy Treasurer will issue an off-cycle check, and the amount of this check must be processed in the next payroll warrant as a no-check.

## PROCEDURES

### A. Departmental Payroll Submissions

The City's two-week pay cycle runs from Sunday to Saturday with payroll disbursements occurring every other Thursday. To allow sufficient time for processing, departments are expected to submit their payroll reports to the Personnel Director's office the Friday before disbursement Thursday. Any department that has exceptions related to the next day (Saturday) must submit an updated report to the Personnel Director's office by noon on Monday. No employee may submit overtime hours (i.e., hours exceeding 40 hours in a week) or hours for any special detail work without the supervisor's advanced approval.

The payroll personnel in the Police, Fire, Public Works, and Recreation Departments will receive the timesheets and input the information into the Munis Payroll according to the schedule provided by the Treasurer and Senior Deputy Treasurer. The School Department will process the school payroll in its entirety according to the schedule provided by the Treasurer and Senior Deputy Treasurer.

Employees will take the following steps to report work and leave hours.

Objectives	Steps
A-1) Record hours worked and/or leave time used	On the electronic timesheet, fill in by specific date: <ul style="list-style-type: none"> <li>○ Daily hours worked for the two-week period,</li> <li>○ Preapproved overtime or detail hours worked, and/or</li> <li>○ Leave time used, by type of leave (e.g., vacation, sick, etc.).</li> </ul>
A-2) Submit timesheet	Electronically sign the timesheet

Department heads will take the following steps to approve employee compensation.

Objectives	Steps
A-3) Review timesheets	<ul style="list-style-type: none"> <li>▪ Review timesheets for accuracy and appropriateness.</li> <li>▪ If any information needs correction, meet with the employee to discuss, and direct the employee to make the changes on the timesheet. Each department head must submit a completed timesheet for his or herself.</li> </ul>
A-4) Approve timesheets	<ul style="list-style-type: none"> <li>▪ Electronically approve timesheets by the end of the day Thursday before pay week.</li> <li>▪ Forward timesheets to the Personnel Director</li> </ul>

## B. Treasurer Department: Payroll Data Processing

Senior Deputy Treasurer and staff will take the following steps to create a City payroll warrant in Munis.

Objectives	Steps
B-1) Assign payroll warrant number	<ul style="list-style-type: none"> <li>▪ Notify the City Auditor and Payroll Clerks in the Police, Fire, Public Works, and Recreation Departments the warrant number</li> </ul>
B-2) Enter payroll data	<ul style="list-style-type: none"> <li>▪ Data enter payroll information in Munis only for employees who have exceptions in that pay period (e.g., overtime hours worked, leave hours used, etc.).</li> <li>▪ Send payroll proof to departments upon request.</li> </ul>
B-3) Create a preliminary payroll proof	<ul style="list-style-type: none"> <li>▪ Review the accuracy of the departmental Payroll Clerk's entries by comparing them to the submitted reports and to the Senior Deputy Treasurer's control totals. Make any necessary inquires or corrections.</li> <li>▪ Prepare a preliminary payroll proof, balance each department to control totals.</li> <li>▪ Send the preliminary payroll proof with budget summary to the City Auditor for review (C-1), no later than the Monday morning of pay week.</li> </ul>
B-4) Finalize payroll	<ul style="list-style-type: none"> <li>▪ After receiving the preliminary payroll proof back from the City Auditor, make any necessary changes in Munis.</li> <li>▪ Analyze error reports and make necessary corrections.</li> <li>▪ Create final payroll warrant for signature.</li> </ul>
B-5) Print checks	<ul style="list-style-type: none"> <li>▪ For check payments, remove the correct number of checks from the safe, note them in the check log.</li> <li>▪ Imprint payroll information on blank checks via the Munis Print Checks program.</li> <li>▪ Print the Munis Check Register report for the check-run.</li> <li>▪ Prepare bank files for transmission</li> </ul>
B-6) Remit withholding payments	<ul style="list-style-type: none"> <li>▪ Prepare files and reports for select withholdings</li> <li>▪ Every pay cycle, make required online payments for all withholdings payable biweekly (e.g., child support, etc.)</li> <li>▪ Provide withholding information for withholding subject to invoice (e.g., health insurance) to the Payroll Coordinator for reconciliation and remittance.</li> <li>▪ Enter withholdings according to the Revenue Turnover policy in the City's withholding agency funds for future distribution.</li> <li>▪ Comply with the timeframes and remittance methods in the Payroll Withholdings policy.</li> </ul>

## C. City Auditor: Warrant Approval

The City Auditor takes the following steps to approve the payroll warrant.

Objectives	Steps
C-1) Review the preliminary payroll proof <sup>1</sup>	<ul style="list-style-type: none"> <li>▪ Review the payroll listings in the preliminary payroll proof against the departments' payroll summary reports and any change notices, and for each listing verify that:               <ul style="list-style-type: none"> <li>○ The expense is legal.</li> <li>○ There is no evidence of fraud.</li> <li>○ There is sufficient appropriation or available funds.</li> </ul> </li> <li>▪ If any of the conditions above cannot be verified, notify the Senior Deputy Treasurer and the department head for more information.</li> <li>▪ If fraud is suspected, follow the Antifraud policy.</li> <li>▪ When satisfied with the preliminary payroll proof, notify the Treasurer's office.</li> </ul>
C-2) Approve the finalized warrant and post to the general ledger	<ul style="list-style-type: none"> <li>▪ After receiving notice from the Senior Deputy Treasurer that the warrant is ready, review and validate the Senior Deputy Treasurer's entries in Munis.</li> <li>▪ Sign the warrants and deliver them to the Mayor's office.</li> <li>▪ Post payroll to the general ledger.</li> <li>▪ Include the City portion of the Medicare payment in the next AP processing cycle according to the Disbursements: AP policy.</li> </ul>

#### D. Mayor: Payroll Expenditure Authorization

Every two weeks, the Mayor must review and subsequently authorize the payroll warrant according to the following steps.

Objectives	Steps
D-1) Review warrant	<ul style="list-style-type: none"> <li>▪ Review the warrant for appropriateness and direct any inquiries to the City Auditor.</li> <li>▪ If no questions exist, sign the two warrant copies.</li> </ul>
D-2) Notify Treasurer and City Auditor	Deliver the signed warrants to the Treasurer and City Auditor.

#### E. Treasurer: Payroll Disbursement

Upon receiving the signed warrant, the Treasurer will take the following steps to disburse payroll to City employees.

<sup>1</sup> [M.G.L. c. 41, § 52](#) requires the City Auditor to review every presented payroll submission to determine whether it should be disallowed because it is either illegal, fraudulent, or excessive. "Excessive" means that it exceeds the budgeted appropriation. To assure this last determination, Munis is programmed to prevent any account from being over expended.

Objectives	Steps
E-1) Fund the payroll bank account	<ul style="list-style-type: none"> <li>▪ Prepare a funding report for net payroll, taxes, and all applicable withholdings. If there was a payroll exception payment for the period, also prepare a separate funding report</li> <li>▪ Reconcile the funding report(s) and withholdings schedule with the warrant.</li> <li>▪ By 2:00 pm Tuesday, on the bank's website, transfer funds from the general depository (or other funding) account to the payroll account in the total amount of the funding report(s).</li> <li>▪ Print the bank's transfer report, attach it to the funding report(s), and retain them on file.</li> <li>▪ Transmit the check register to bank.</li> </ul>
E-2) Update cashbook	Record the disbursement activity in the cashbook the same day as the bank transfer.
E-3) Disburse funds	<ul style="list-style-type: none"> <li>▪ Initiate Automated Clearing House electronic payments for direct deposit disbursements.</li> <li>▪ Thursday morning, email department heads notifying them to pick up the checks or mail them to employees as instructed.</li> <li>▪ Mail the withholding checks to vendors.</li> </ul>

**REFERENCES**

[M.G.L. c. 41, § 3](#)

[M.G.L. c. 41, §§ 41, 41A, 41B, 41C, 42, 43, 52, 56](#)

[M.G.L. c. 44, §§ 56A](#)

Holyoke's collective bargaining agreements, classification tables, and personal service contracts

Holyoke policies on Antifraud, Disbursements: AP, and Payroll Withholdings

Massachusetts Municipal Auditor's and Accountants' Association: [Accounting Manual](#)

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#)

**EFFECTIVE DATE** This policy was adopted on [date].

## FINANCIAL MANAGEMENT TEAM

### PURPOSE

To maximize the effectiveness of financial practices by optimizing the coordination of interdepartmental activities and long-range plans, this policy establishes a financial management team that will meet regularly to discuss common goals and objectives. A financial management team also fosters institutional continuity during times of turnover in financial offices.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Mayor, Chief Administrative and Financial Officer (CAFO), City Auditor, Treasurer, Collector, Chief Assessor, and Holyoke School Chief Financial Officer as team members</li> <li>▪ Chief Procurement Officer, Personnel Director, and City Clerk as auxiliary members</li> <li>▪ Department staff as necessary</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Coordination of ongoing financial operations through regular meetings of a financial management team</li> </ul>

### POLICY

The City establishes a financial management team consisting of the Mayor, CAFO, City Auditor, Treasurer, Collector, Chief Assessor, and Holyoke School Chief Financial Officer. The Mayor, or his designee, will schedule meetings of the financial management team will be scheduled at a consistent time each month and more frequently when necessary, and act as meeting chair. The Chief Procurement Officer, Personnel Director, City Clerk, and responsible department staff may also be called upon to participate in certain meetings during the year when appropriate for the agenda.

The intent of the meetings will be to help the City's finance officers maintain open lines of communication and reinforce awareness of their interdependence. In this forum, team members can identify critical junctures, consider strategies to deal with anticipated areas of concern, and establish agreement about goals, deadlines, and each individual's role in meeting common objectives.

Appropriate agenda topics include:

- Updating the status of assigned responsibilities and due dates related to cyclical procedures
- Reviewing budget preparation, including financial forecasting and capital funding analysis
- Monitoring monthly revenue and expenditure reports and analyzing cash flow
- Proposing internal audits
- Reviewing the effectiveness of internal controls, including the status of monthly reconciliations
- Developing corrective action plans for citations in the external auditor's management letters
- Coordinating submissions to the Division of Local Services (DLS)
- Review the status of special projects assigned by the City Council or others
- Pursuing professional development and training opportunities

### REFERENCES

Holyoke policies on Annual Audit, Annual Budget Process, Capital Planning, Forecasting, Reconciliations, Tax Recapitulation, and Year-End Closing

DLS Best Practice: [\*Financial Management Team\*](#)

**EFFECTIVE DATE**

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This policy was adopted on [date].

## GRANTS MANAGEMENT

### PURPOSE

To leverage the external revenues attainable through grants that serve the City's best interests, this policy sets a framework for evaluating grant opportunities, tracking their activities, and processing their revenues and expenditures. Effective grant management helps optimize cash flow through timely reimbursements and guards against year-end account deficits.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Grant administrators within City and School departments</li> <li>▪ Chief Administrative and Financial Officer (CAFO), City Auditor, and Treasurer related responsibilities</li> <li>▪ Mayor, City Council, Superintendent, and School Committee approval process</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Evaluating grant opportunities</li> <li>▪ Tracking grant activity</li> <li>▪ Processing revenues and expenditures</li> </ul>

### BACKGROUND

M.G.L. c. 44, § 53A allows any municipal official to accept a grant from a state, federal or other grantor, which funds may then be spent without appropriation. However, the statute also requires that the expenditure of the grant funds be approved by the Mayor and City Council (or the School Committee for school grants). This approval process allows the Mayor and City Council (or the School Committee) to assess whether or not the particulars of the grant program align with City/School goals without also creating any substantially offsetting financial or administrative burdens for the City. Thus, for practical reasons, this policy calls for departmental grant administrators to obtain preapproval(s) before applying for any grants and then obtain expenditure approval once a grant is awarded.

As a legal contract, every grant agreement must be fulfilled in accordance with its prescribed terms and conditions, and all applicable federal, state, and local regulations. Failure in this regard exposes the City to legal and financial liabilities and compromises future grant funding.

### POLICY

All departments are encouraged to solicit grant funding for projects and programs that are consistent with the City's goals. All municipal applications for grants must receive preapproval by the Mayor and all educational ones by the School Committee. To be eligible for preapproval, there must be sufficient staff available to effectively administer the grant program and perform its required work scope, along with adequate matching requirements (both cash and in-kind).

No City department shall expend grant funds until a fully executed grant agreement has been approved for expenditure by the Mayor and City Council (or the School Committee when applicable). Further, no grant funds shall be used to supplant an existing expense for the purpose of diverting current funds to another use. Grants for educational purposes must be accepted and approved by the School Committee.



Operating departments through their designated grant administrator(s) have primary responsibility for seeking grant opportunities, preparing applications, and managing awarded programs. The City Auditor is responsible for consulting with grant administrators on grant budgetary matters, accounting for grants in the general ledger, monitoring grant expenditures for consistency with award requirements, tracking the timeliness of reimbursement requests, and distributing monthly reports of grant expenditures to departments. The City Auditor will also maintain a database of all grants and grant activity from inception to closure.

A. Grant Opportunity Assessment

Well in advance of a grant application's due date, the departmental grant administrator will assess the opportunity in consultation with the CAFO and City Auditor or School Superintendent. Below are the factors to be considered, at minimum.

Programmatic:

- Alignment of the grant's purpose with the City's and department's strategic priorities
- Department's capacity to administer the grant through to closeout
- Office space, facilities, supplies, or equipment required
- Ongoing impact of the grant program after it is completed
- Compliance and audit requirements, particularly as they may differ from the City's

Financial:

- Total anticipated project cost
- Expenditure requirements and anticipated cash flow schedule
- Required cost matching shares and sources, including cash and in-kind
- Staffing requirements, including salary and benefit increases for multiyear grants
- Administration and indirect recapture amounts
- Program income potential

In this stage, the grant administrator will also develop a continuation plan to address the potential future loss of grant funding, which may include alternative funding proposals or plans for reducing or terminating program positions or components after grant closeout.

B. Grant Application and Award Acceptance

Prior to filing any grant application, the grant administrator will submit the document and letter of explanation summarizing the grant and how it complies with this policy to the Mayor (or School Committee) requesting preapproval. The Mayor will then make a determination as to whether any preapproved application should be submitted to the City Solicitor for a legal review. Following this, the grant administrator will submit the grant application to the grantor and forward a copy to the City Auditor.

Upon preapproval by the Mayor (or School Committee), the City Auditor will file the requisite financial order for placement on the next available City Council (or School Committee) agenda to formally accept by signatures and thereby approve the expending of grant funds. The grant administrator will send copies of the signed agreement to the grantor and the City Auditor.

Upon passage of the order to accept and receipt of the new grant's documents, the City Auditor will create the appropriate general ledger account to record the grant activity separately from regular expenses. Federal grants will be identified by including the CFDA (catalogue of federal domestic assistance) number. When notified of any amendment or adjustment by the grantor, the grant administrator will immediately forward the information to the City Auditor, who will make adjustment(s) to the grant's budget in the general ledger.

Grant award documents that are notices of continuation of a grant previously awarded and accepted by the City Council (or School Committee) require no further action.

#### C. Grant Financial Management

At the start of a new grant, the City Auditor and grant administrator will discuss its requirements and the timing of reimbursement requests (e.g., at the time of expenditure, monthly or quarterly), when applicable.

The grant administrator will ensure all expenditures made are allowable and consistent with each grant award's requirements. The grant administrator will submit project invoices to the City Auditor's Department consistent with the City's disbursements policies. The grant administrator will also ensure the proper payroll account codes for grant-funded employees are reported on the department's submission to the Treasurer as part the regular payroll process.

Because required retirement system remittances and/or general fund benefit reimbursements vary by grant, the City Auditor will calculate these for each grant and notify grant administrators of the resulting amounts to include on the AP submissions.

To minimize the use of advance City funds, every grant administrator will request reimbursements as often as the grant's guidelines allow and always no later than June 30th. In doing so, the grant administrator will prepare all required reports and requests as detailed in the agreement and submit these to the grantor. Immediately following each submittal, the grant administrator will send an email notification of the reimbursement request to the City Auditor and Treasurer.

The City Auditor will monitor each grant's deficit balance to assure it is temporary and receives reimbursement within the grant's allowable timeline and always prior to year-end. The Treasurer will match reimbursements received electronically or by check with their requests and credit the proper revenue lines.

#### D. Grant Closeout

Upon completion of the project work or grant period, whichever comes first, the grant administrator will verify that all grant requirements have been met and will send to the City Auditor a grant closeout package that includes a final report and either a final reimbursement request or notification of the amount to be refunded to the grantor. The report will outline the planned outcomes with the documented actual results. The report shall be submitted to the City Clerk for addition to the next City Council agenda. After City Council concludes its discussion, the report will be posted on the City

website for a minimum of two weeks. The report to the City Council must be made within 60 days of the project completion.

Upon receipt of the closeout package, the City Auditor will put the general ledger's grant account into inactive status and will reconcile the grant administrator's report with the general ledger's record of grant activity. The grant administrator will subsequently submit the final reimbursement request to the grantor or, if a refund is due, the City Auditor will add the refund amount to the AP warrant.

Within 30 days of any grant closeout or the year-end closure, whichever is earlier, the City Auditor will determine if the grant account has been over expended and will either apply the expense to the operating budget or propose an appropriation from other available funds.

#### E. Audit

All grant activities are subject to audit by the particular grantors, the City Auditor, and Holyoke's independent auditor. The City Auditor will maintain all grant documents and financial records for seven years after their closeouts or for the lengths of time specified by the grantors, whichever period is longer.

#### **REFERENCES**

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[M.G.L. c. 40, § 5D](#)

[M.G.L. c. 44, § 53A](#)

Holyoke policies on Disbursements: Accounts Payable and Disbursements: Payroll

Holyoke Code of Ordinances Chapter 2, Article V, Division 1, Section 2-509 - [Grant reporting](#)

Public Employee Retirement Administration Commission: [Memo #12/2003](#)

Mass.gov webpage: [Community Grant Finder](#)

US grant search website: [grants.gov](#)

CFDA in Assistance Listings - System for Award Management: [SAM.gov](#)

#### **EFFECTIVE DATE**

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This policy was adopted on [date].

## PAYROLL WITHHOLDINGS

### PURPOSE

To ensure employee payroll deductions are properly administered, reduce the risk for liabilities in excess of withholdings, and prevent City payment of fines and penalties due to late or inaccurate payments, this policy establishes guidelines for processing and remitting payroll withholdings.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Treasurer and Senior Deputy Treasurer in maintaining a payroll records, managing and remitting payroll withholdings</li> <li>▪ Benefits Administrator, Payroll Coordinator, and Personnel Director job duties</li> <li>▪ City Auditor in keeping the general ledger up to date</li> <li>▪ Chief Administrative and Financial Officer (CAFO) oversight</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Reconciliation and remittance of payroll withholdings to federal, state, and local entities</li> <li>▪ Liability mitigation</li> </ul>

### BACKGROUND

The City of Holyoke manages, prepares, and disburses the employee payroll using the Munis Enterprise ERP system. Payroll deductions are wages withheld from an employee's total earnings each pay period for the purpose of paying taxes, garnishments, and benefits, such as health insurance and retirement. These withholdings constitute the difference between the employee's gross pay and net pay and are generally processed each pay period. A payroll deduction may only be made if expressly authorized by law. Deductions are based on the applicable tax laws and withholding information supplied by the employee or a court order. Certain deductions for tax withholdings require no specific authorization from the employee, whereas others, such as those for health insurance and union dues must be authorized by the employee.

### POLICY

The Treasurer is responsible for the administration of all payroll deductions and remittance to the appropriate governmental unit or agency. The Benefits Administrator is responsible for the oversight of employee benefit files, reconciliation, and ensuring all invoices are promptly paid and the Payroll Coordinator is responsible for maintaining the Munis payroll withholding tables and ensuring that employee deduction options are properly reported.

#### A. Payroll Withholdings Reconciliation

To reduce the risk to the City for liabilities in excess of withholdings, at the conclusion of each pay cycle, the Payroll Coordinator will provide the Benefits Administrator a database of withholdings subject to vendor invoices (i.e., insurances) by employee. The Benefits Administrator will conduct monthly reconciliations verifying payroll activity with the current invoice. The Benefits Administrator will report any discrepancies or required adjustments to the Payroll Coordinator to be made in the next payroll cycle. The Payroll Coordinator will also forward a summary report of these withholdings to the City Auditor to be recorded in separate general ledger agency accounts.

The Benefits Administrator will verify and reconcile payments for all other withholdings and deductions that are automatically issued through the payroll system via electronic fund transfers or check to the actual disbursements.

#### B. Reporting and Payment Transmittal

The Benefits Administrator will coordinate with the Senior Deputy Treasurer to initiate automatic payment for all pass-through withholdings according to the time and method below. Data files and/or reports detailing the withholding total that will accompany the payments will be prepared as part of the biweekly payroll process. Additionally, the Benefits Administrator will prepare a Munis Invoice Entry batch for disbursement through the accounts payable process of deductions subject to a vendor invoice.

The Treasurer or designee will prepare required filings to the appropriate governmental agencies.

Withholding Type	Remittance	Timing	Method
Statutory			
<ul style="list-style-type: none"> <li>Federal Income Tax</li> <li>Medicare</li> <li>State Income Tax</li> </ul>	Every pay	No later than next banking day after pay date	ACH
<ul style="list-style-type: none"> <li>Federal Tax Return Form 941</li> <li>State Form WR-1 Employer's Quarterly Report of Wages Paid</li> </ul>	Quarterly	<ul style="list-style-type: none"> <li>Quarter ending March 31 - Due April 30</li> <li>Quarter ending June 30 – Due July 31</li> <li>Quarter ending September 30 – Due October 31</li> <li>Quarter, ending December 31 - Due January 31</li> </ul>	Electronic
<ul style="list-style-type: none"> <li>Retirement (Chapter 32)</li> <li>Retirement OBRA</li> </ul>	Monthly	Within 3 days after last pay of the month	ACH
Garnishments			
<ul style="list-style-type: none"> <li>Child Support</li> </ul>	Every pay	Within 3 days of pay date	ACH
<ul style="list-style-type: none"> <li>Unpaid Federal or State taxes</li> </ul>	Every pay	Within 3 days of pay date	ACH
<ul style="list-style-type: none"> <li>Unpaid City taxes or other City owed amounts</li> </ul>	Every pay	Within 3 days of pay date	ACH
<ul style="list-style-type: none"> <li>Other</li> </ul>			
Voluntary – Pass Thru			
<ul style="list-style-type: none"> <li>Credit Unions. Other Financial Institutions</li> </ul>	Every Pay	Within 14 days of pay date	ACH
<ul style="list-style-type: none"> <li>Union Dues</li> </ul>	Monthly	After last pay of the month	ACH
<ul style="list-style-type: none"> <li>Tax Sheltered Annuities</li> <li>Deferred Compensation plans</li> </ul>	Every Pay	Within 14 days of pay date	ACH

Withholding Type	Remittance	Timing	Method
Voluntary - Invoice			
<ul style="list-style-type: none"> <li>▪ Health Insurance</li> <li>▪ Life Insurance</li> <li>▪ Other Insurance</li> </ul>	Monthly	First of month, after reconciled to invoice	AP Warrant

#### C. General Ledger Reconciliation

The City Auditor will reconcile the general ledger agency accounts for employee withholding on a monthly basis and after the AP invoice process is complete remitting payments.

#### D. Time frames and Documentation

All reports or data files will be issued by the Payroll Coordinator no later than the day prior to the day payroll is issued.

The Benefits Administrator shall make certain to have a current information on file for each employee, including Federal Employee's Withholding Allowance Certificate *Form W-4* and Massachusetts Employee's Withholding Exemption Certificate *Form M-4*.

#### E. Audit

All withholding activity is to verification that they comply with this policy and to audit by the City's independent auditor.

### REFERENCES

[M.G.L. c. 180, § 17A](#)

Holyoke policies on Antifraud, Disbursements: Payroll, and Reconciliation

Massachusetts Municipal Auditor's and Accountants' Association: [Accounting Manual](#)

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#)

Massachusetts Guidance: [Withholding Taxes on Wages](#)

IRS Publications on: [Tax Withholding](#), and [Depositing and Reporting Employment Taxes](#)

### EFFECTIVE DATE

This policy was adopted on [date].

## PROCUREMENT - CONFLICT OF INTEREST

### PURPOSE

To ensure integrity in the procurement process, this policy sets guidelines for vetting potential conflicts of interest.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Chief Procurement Officer (CPO) job duties</li> <li>▪ All City employees, officials, and others working on the City's behalf who are involved with any procurement</li> <li>▪ Prospective contractors</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Guidelines for vetting conflicts of interest related to all procurements of the City</li> </ul>

### POLICY

The City is committed to ethical business practices, professional integrity, and compliance with all procurement laws and regulations. Holyoke will provide fair opportunities to participants in competitive processes for the award of City contracts. Process integrity will be reinforced by the practices outlined here to ensure confidentiality during the bid evaluation process and to assess and address conflicts of interest in all competitive solicitations. The City will investigate all allegations of conflict of interest or misconduct brought to the attention of City staff.

#### A. Confidentiality during the Bid Evaluation Process

City staff, consultants, and outside evaluators who are participants in a bid evaluation process are required to sign confidentiality agreements, which bind them not to share any information about responses received and the evaluation process until the City issues a Notice of Intended Award.

The departmental purchasing employee will:

1. Identify all participants of an evaluation process who receive proposals or other documents used in the evaluation process, including any nonevaluating observers.
2. Ensure that these participants sign confidentiality agreements.
3. Submit the confidentiality agreements to the CPO.

The CPO will:

1. Verify that signed confidentiality agreements for all participants in the evaluation process, including nonevaluating observers, are submitted.
2. Maintain signed confidentiality agreements on file.

#### B. Conflict of Interest in Procurement

To ensure decisions are made independently and impartially, City employees and officials are expected to avoid any conflicts of interest and also avoid the appearance of conflicts of interest. A conflict of interest, or the appearance of one, must be disclosed whenever a vendor, employee, or

officer has, or can reasonably anticipate having, an ownership interest, a significant executive position, or other remunerative relationship with a prospective supplier of goods or services to the City or knows that a family member or other person with whom they have a personal or financial relationship has such an interest.

According to the federal Office of Management and Budget's Omni Circular, a conflict of interest arises 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 parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract."*

And it states that: *"The officers, employees, and agents of the non-federal entity must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts."*

The Omni Circular further requires that for any federal grant involving a parent, affiliate, or subsidiary organization that is not a state or local government, the City must also maintain written standards of conduct covering organizational conflicts of interest. An organizational conflict of interest means that due to a relationship with a parent company, affiliate, or subsidiary organization, the City is unable or appears to be unable to be impartial in conducting a procurement action involving the related organization.

Any person with a conflict as described above shall not participate in the preparing of specifications, qualifying vendors, selecting successful bidders on products or services in which they have an interest, or approving payment to those interests. The only exception to this arises if the person makes full disclosure of a potential conflict and receives an advance, written determination from the [State Ethics Commission](#) that the interest is not so substantial as to be deemed likely to affect the integrity of the services the City may expect from that individual.

### C. Conflict Disclosure and Review

Department heads and other officials are required to ascertain and disclose to the CPO any potential conflict of interest affecting procurement transactions before a contract is signed, commitment made, or order placed. The CPO will then notify the City Auditor, who will verify the availability of funds before any order is placed with a vendor.

The following measures will be taken to ensure the City avoids any conflicts of interest in procuring City contracts:

1. Employees, officials, and others who regularly participate in contract activities on behalf of the City must disclose relevant financial interests as required by state and federal laws and to annually review those statements in conjunction with this policy and other ethical standards.
2. Other persons involved in procurements must review this policy and other ethical standards and provide information to determine if there is a conflict of interest. Such persons shall



include, but are not limited to, authors of specifications; paid and unpaid evaluators; and paid and unpaid consultants who assist in the procurement process.

3. If a possible conflict of interest is identified, it must be documented and reviewed with the City Solicitor.

The departmental purchasing employee will:

1. Identify employees, consultants, outside uncompensated parties, and any other persons who will be involved in a procurement or contract activity, such as specification development, preparation and issuance of solicitations, evaluation of solicitations or submissions, or other evaluations, that will lead to an award of contract.
2. Provide conflict of interest forms to the identified participants.
3. Submit the completed forms to the CPO prior to commencing any procurement or contract activity.

The CPO will:

1. Review the submitted forms for potential conflicts of interest.
2. Discuss any potential conflicts of interest with the City Solicitor and document the resulting determinations.
3. Document the resulting determinations and provide the Mayor with a notice of the result.
4. If a conflict or the appearance of one exists, take appropriate actions, including but not limited to, removal of the employee, consultant, or outside uncompensated party from the procurement activity or cancelation of the solicitation.

#### D. Compliance Reviews

The City Auditor will conduct random reviews of compliance with this policy. All procurement activities are also subject to audit by the City's independent auditor.

#### **REFERENCES**

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[M.G.L. c. 30B](#)

[M.G.L. c. 268A](#)

Holyoke Antifraud policy

State Ethics Commission's webpage [Disclosure Forms for Municipal Employees](#)

Inspector General's webpage [Procurement Assistance](#)

U.S. Office of Management and Budget, December 2013 [Omni Circular](#)

#### **EFFECTIVE DATE**

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This policy was adopted on [date].

## RECONCILIATIONS

### PURPOSE

To ensure transactions are in balance, mitigate fraud, safeguard general ledger accuracy, and maximize certifications of free cash, financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger. Although each financial officer is responsible for maintaining independent records of his or her office's transactions, they are also collectively accountable for the overall accuracy of Holyoke's financial records.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ City Auditor in keeping the general ledger up to date</li> <li>▪ Treasurer in maintaining a cashbook and managing payroll withholdings</li> <li>▪ Collector and all other personnel within the City who have responsibility either for managing a receivable account and/or a special revenue fund</li> <li>▪ Chief Administrative and Financial Officer (CAFO) oversight</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Periodic reconciliations of departmental cash, receivables, and special revenue fund records and of those departmental records with the general ledger</li> </ul>

### POLICY

The Collector and every department head responsible for managing a receivable account and/or special revenue fund will internally reconcile their respective accounting records and subsequently reconcile them with the City Auditor according to the guidelines and periodic time frames outlined in this policy. Although each financial officer is responsible for maintaining independent records of his or her office's transactions, they are also collectively accountable for the overall accuracy of Holyoke's financial records.

### POLICY SUMMARY

Records of Account to be Reconciled	Record Keeper	Reconciliation Time Frames
Cashbook	Treasurer	<ul style="list-style-type: none"> <li>▪ With online bank data daily</li> <li>▪ Month-end close by the 10<sup>th</sup> of the following month</li> <li>▪ To the general ledger by 15<sup>th</sup> of each month</li> </ul>
Payroll withholdings	Treasurer and Benefits Administrator	<ul style="list-style-type: none"> <li>▪ Internally, by the 10<sup>th</sup> of the following month</li> <li>▪ To the general ledger by 15<sup>th</sup> of each month</li> </ul>
Collector's receivables	Collector	<ul style="list-style-type: none"> <li>▪ Month-end close by the 10<sup>th</sup> of the following month</li> <li>▪ To the general ledger by 15<sup>th</sup> of each month</li> </ul>
Other departments' committed receivables	Departmental record-keepers	<ul style="list-style-type: none"> <li>▪ Internally, within 10 days of the end of each fiscal year quarter</li> <li>▪ To the general ledger by the end of the month following each quarter-end</li> </ul>
Special revenue funds	Departmental record-keepers	<ul style="list-style-type: none"> <li>▪ Internally, within 10 days of the end of each fiscal year quarter</li> <li>▪ To the general ledger by the end of the month following each quarter-end</li> </ul>

#### A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer will maintain a cashbook that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer will make certain that every cash receipt, disbursement, transfer, and interest accrual is recorded in the cashbook within two days of each transaction. The Treasurer will reconcile cashbook accounts to their corresponding bank accounts daily and finalize the monthly reconciliation within 10 days after the end of the month. These will include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

The Treasurer will identify all reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the cashbook and financial institutions, and will document the reason for the discrepancy or correct them when appropriate. The Treasurer will then forward a cash activity summary report with the cashbook balances to the City Auditor.

#### B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options. Payroll withholdings will be reconciled in accordance with the [Payroll Withholdings Policy](#).

#### C. Accounts Receivable Reconciliation

Accounts receivables are outstanding monies owed to the City, whether from committed bills (e.g., taxes, excises, sewer charges) or from uncommitted department invoices (e.g., police details, recreation programs, etc.). To ensure these assets are accounted for and balanced, the Collector and any other department head with accounts receivable duties (each referred to here as “record-keeper”) will ensure that all cash receipts are recorded timely, maintain a control record for each receivable type and levy year (if applicable), and verify the detail balance agrees with the receivable control.

The receivable control is a record of original entry in which a record-keeper reduces a list of receivables according to processed collections (as well as abatements and exemptions, when applicable) and increases it by issued refunds. To maintain accuracy, the record-keeper must review the detailed list of receivables, identify credit balances as prepaid amounts, or investigate them for possible correction, and reconcile the control balance to the detail.

Whenever these records do not agree, the record-keeper must determine the discrepancy by:

- Verifying the various transactions (commitments, abatements, refunds, chargebacks) against their supporting documents
- Comparing the total amount of posted payments to the turnovers accepted by the Treasurer
- Determining whether any revenues were incorrectly recorded as payments to the commitment, such as interest and fees

Within 10 days after the end of the month, the Collector will summarize the Munis reports of all accounts receivables by bill type and levy year and forward the summary to the City Auditor. The Collector will also make the detailed reports available to the City Auditor for reference. This is a Schedule of Outstanding Receivables. Additionally, the other record-keepers will forward a copy of the internally reconciled accounts receivable balances to the City Auditor. Quarterly, all record-keepers will provide a list of outstanding balances to the City Auditor.

D. Special Revenue Reconciliation

Governed by various state statutes, special revenue funds are specific revenues segregated from the general fund and earmarked for specific purposes. They include gifts and grants from governmental entities, individuals, and organizations; revolving funds; and receipts reserved for appropriation. To ensure these funds are balanced, department heads with responsibility for special revenue funds will verify that all revenues turned over to the Treasurer, expenditures authorized for payment by the City Auditor, and properly authorized transfers are recorded monthly. These department heads will subsequently provide the City Auditor with quarterly reconciliation reports on the funds.

E. General Ledger Reconciliation

To achieve the core objective of maintaining the general ledger's integrity, the City Auditor must regularly reconcile it with the separately maintained accounting records outlined in Sections A – D above. In addition, it is the City Auditor's responsibility to review all accounts analytically from time to time for reasonableness and to identify unusual activity.

The general ledger's cash accounts should reflect only those transactions reported to the City Auditor by the Treasurer, so that in theory, the general ledger should be in balance with the cashbook. However, errors may occur due to omitting transfers or transactions or applying them in the wrong amounts or to the wrong accounts. Whenever the City Auditor identifies a discrepancy between the general ledger and the cashbook, the following steps must be taken in conjunction with the Treasurer to determine the cause:

- If the total amount of revenue reported in the cashbook does not agree with the amount recorded in the ledger for that month, the Treasurer must verify that the monthly Munis revenue report agrees by detailed amount and classification with the cashbook and correct any errors.
- Compare the total amount of warrants paid during the month as recorded in the cashbook with the total recorded in the ledger for the same period. The last warrant paid must be the last one recorded; otherwise, a timing problem will create a discrepancy.
- If the records still do not agree, the Treasurer and City Auditor must trace each entry to the ledger until the variance is determined.

All receivable records must also be reconciled to the City Auditor's general ledger. If a given receivable control has been internally reconciled, any discrepancy must be in the general ledger, so the City Auditor must:

- Review the commitments, charges, payments, abatements, refunds, reclassifications, and adjustments in the general ledger, as appropriate for the particular control.
- Verify whether receipts are recorded to the correct type and levy year.
- Verify the dates that activities were recorded.

The City Auditor's receivable accounts in the general ledger should reflect the transactions provided by the Collector. Therefore, the above steps must resolve any discrepancies between the receivable control and the ledger. If they do not, the Collector and City Auditor must trace each ledger entry until they determine the reason for variance.

The City Auditor will verify that all special revenue fund reconciliations match the general ledger. The responsible department head and City Auditor must research any discrepancy and correct the record(s) as appropriate.

#### F. Time frames and Documentation

Employees subject to this policy will complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than the 15<sup>th</sup> of the month following the one being reconciled. At each quarter-ending month, the City Auditor will extend the cash reconciliation process to individually reconcile every general ledger account that directly corresponds to a specific bank account (e.g., stabilization funds, trust funds, guarantee bond deposits).

Each general ledger reconciliation will be documented and cosigned by the two parties. If, at that time, any variance has not yet been fully resolved, this must be noted, along with a work plan and timetable for resolution. The City Auditor will report the documented reconciliation status to the CAFO quarterly.

#### F. Audit

All reconciliation activities are subject to audit by the City's independent auditor.

### **REFERENCES**

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Holyoke policies on Antifraud, Disbursements: Accounts Payable, Disbursements: Payroll, Grants Management, Revenue Turnover, and Withholdings

DLS Best Practice: [Reconciling Cash and Receivables](#)

Massachusetts Municipal Auditor's and Accountants' Association: [Accounting Manual](#)

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#) and [Collector's Manual](#)

### **EFFECTIVE DATE**

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This policy was adopted on [date].

## REVENUE TURNOVER

### PURPOSE

To safeguard City assets and maximize cash flow, this policy provides guidelines for departments to turn over receipts to the Treasurer. Included are details of internal controls designed to provide reasonable assurance that the City's revenues are properly and timely secured, recorded, and deposited in City bank accounts.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Treasurer, as the City's cash manager, and Treasurer staff</li> <li>▪ All other individuals and department heads with responsibility for handling payments</li> <li>▪ City Auditor in the duty to keep the general ledger up to date</li> <li>▪ Chief Administrative and Financial Officer (CAFO) in oversight</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Guidelines for managing all cash, check, credit card, and other forms of payment received by all City departments for taxes, excises, fees, charges, and intergovernmental receipts, from the departmental level through Treasury and Accounting duties</li> </ul>

### POLICY

By [M.G.L. c. 41, § 35](#), the Treasurer is given charge of all revenue receipts of the City. To minimize the risk of any revenue lags or losses, every department that receives payments must accurately account for the funds and turn them over to the Treasurer's Office according to the timing and protocols outlined in this policy. As called for here, the departmental staff and Treasurer will separately notify the City Auditor of the money turned over and accepted, respectively. This check-and-balance control enables the City Auditor to effectively track receipts within the general ledger per [M.G.L. c. 41, § 54](#), while also maintaining complete separation from any cash handling functions.

City departments are expected to turn over their receipts on a daily basis, unless the total amount is less than \$100, in which case the turnover can be done with 48 hours. The head of each department that receives payments is responsible for instituting and employing internal controls designed to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer.

To indemnify the City from potential loss or theft of receipts, the CAFO will ensure that surety bonds are maintained for all individuals responsible for handling payments. All employees that handle the receipt of money must be trained in this policy by the Treasurer.

#### A. Receiving Payments

Upon receiving payments, assigned departmental staff will enter the payment information into the Munis General Revenues – Payment Entry module. A payment batch will be created by tender type (e.g., cash and check, credit card, online, etc.). Within the Tender Payment screen in this module, departmental staff must identify the forms of payment, then issue a receipt for every payment received. As the exception, employees in the Collector's office receiving taxes and other collections from the public need only issue receipts for cash payments. Any staff who receives a check will

immediately stamp it "For Deposit Only". Every department receiving payments shall secure them in a locked cash box or safe until completing the daily turnover to the Treasurer. Departments receiving electronic payments (i.e., lockbox, online, credit card) will create a separate batch in the Payment Entry module for each type of payment as of the settlement date.

The School Department's business office deposits lunch and student activity receipts into City bank accounts as directed by the Treasurer. All departments that operate on weekends or holidays must do daily bank deposits using night deposit bags. Copies of the bank deposit slips must be attached to the Munis payment entry.

#### B. Turning Over Revenues

The department staff will reconcile the day's activity and attach required documentation and payment proof. Every receipt on the payment proof report should tie back to the receipt logs maintained by the department head. Backup documentation for online payments will include a settlement statement and any other summary reports provided by the vendor. The department head is responsible for overseeing the processing, recording, record retention, Munis batch approval (release) and turning over of receipts to the Treasurer. Departmental staff will deliver the payments in person and at no time may leave any unattended payments in the Treasurer's office or elsewhere in City Hall.

When the Treasurer's office has accepted the turnover, notification from Munis will be sent (via workflow) to the department head and the City Auditor indicating that the Munis payment batch total and the revenue turned over was verified by Treasurer staff. The attached payment proof will serve as the City Auditor's departmental turnover.

The head of every department will review the Munis Payments Report monthly to verify all department payment batches have been accurately recorded in the appropriate general ledger accounts and report any discrepancies to the City Auditor.

#### C. Receiving Turnovers

When presented with the turnover, Treasurer staff will count the receipts in the presence of the authorized departmental employee. The Treasurer staff will reject the payment batch upon finding any inaccuracies for the department head to correct and re-release.

Within 24 hours of receiving the payment batch and revenue, Treasurer staff will deposit any checks received via remote scanner. Treasurer will complete a bank deposit for the cash for each payment batch and bank deposit daily. Until the deposit is completed, the Treasurer will ensure that all receipts are secured, either in a cash drawer or, if being held overnight, in a safe.

At the close of business each day, the Treasurer will review the Munis payment, cash deposit slips, remote scanner, credit card, and online payment settlement reports. When all the activity ties out, the Treasurer will update the cashbook with all the deposit data and release and approve the Munis payment batches for the City Auditor's review.

**D. Insufficient Funds**

Upon notification from the bank of an insufficient check or an invalid or otherwise unpaid electronic funds transfer (EFT), the Treasurer will create a Munis payment reversal batch to enter a negative deposit to the original revenue account, document the reason for the reversal, and notify the department responsible for the turnover. The Treasurer will also make a reversal entry in the cashbook, assigning it to the appropriate bank account.

The department head will prepare and send a non-sufficient funds notice to the issuer of the bounced check or rejected EFT. Payment of the original amount plus a \$25.00 penalty is due in 10 days and must be in the form of cash, money order, or certified check. The department will not accept repayment funds without the applicable penalty fee. The repayment plus fee will always be entered into a new payment batch as an original receipt.

It is the department head's (or designee's) responsibility to follow-up on collecting the amounts owed. If the payment was for a license or permit, the department shall suspend the license or permit until the original amount and penalty have been paid. If it was for a committed receipt (e.g., tax bill), the commitment will be reinstated by the appropriate official and the usual collection procedures followed.

**E. Updating the General Ledger**

The City Auditor will select the payment batch or batches to post to the general ledger. The City Auditor will compare the selected batches to the payment proofs received from departments and investigate any discrepancies with the Treasurer and the originating department. When the Munis payment batches reconcile properly with the payment proofs, the City Auditor will post the data to the Munis general ledger.

**F. Audit**

All cash management activity is subject to review by the City Auditor and the City's independent auditor. Further, the City Auditor will conduct periodic, random audits of departments' payment processing and turnover procedures to ensure adherence to this policy.

**REFERENCES**


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[M.G.L. c. 41, § 3](#)
[M.G.L. c. 41, § 54](#)
[M.G.L. c. 44, § 69](#)
[M.G.L. c. 41, §35](#)
[M.G.L. c. 41, § 54A](#)
[M.G.L. c. 60, § 57A](#)

Holyoke Reconciliations policy

Massachusetts Municipal Auditor's and Accountants' Association: [Accounting Manual](#)

Massachusetts Collectors & Treasurers Association's [Treasurer's Manual](#) and [Collector's Manual](#)

**EFFECTIVE DATE**


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This policy was adopted on [date].



## TAILINGS

### PURPOSE

To minimize the negative impact of uncashed checks on cash position certainty, to provide appropriate opportunities for payees to claim uncashed checks, and to properly recover unclaimed funds for the City's general fund, this policy sets guidelines for the resolution of tailings.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Treasurer, Assistant Treasurer, City Auditor, and all department heads</li> <li>▪ Payees of City disbursements</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Managing uncashed checks, including notifying payees, handling claims, and escheating unclaimed funds to the general fund</li> </ul>

### BACKGROUND

A tailing is a form of unclaimed property that results from a disbursed but uncashed check, and it represents a debit liability on the City's books. It can arise from any treasury check issued to pay an employee or vendor, refund a municipal tax or charge, or pay any other municipal obligation. Having accepted M.G.L. c. 200A § 9A, the City can expedite tailing resolutions and escheat to the City's general fund the funds that remain unclaimed at the completion of the process rather than surrendering the money to the state, as would be required otherwise. This policy sets forth the steps that must be taken to properly manage tailings under § 9A.

### POLICY

Periodically throughout the year, the Treasurer, Assistant Treasurer, relevant department heads, and the City Auditor will work together to resolve accumulated tailings, either by prompting actual pay outs or through escheatment to the City.

#### A. Monthly Management of Tailings

As part of the monthly cash reconciliation, the Treasurer or designee will review the accounts payable bank accounts online to determine which checks have been cashed by recipients and update their status in check reconciliation in the Munis Cash Management module. Following this, under the Treasurer's direction, the Assistant Treasurer will run a Munis report of all checks outstanding 30 days or more after issuance and email the department head associated with each of them to follow up with the payee. The department head will attempt to contact the payee by phone to determine why the check has not been cashed. For all checks still outstanding two weeks after notices to departments, the Assistant Treasurer will send an uncashed check notice to the payees at their last known addresses.

Every month, the Assistant Treasurer will also identify all checks that are uncashed one year after being issued and notify the bank to stop payment. At this point, the checks may still be claimed by the payees but will require reissuance. The Treasurer will provide a report of the stop-paid checks to the City Auditor, who will then record the funds as abandoned property liability in the general ledger.

### B. Yearly Review

At least once a year, the Treasurer will review the accumulated inventory of stop-paid tailings and do the following:

1. List the payee names on the City's website for a minimum of 60 days under the heading: "Notice of names of persons appearing to be owners of funds held by the City of Holyoke and deemed abandoned." This posted notice will detail the process to claim funds and state a deadline for making a claim that is not less than 60 days after the initial posting date of the notice on the website.
2. For all checks still unclaimed after the website deadline, publish in the *Holyoke Sun* a notice in the same form as the website posting but stating a new claim deadline not less than 60 days after the publication date.
3. For checks of \$100 or greater that remain uncashed after the publication deadline, publish a second notice in the same newspaper with the same language as the previous except with a deadline for claiming the funds at least one year after the new publication date.
4. Schedule a calendar prompt one year after the second publication date to review all the published checks again. When the prompted date occurs, notify the City Auditor of all those that are still unclaimed at that time.

### C. Check Claiming

If a payee submits a claim to the Treasurer within the given deadline, or at any time before the funds are escheated, the Treasurer will review the claim and determine its validity.

- If the claim is deemed valid, the Treasurer will submit the amount to the City Auditor for inclusion on the next disbursement warrant.
- If the claim is deemed invalid, the Treasurer will segregate the funds into a separate, interest-bearing account and notify the claimant of this action within 10 days. Within 20 days after receiving this notice, the claimant may file an appeal at Holyoke District Court (or at Hampden Superior Court if the amount is \$50,000 or more).
- If the court rules for the claimant, the Treasurer will submit the tailing amount, along with any interest, to the City Auditor for inclusion on the next disbursement warrant after receiving the court order.
- If the court rules against the claimant, or if the Treasurer receives no notice of any court appeal being filed within one year of the Treasurer's notice to the claimant that the funds were being withheld, the Treasurer will notify the City Auditor to escheat the total tailing and interest amount.

### D. Escheatment

Upon receipt of a notice from the Treasurer as described in Sections B and C above, the City Auditor will escheat the listed funds. This involves reversing the abandoned property liability and recognizing the funds as revenue in the general fund to be available for future appropriation by City Council for any public purpose.

**REFERENCES**

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[M.G.L. c. 200A, § 9A](#)

Holyoke policies on Disbursements: Accounts Payable, Disbursements Payroll, and Reconciliations

**EFFECTIVE DATE**

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This policy was adopted on [date].

## TAX ENFORCEMENT

### PURPOSE

To provide guidance for equitably enforcing tax obligations and set expectations for both the City and taxpayers, this policy clearly defines when and how the City will pursue collection of all outstanding property taxes and secure the City's financial interest in any properties in tax title

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Collector and Treasurer job duties</li> <li>▪ Chief Administrative and Financial Officer (CAFO) oversight</li> <li>▪ City's contracted tax title attorney</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Enforcement of delinquent property tax liens</li> <li>▪ Resolution of tax title accounts</li> </ul>

### POLICY

The City intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a property tax collection rate of at least 98 percent by fiscal year-end. A tax delinquency is defined as a bill outstanding at least one day after its final due date, and it represents a lien on property that remains in effect until all taxes, interest, and fees have been paid in full. The costs of all collection methods are added to the real estate tax bill and property lien. The City will also periodically pursue foreclosure actions with the primary objective of receiving all monies due.

Taxpayers are responsible for notifying the City in writing of any mailing address changes.

#### A. Demands

The Collector will establish an annual tax enforcement schedule beginning with demand notices.

Final taxes are due to be paid as of May 1 each year (the due date for the fourth quarter tax bill). No later than May 15, the Collector will issue demand notices to all assessed property owners who have failed to pay in full, have not been granted full exemptions, and do not have automatic stays on record due to bankruptcy filings.

#### B. Tax Taking

The Collector shall carefully document all tax taking activity to preserve the City's rights for future actions. The Collector will begin the tax taking process within 60 days of the demand notice. State law allows the process to begin as soon as 15 days after the demand, but, in every case, the Collector must complete the takings within 3½ years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens.

The Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result in full remittance by August 15, the Collector will publish a Notice of Tax Taking in the *Holyoke Sun* and post the notice on bulletin

boards at City Hall and City Hall Annex. From this point forward only cash, certified check, or cashier's check are acceptable forms of payment.

Within 60 days of the date of the tax taking, the Collector will prepare an Instrument of Taking for each delinquent property and record them at the Hampden County Registry of Deeds to perfect the tax liens. After receiving the recorded Instruments back from the Registry, the Collector will notify the affected property owners of the liens by sending each of them a letter and a copy of the Instrument. The Collector will certify to the Treasurer, City Auditor, Chief Administrative and Finance Officer the parcels and amounts of unpaid real estate has been reclassified as tax title.

#### C. Subsequent Taxes

After the demand bill and before June 15 each year, the Collector will certify all unpaid taxes for parcels of real estate taken into tax title for nonpayment of taxes in prior years and not yet redeemed and perform Subsequent Tax Takings. The Collector will certify to the Treasurer, City Auditor, and CAFO the parcels and amounts of unpaid real estate has been reclassified as tax title.

#### D. Interest, Fees, and License Revocation

All delinquent taxpayers are subject to charges, which the Collector will add to their accounts and tax bills. These include interest accrued to the date of tax taking, advertising fees, certified mailing costs, legal fees, and all recording fees.

The Collector will create a list of all the individuals who are delinquent in paying taxes or other charges and provide it to the City departments, boards, and committees that issue licenses and permits. These authorities will review the list to deny, suspend, or revoke delinquent taxpayers' licenses and permits.

#### E. Tax Title Payments

The Treasurer will pursue and establish written payment agreements for parcels in tax title to allow delinquent taxpayers to pay off their tax liens over time in a period not to exceed 24 months. The Treasurer will actively monitor compliance with all such agreements, which will have the following features in common:

- Signed agreement between the Treasurer and taxpayer.
- Upfront payment of at least 25 percent of the full balance owed.
- Maximum payment period is 24 months.
- Acknowledgement that the agreement is contingent on monthly payments no less than the agreed upon amount.
- Requirement that the taxpayer remain current with new tax bills on the property as they are issued.
- Payments must be made within five (5) days of the due date.
- The outstanding balance may be paid at any time without penalty.
- Failure to meet the requirements of the agreement will result in default.
- Defaulting on the agreement will immediately trigger foreclosure action by the City.

## F. Redemption

If a taxpayer or other party pays the full outstanding amount on a tax title property, the Treasurer will prepare an Instrument of Redemption and file it at the Hampden County Registry of Deeds, which removes the lien. Redemption can only be done prior to the property being foreclosed.

## G. Foreclosure

The primary policy goal of the foreclosure process is to receive the outstanding amounts owed. On a quarterly basis, the Treasurer will review all tax title properties for 1) default of a payment agreement and 2) unpaid balance older than six (6) months and not subject to bankruptcy recordings. From these, the Treasurer will identify all properties of significant value to process for potential foreclosure in Land Court. To do this, the Treasurer will thoroughly verify the properties' enforcement histories before referring them to the tax title attorney, beginning with those with the largest debt owed.

As manager of the service contract, the Treasurer will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer will work with the tax title attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking. The tax title attorney will research the tax title properties and also mail new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of forthcoming foreclosure action. If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action by filing a Petition to Foreclose Rights of Redemption in Land Court, possibly resulting in auctioning of the property.

In addition to Land Court foreclosure referrals, the Treasurer is responsible for completing foreclosures on any properties below the "Land of Low Value" threshold, which is annually updated each spring by the Division of Local Services (DLS).

Upon Land Court's issuance of a foreclosure decree, the Treasurer will notify the Chief Assessor, Collector, City Auditor, Collector, Chief Administrative and Financial Officer, and Mayor. The Treasurer will update the Munis tax title module to mark the property as foreclosed, the City Auditor will reclassify the receivable, and the Chief Assessor will update the property data base reflecting the foreclosed property as City owned.

## REFERENCES

<a href="#">M.G.L. c. 40, § 42A</a>	<a href="#">M.G.L. c. 60, § 22</a>	<a href="#">M.G.L. c. 60, § 57</a>
<a href="#">M.G.L. c. 40, § 42B</a>	<a href="#">M.G.L. c. 60, § 35</a>	<a href="#">M.G.L. c. 60, § 61</a>
<a href="#">M.G.L. c. 40, § 42C</a>	<a href="#">M.G.L. c. 60, § 37</a>	<a href="#">M.G.L. c. 60, § 62</a>
<a href="#">M.G.L. c. 40, § 42D</a>	<a href="#">M.G.L. c. 60, § 40</a>	<a href="#">M.G.L. c. 60, § 63</a>
<a href="#">M.G.L. c. 40, § 42E</a>	<a href="#">M.G.L. c. 60, § 50</a>	<a href="#">M.G.L. c. 60, § 65</a>
<a href="#">M.G.L. c. 40, § 42F</a>	<a href="#">M.G.L. c. 60, § 53</a>	<a href="#">M.G.L. c. 60, § 76</a>
<a href="#">M.G.L. c. 40, § 57</a>	<a href="#">M.G.L. c. 60, § 54</a>	<a href="#">M.G.L. c. 60, § 77-77C</a>
<a href="#">M.G.L. c. 60, § 6</a>	<a href="#">M.G.L. c. 60, § 55</a>	<a href="#">M.G.L. c. 60, § 79</a>
<a href="#">M.G.L. c. 60, § 16</a>	<a href="#">M.G.L. c. 60, § 56</a>	<a href="#">M.G.L. c. 60, § 80</a>

Holyoke Code of Ordinances:

- Chapter 2, Article II, Division 3, Section 2-115 – [Municipal tax repayment agreements](#)
- Chapter 2, Article III, Division 3, Section 2-336 – [Real property disposition or acquisition](#)
- Chapter 82, Article I, Section 82-3 - [Denial, revocation or suspension of licenses and permits of delinquent taxpayers](#)

Holyoke policies on Antifraud, Financial Management Team, and Reconciliations

DLS Best Practice: [Enforcing Collections](#), Guidance: [Local Tax Collection FAQs](#), and Informational Guideline Releases (annually updated): [Land of Low Value Foreclosure Valuation Limit](#)

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#) and [Collector's Manual](#)

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**EFFECTIVE DATE**

This policy was adopted on [date].

## TAX RECAPITULATION

### PURPOSE

To ensure the City timely and appropriately charges taxes to property owners in support of the annual budget, this policy sets forth the roles, responsibilities, and deadlines associated with the tax recapitulation (“tax recap”) process. A timely and accurate annual tax recap helps ensure the City complies with state statutes, prevents workflow disruptions in its financial offices, and avoids any temporary borrowing costs associated with cash shortfalls.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ Mayor and City Council policymaking and management responsibilities</li> <li>▪ Board of Assessors as principal overseer of the tax recap process</li> <li>▪ Chief Administrative and Financial Officer (CAFO), Chief Assessor, City Auditor, Treasurer, and City Clerk job duties</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Guidelines and responsibilities involved with setting an annual property tax rate and reporting it to the Division of Local Services (DLS)</li> </ul>

### BACKGROUND

The property tax levy is Holyoke’s second largest source of revenue (behind State Aid), accounting for funding approximately one-third (1/3) of the annual budget, making the tax recap a vital component of the City’s fiscal operations. The Assessing Department oversees two core phases: property valuation and tax rate setting. However, the full process begins with City Council authorizing the annual spending plan, involves many other local officials, and requires careful management, teamwork, and cooperation.

The tax recap forms and schedules present the City’s annual budget plan for the fiscal year. They summarize all appropriations made by City Council since the previous year’s tax rate was set and identify all non-property-tax revenue sources, such as state aid, local receipts, available funds, and reserves. The difference between these sources and the total budgeted appropriations must be raised through the property tax levy.

By completing the tax recap and submitting it to the DLS for approval, the City establishes its property tax levy and sets the tax rate for the fiscal year. The City may issue actual tax bills only after DLS reviews the recap and approves the tax rate.

### POLICY

At the CAFO’s direction, Holyoke’s financial team will annually complete the tax recap process no later than November 30<sup>th</sup>. The CAFO will develop a realistic plan and timetable to meet this deadline and keep the Mayor and City Council apprised of progress.

#### A. Preparation and City Council Authorization



A successful tax recap process starts with a balanced annual budget, valid funding sources, and City Council authorization, which will be accomplished as follows:

- The CAFO and Mayor will assure the production of a properly formatted line-item proposed spending plan for the City for the next fiscal year that will City Council to properly authorize annual budget appropriations funded by specific revenue sources (e.g., raise and appropriate, free cash, stabilization, etc.).
- The CAFO will ensure that any annual increase in the tax levy does not exceed the maximum allowed under Proposition 2½.
- The CAFO and Mayor will verify that the proposed budget is balanced.
- The City Auditor will prepare a schedule of sources and uses to monitor the impact of funds available for appropriation by City Council.
- The Treasurer and City Solicitor will ensure any debt issuance authorizations are proper.
- The CAFO and Mayor will ensure that any proposal for a general override, debt exclusion, or capital exclusion is properly presented to the City Council and, if passed, put to a city-wide referendum.

Whereas the budget is typically adopted in a June City Council meeting, all appropriations and borrowings approved at any City Council meeting not recorded in the previous tax rate must be included in the current tax recap process.

#### B. Recording Legislative Actions

To allow time for any required corrective measures, the following tasks will be completed within two weeks after the City Council votes the annual budget:

- The City Clerk will record and certify the voting minutes of all financial appropriations authorized at City Council meetings held since the last tax rate was set.
- The City Auditor will review the City Clerk's certified City Council meeting minutes to ascertain all the voter-authorized appropriation amounts for the tax recap period.
- When the City Clerk and City Auditor agree on the individual appropriations by revenue category, the City Clerk will enter the amounts into the DLS Gateway system (by article on page 4 of the tax recap).
- From the certified City Council meeting authorizations, the City Auditor will complete the following Gateway forms:
  - Enterprise Fund (Sewer) revenues and expenditures (Form A-2)
  - Community Preservation Fund revenues and expenditures (Form A-4)
  - Free cash used (Form B-1)
  - Available funds used (Form B-2)
- When applicable, the Treasurer will prepare the debt exclusion report, including any use of reserved bond premiums (Form DE-1), and report any reserved bond premium amounts used as funding sources (Form B-2).

#### C. Tax Recap Entries done after the Fiscal Year-end Closing

Within two weeks of closing the books for the fiscal year, the City Auditor will do the following to complete the tax recap:

- Document and report all deficits or other expenditures that must be funded, including debt and snow and ice (page 2 of the tax recap)
- Record the actual amounts received for each type of local receipt (page 3, column (a) of the tax recap)
- Enter estimated local receipts using the revenue projections from the final budget approved at by City Council (page 3, column (b) of the recap)
- Record the actual amounts received for the enterprise funds (A-2, column a)
- Record the actual amounts received for the community preservation fund (A-4, column a)

#### D. Property Value Certification

Assessors must value all taxable real and personal properties and classify them into one of four classes (residential, open space, commercial/industrial, or personal) based on their use as of January 1. To do this, the Chief Assessor will:

- Update any prior-year omitted and revised assessments that included growth (Form LA-13A, which is transferred to the Levy Limit Worksheet) no later than June 20
- Complete the property sales report (Form LA-3) for all sales over \$1,000 and submit it to DLS for approval.
- Analyze market conditions and set final property values in compliance with DLS certification standards.
- Report the total assessed valuation for real and personal property by class (Form LA-4, which is transferred to page 1 of the tax recap).
- Report fiscal year tax base growth used to determine the levy limit under Proposition 2½ (Form LA-13, which is transferred to the Levy Limit Worksheet).

The LA-13 process begins with the community filling out and submitting the Omitted and Revised Form, located under the Taxrate tab in Gateway.

The Chief Assessor will submit the above forms to DLS for review and certification.

#### E. Tax Rate Setting

After DLS has certified property values, the City Council will hold a public hearing to decide tax policy. At this classification hearing, the City Council may vote for a single tax rate, which thereby allocates the tax levy proportionately across all property classes, or for a shift of the tax burden between the four classes. Leading up to and during this hearing, the following must be done:

- The Chief Assessor and City Auditor prepare an overlay analysis (Form OL-1).
- The Board of Assessors estimates and votes the amount of overlay to raise.
- The Board of Assessors prepares a financial analysis of the various tax alternatives.
- The City Clerk publishes an advance notice of the hearing and attests this on Form LA-5.
- The City Council votes on residential, small commercial, and open space exemptions.

- The Mayor approves the residential factor and tax rate percentages on Form LA-5.
- The City Council acknowledges excess levy capacity (Form LA-5).

F. Review and Submittal to DLS

The Board of Assessors, working with the Chief Assessor and City Auditor, is responsible for submitting all forms and supporting documents to DLS for tax rate approval. To do this:

- The Chief Assessor and City Auditor will review all schedules, verify signatures, and confirm that all proper documents are uploaded.
- The City Auditor will ensure that all budget authorizations are represented and clearly reconcile to the amounts reported in the tax recap schedules.

**REFERENCES**

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[M.G.L. c. 40, § 56](#)

[M.G.L. c. 41, § 54A](#)

[M.G.L. c. 59, § 21C](#)

[M.G.L. c. 40A, § 11](#)

[M.G.L. c. 44, § 32](#)

[M.G.L. c. 59 § 25](#)

[M.G.L. c. 41, § 15A](#)

[M.G.L. c. 59 § 5C](#)

DLS Informational Guideline Release 2022-6: [Fiscal Year 2023 Tax Bills Quarterly Payment System](#)  
(updated annually)

Massachusetts Municipal Auditor's and Accountants' Association: [Accounting Manual](#)

DLS Training Publication: [Assessors Course 101 Handbook Chapter 5: Setting the Tax Rate](#)

**EFFECTIVE DATE**

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This policy was adopted on [date].

## TRAVEL/EMPLOYEE REIMBURSEMENT

### PURPOSE

To mitigate opportunities for fraud, waste, and abuse, the City must properly monitor and control travel costs and reimbursements to employees. This policy establishes rules governing reimbursements for legitimate business-related expenses, including necessary travel expenses incurred in performing official duties. It also provides guidelines for determining reimbursable expenses and details the procedures, forms, and documents required to receive reimbursement.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ All City employees and elected or appointed officials (all referred to here as “employees”)</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Guidelines for determining reasonable travel-related expenses</li> <li>▪ Procedures, forms, and documentation required for reimbursement</li> </ul>

### POLICY

The City will reimburse employees for reasonable expenses incurred for travel on the City’s behalf as authorized by their department heads or Mayor. When this travel policy is not followed, there is no guarantee that all expenditures will be reimbursed.

Employee travel shall be restricted to necessary activities that provide a public benefit, such as training, professional conferences, and other municipal-related activities. All travel on City business shall be planned for using the most economical mode and class of transportation reasonably available and the most direct and time-efficient route. Employees should determine estimates for their travel costs, discuss any extraordinary travel circumstances and expenses with their department heads, and obtain their authorizations in advance of travel. Employees will travel using government and group rates when available.

Employees should determine estimates for their travel costs, discuss any extraordinary travel circumstances and expenses with their department heads, and obtain their authorizations in advance of travel. All travel must be in accordance with the Travel Authorization, Advance & Expense Voucher (Travel Voucher) signed by the employee and his or her department head for in-state events. The Mayor must also sign for travel out-of-state. The City will not reimburse any sales taxes but will, however, pay meals and room excise taxes.

With the department head’s preapproval, also reimbursable are non-travel-related, employee out-of-pocket expenses for any purchases that cannot otherwise be made through the purchase order (PO)/invoice process.

**POLICY SUMMARY**

Categories	Rules & Criteria	Required Documents
<b>Professional development</b>	<ul style="list-style-type: none"> <li>▪ Applicable only for training, workshop, or conference</li> <li>▪ Payment through a Munis purchase order</li> <li>▪ May request an advance for payment when purchase orders are not accepted</li> </ul>	<ul style="list-style-type: none"> <li>▪ Brochure (or if online info only: detailed screenshots with dates, hours, included expenses)</li> <li>▪ Proof of attendance: certificate, name badge, screenshots of virtual sessions</li> </ul>
<b>Personal car transport</b>	<ul style="list-style-type: none"> <li>▪ Destination must be outside the City of Holyoke</li> <li>▪ Mileage calculated from employee's residence or work location, whichever is closer to the destination</li> <li>▪ Mileage reimbursed at IRS rate</li> <li>▪ May submit for parking and tolls; no receipt needed for cash parking meters</li> </ul>	
<b>Other transport</b>	<ul style="list-style-type: none"> <li>▪ Airplanes, trains, buses, ferries</li> <li>▪ Taxi fares only between home and airport/station and between airport/station and lodging</li> <li>▪ City-owned vehicle: fuel is reimbursable</li> </ul>	<ul style="list-style-type: none"> <li>▪ Proof of travel: boarding pass or ticket</li> </ul>
<b>Lodging</b>	<ul style="list-style-type: none"> <li>▪ Travel is longer than 24 hours</li> <li>▪ One night before the event is reimbursable</li> <li>▪ Must book at govt/group rate or most comparable when not available</li> </ul>	
<b>Meals</b>	<ul style="list-style-type: none"> <li>▪ Away longer than 8 hours, or greater than 20 miles from work location</li> <li>▪ \$50 max for each 24-hour period</li> </ul>	<ul style="list-style-type: none"> <li>▪ Write each employee's name with their charges on any receipt with multiple employees</li> </ul>
<b>Incidentals</b>	<ul style="list-style-type: none"> <li>▪ Expenses paid by the travelling employee</li> <li>▪ Must be submitted with final voucher</li> </ul>	<ul style="list-style-type: none"> <li>▪ Receipts required</li> </ul>
<b>Supplies</b>	<ul style="list-style-type: none"> <li>▪ Out-of-pocket only allowed as a last resort and with the department head's approval</li> </ul>	<ul style="list-style-type: none"> <li>▪ Department head attestation that the supplies were received by the department</li> </ul>
<b>Time frames</b> <ul style="list-style-type: none"> <li>▪ All requests for reimbursement should be submitted within 15 days of incurring the expense and no later than 30 days. Submissions received by the City Auditor beyond 30 days may not be reimbursed.</li> <li>▪ Once the request is received the estimated time to reimbursement is two weeks.</li> </ul>		

**A. Unauthorized Expenses**

The following expenditures will not be reimbursed:

- Alcoholic beverages and tobacco

- Costs associated with any political or charitable event
- Expenses incurred for the sole benefit of the traveler, such as internet access, gym fees, valet service, entertainment, laundry services, etc.
- Expenses incurred by or on behalf of any person who is not a City employee who accompanies the employee on official business
- Theft, loss, or damage to personal property while on City business
- Non-mileage-related personal automobile expenses, including repairs, insurance, gasoline, and traffic citations

The City Auditor may refuse to approve for payment any claim deemed to be fraudulent, unlawful, or excessive. In that instance, the City Auditor will file a written statement of the reason for refusal with the Treasurer and forward copies to the Chief Administrative and Financial Officer (CAFO) and the originating department head. Resolution of all disputes shall reside with the CAFO.

#### B. Reimbursable Expense Categories

##### **Registrations**

- Whenever possible, registration fees for any conference or workshop should be submitted as a PO requisition through Munis Invoice Entry. If the training/conference does not accept POs, the employee may pay out-of-pocket and then submit for reimbursement.
- The employee must document attendance at the training/conference, such as a certificate of completion, name badge, or screenshot of virtual trainings.

##### **Personal Car and Other Transportation**

- Employees authorized to travel using their personal vehicle will be reimbursed at the Internal Revenue Service (IRS) mileage reimbursement rate in effect on the dates the travel occurred.
- Mileage will be calculated starting from the employee's office location or residence to the destination point, whichever distance is shorter.
- Transportation costs between the employee's residence and any office or meeting location furnished within the City are not reimbursable.
- Employees must present receipts to be reimbursed for parking, tolls, airfares, taxi fares, and, when using a City-owned vehicle, fuel charges.
- Employees must present receipts to be reimbursed for parking, tolls, airfares, taxi fares, and, when using a City-owned vehicle, fuel charges.
- Taxi fares may only be for routes between the employee's home and the airport/station and between the airport/station and place of lodging.
- If not traveling by car, the employee must include proof of travel, such as a train ticket or boarding pass.

##### **Lodging**

- If travel requires an employee to be away from home for more than 24 hours, he or she will be reimbursed for reasonable charges for lodging expenses.
- Lodging expenses must not exceed the group rate published by the conference or activity sponsor. If the sponsor's group rate is not available when booking, the City will reimburse for lodging costs comparable in location and quality and reserved at the lodging's government or group rate, whenever that is available.

- The City will reimburse for only one night preceding any conference.

**Meals**

- If travel requires an employee to be away from their assigned work location on approved assignment in excess of eight consecutive hours, or to a location more than 20 miles from the employee's work location, he or she will be reimbursed for reasonable charges for meal expenses. Valid original receipts must be presented when seeking reimbursement and shall be limited to \$50.00 per day.
- Meals included in registration costs cannot be claimed for reimbursement or advance.
- Meal costs, including tips and taxes, incurred during the course of approved travel will be reimbursed only upon presentation of itemized receipts. If the receipt is for multiple employees, they should be listed on the back of the receipt.
- Under no circumstance will the total meals reimbursement exceed the daily per diem rate of \$50.00.

**Incidentals**

- Incidentals must be paid by the traveler and submitted for reimbursement when finalizing the Travel Voucher. Receipts are required for all miscellaneous, unanticipated expenses.

**Business and Office Supplies**

- Employees must obtain department head approval prior to incurring expenses for any business or office supplies, and all purchases made on behalf of the City must be necessary, reasonable, and appropriate.
- The department head must verify and attest on the Business Expense Reimbursement Voucher (Expense Voucher) that the department received the supplies for which an employee requests reimbursement.
- Business-related special postal services or delivery services that are not available through the City will be reimbursed.

**C. Advance, Reimbursement, or Advance Reconciliation Submission**

Every claim for a cash advance prior to travel, reimbursement, or advance reconciliation must be documented on a Travel or Expense Voucher. Required information includes (as applicable): travel or purchase date(s), purpose, amount(s), and total business-related mileage. Except for mileage and cash parking meter expenses, the employee must attach to the form a receipt or other valid proof of payment for each reimbursement claim.

Employees should submit for reimbursement or reconciliation as soon as the travel has concluded or the expense has been paid, but at maximum, no later than 30 days after the expenses being incurred. If an employee does not submit the Travel or Expense Voucher and accompanying receipts or other necessary documentation within that time, he or she may be personally responsible for the expenses.

**D. Violations**

Employees who violate this policy will be held directly responsible for their actions. Consequences may include revocation of travel privileges, reparatory payments, suspension, or termination. Improper documentation of otherwise valid travel expenditures creates the appearance of fraud,

waste, or abuse and may result in similar consequences. Moreover, misrepresenting expenses and intentionally submitting false claims are fraudulent and could result in criminal penalties.

E. Audit

All expenses are subject to verification that they comply with this policy and to audit by the City's independent auditor.

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**REFERENCES**

[M.G.L. c. 41, § 52](#)

[M. G. L c. 44 § 66](#)

[M.G.L. c. 44, § 58](#)

[M.G.L. c. 64H § 6\(d\)](#)

Holyoke policies on Antifraud and Disbursements: Accounts Payable

Holyoke Code of Ordinances Chapter 2, Article II, Division 1, Section 2-48 - [Travel Policy](#)

IRS webpage, [Standard Mileage Rates](#)

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**FORMS**

Travel Authorization, Advance & Expense Voucher

Business Expense Reimbursement Voucher

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**EFFECTIVE DATE**

This policy was adopted on [date].



## YEAR-END CLOSING

### PURPOSE

To ensure local officials have accurate financial data in adequate time to make necessary budgetary decisions, the City must properly close its books promptly after the fiscal year ends. Failure to adhere to a timely schedule delays the completion of closing entries, trial balances, reconciliations, account analyses, and financial reporting. Furthermore, the completion of these tasks must take place before the City can submit the combined balance sheet to the Division of Local Services (DLS) for the annual certification of free cash.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> <li>▪ City Council in budget transfer authority</li> <li>▪ Chief Administrative and Financial Officer (CAFO), City Auditor, Treasurer, and Collector job duties</li> <li>▪ All department heads in managing and reporting on their budgets and assets</li> </ul>
Scope:	<ul style="list-style-type: none"> <li>▪ Tasks necessary to close the fiscal year's books and complete required annual reports</li> <li>▪ Protocol for year-end appropriation transfers</li> </ul>

### POLICY

The CAFO will hold all department heads accountable for timely and accurately completing the year-end tasks applicable to them as outlined in this policy. All facets of the year-end closing will be accomplished no later than September 30.

Annually no later than May 15, the City Auditor will transmit year-end instruction memo to department heads and provide them with the following submission deadlines:

- June 1: Status reports or updates on capital projects, capital assets, and borrowings
- June 10: Requests for fiscal year budget transfers requiring Mayor and City Council approval
- June 15: Verification of open purchase orders
- June 30: All available invoices
- June 30: Status reports on the balances of grants, other special appropriations, and special revenue accounts
- July 3: Requests for fiscal year budget transfer requiring only Mayor approval

Along with the year-end memo, the City Auditor will distribute management reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status updates on each account.

#### A. Year-end Encumbrances

The City Auditor will encumber funds when proper documentation confirms the funds have been committed to specific purchases (by purchase orders), services (by service agreements), or projects (by contracts). Any current fiscal year budget amount committed by an active purchase order that is still open in Munis at the end of June will automatically carry over into the next year.

Department heads with pending expense obligations from the fiscal year without an open purchase order, must with advance approval of the Chief Procurement Officer, initiate a requisition and submit it to the Purchasing Department by the last day invoices are accepted for the fiscal year. Requisitions for payments of charges for which invoices may not be required (e.g., auto allowances) incurred in the previous fiscal year must be submitted by the last day invoices are accepted for the fiscal year.

**B. Review of Grant Balances, Other Special Appropriations, and Special Revenue Accounts**

By June 15, every department head with responsibility for a grant, special revenue fund, and/or special appropriation will report to the City Auditor the status of each the account. In the report, the department head will confirm whether or not the grant/project has been completed or discontinued. Additionally, if an account has a deficit balance, the department head will state whether revenue is anticipated to be received sufficient to cover the deficit by September 30 and include relevant back-up documentation. If the deficit will not be covered by September 30, the department head will complete a Supplemental Budget Request Form and include it with the status package.

Depending on the status and documents received from the department head, the City Auditor will:

- Review the Supplemental Budget Request Form and coordinate with the Mayor and City Council to obtain the appropriate transfer or appropriation to cover the deficit.
- Close each account that has been verified as completed, transferring any residual balance to general fund balance or to the original special revenue source, when applicable.
- Carry forward the verified balances for each grant, special revenue fund, and special appropriation that have been confirmed to be ongoing.

**C. Capital Project Reviews, Capital Asset Updates, and Borrowings**

As of March 1, the City Auditor will review all capital project accounts to ensure that any internal borrowings done in anticipation of short- or long-term debt issuances have been covered. For any identified deficits:

- If debt had been authorized, the City Auditor will notify the Treasurer to initiate a short-term borrowing in an amount sufficient to cover the deficit no later than June 30.
- If debt had not been authorized, the City Auditor, in conjunction with the responsible department head, will complete a Supplemental Budget Request Form to obtain either a debt authorization by City Council, appropriation from available funds by City Council, or line-item transfer by the City Council and Mayor (see section D below).

By June 15, the City Auditor will distribute via email a capital asset list to department heads along with next-step instructions. By no later than August 1, each department head with capital assets will respond by forwarding to the City Auditor an asset update report with notes confirming the existing data, making additions, and/or noting appropriate deletions, along with narrative explanations. The City Auditor will update the City's capital asset inventory based on the returned information.

**D. Year-end Transfers**

The City Auditor and department heads will pay close attention to any pending appropriation deficit that may be rectified through a line-item transfer and request that the Mayor recommend such a transfer be approved by the City Council. No earlier than May 1 and no later than July 15, the Mayor will put all recommended transfer requests on the City Council's meeting agenda for authorization. The City Auditor will notify any department head whose budget is affected by the transfer.

#### E. Closing the Books

No later than August 31, the City Auditor will do the following to close the books:

- Conduct a reconciliation of each fund type in turn (including transfers between funds) and, when completed, close each fund in the general ledger.
- Confirm that all open purchase orders from the prior fiscal year have been closed.
- Verify the new opening balances of all special revenue fund.
- Calculate the general fund's unreserved fund balance.

#### F. Submissions to the Division of Local Services (DLS)

Submissions to DLS will comply with the time frames listed below.

##### City Auditor:

- |   |              |
|---|--------------|
| ▪ Snow and ice data sheet   | September 15 |
| ▪ Community preservation surcharge report (CP-1)<br>(with the Chief Assessor) | September 15 |
| ▪ Balance sheet checklist   | September 30 |
| ▪ Combined balance sheet and supporting documents                             | September 30 |
| ▪ Community preservation fund report (CP-2)                                   | September 30 |
| ▪ Schedule A  | November 30  |

##### City Auditor and Treasurer:

- |                                    |              |
|------------------------------------|--------------|
| ▪ Statement of indebtedness        | September 30 |
| ▪ Treasurer's year-end cash report | September 30 |
| ▪ Cash reconciliation              | September 30 |

##### City Auditor, Treasurer, and Collector:

- |                                       |              |
|---------------------------------------|--------------|
| ▪ Schedule of outstanding receivables | September 30 |
|---------------------------------------|--------------|

#### REFERENCES

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 59, § 5](#)

[M.G.L. c. 44, § 56A](#)

[M.G.L. c. 64, § 64](#)

Holyoke policies on Antifraud, Capital Planning, Grants Management, and Reconciliations

DLS Informational Guideline Release 17-13: [Appropriation Transfers](#) and other guidance: [Annual Year-End Letters](#) and [Municipal Calendar](#)

Massachusetts Municipal Auditor's and Accountants' Association: [\*Accounting Manual\*](#)

Governmental Accounting Standards Board Statement 1: [\*Objectives of Financial Reporting\*](#)

Government Finance Officers Association Guidance: [\*Timely Financial Reporting\*](#)

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**EFFECTIVE DATE**

The policy was adopted on [date].

## POLICY LOG

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### FINANCIAL PLANNING

Policy	Adopted	Last Reviewed	Amended
Annual Audit			
Annual Budget Process			
Capital Planning			
Debt Management			
Financial Reserves			
Forecasting			
Indirect Cost Allocation			
Investments			
OPEB Liability			
Overlay			

### FINANCIAL OPERATIONS

Policy	Adopted	Last Reviewed	Amended
Antifraud			
Cash Flow			
Disbursements: AP			
Disbursements: Payroll			
Financial Management Team			
Grants Management			
Payroll Withholdings			
Procurement Conflict of Interest			
Reconciliations			
Revenue Turnover			
Tailings			
Tax Enforcement			
Tax Recapitulation			
Travel/Employee Reimbursement			
Year-End Closing			