

TOWN OF LITTLETON

FINANCIAL MANAGEMENT REVIEW

JANUARY 2021



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

DLS | Technical Assistance Bureau

100 Cambridge Street, Boston, MA 02114-9569

www.mass.gov/dls

Theo Kalivas, Project Manager, Technical Assistance Bureau

Frank Gervasio, Assistant Project Manager, Technical Assistance Bureau



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

January 29, 2021

Board of Selectmen
Town of Littleton
37 Shattuck Street
Room 306
Littleton, MA 02642

Dear Board Members,

I am pleased to present the enclosed financial management review for the Town of Littleton as requested by the Board of Selectmen. 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 this report, please contact Zack Blake, Technical Assistance Bureau Chief, at 617-626-2358 or blakez@dor.state.ma.us.

Sincerely,

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

Sean R. Cronin
Senior Deputy Commissioner

Supporting a Commonwealth of Communities

mass.gov/orgs/division-of-local-services | P.O. Box 9569 Boston, MA 02114-9569 | (617) 626-2300

TABLE OF CONTENTS

INTRODUCTION	2
COMMUNITY PROFILE	2
OVERALL FINANCIAL MANAGEMENT	5
RECOMMENDATIONS	9
Strengthen the Town Administrator’s Role in the Budget Process	9
Delegate Warrant-Signing Authority to Town Administrator	10
Adopt Financial Operations Policies to Support Formalized Internal Control Practices	11
Conduct a Workflow Analysis and Create a Procedures Manual	12
Combine the Treasurer and Collector Departments	13
Designate the Tax Collector (or new Treasurer/Collector) as Town Collector	13
Enhance Assistant Town Accountant Position	14
Conduct Financial Management Team Meetings	14
APPENDIX: SAMPLE POLICIES	15
Antifraud.....	15
Disbursements.....	20
Reconciliations	23
Revenue Turnover	27
Year-End Closing.....	30

INTRODUCTION

At the request of the board of selectmen, the Department of Revenue's Division of Local Services (DLS) completed this financial management review for the Town of Littleton. The scope of our review, as defined in discussions with the town administrator, finance director, and the chair of the board of selectmen, focuses on enhancing the town's overall efficiency and effectiveness of financial management practices and procedures and strengthening lines of accountability where necessary. Our team interviewed senior managers and department staff, reviewed the town charter, bylaws, associated governing documents, and examined historical financial data. This analysis led to recommendations designed to bolster accountability, enhance and codify internal controls, and support efficient financial management.

As this report was being finalized, the town, state, and country entered into uncharted territory due to the COVID-19 pandemic, which is forcing all levels of government to address significant changes in financial conditions due to the closing of the economy and uncertainty about how long the downturn will last. It is now more important than ever to maintain an accountable fiscal management structure supported by rigorous internal controls. We offer this report to guide the town in this effort.

COMMUNITY PROFILE

Littleton is located just west of I-495, about 43 miles northwest of Boston and is bordered by Westford in the north and Harvard and Acton to the south. It is primarily a residential community with a population of approximately 9,900. Littleton is governed according to its town bylaws, which provide for a five-member board of selectmen as an executive body with an open town meeting functioning as the legislature. There is also a seven-member finance committee, with two members appointed by the board of selectmen, two by the school committee, one by the board of assessors, one by the moderator, and one by the Light and Water Commissioners.

The board of selectmen appoint a town administrator to maintain town operations and direct day-to-day activity, according to Chapter 3 in the town's administrative bylaws. The position directly supervises and has appointing authority (subject to approval by the board) for the assistant town administrator, director of finance and budget, head of the highway department, facilities manager, head of information technology, building commissioner, human resources director, and director of elder and human services. The town administrator's specific duties include administering the

performance review program across all town departments, conducting regular departmental meetings and reporting back to the board, and generally ensuring that town offices function effectively. Regarding town finances, Section 6 of Chapter 3 states that the “Town Administrator shall be responsible for the budget process.”

The town operating budget funds a full range of municipal services, including police, fire, and public works departments, a town library, electric light and water/sewer enterprise utilities, and public education. Littleton provides pre-kindergarten through second grade education at the Shaker Lane School. Students in grades three through five attend the Russell Street School, six through eight the Littleton Middle School, and nine through twelve the Littleton High School. High school students can also elect to attend the Nashoba Valley Technical High School.

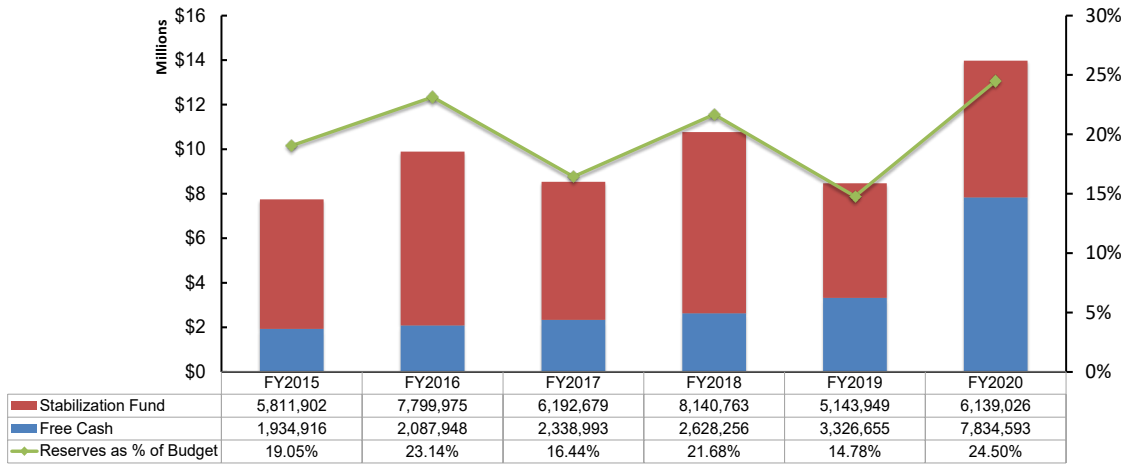
FY2020 Revenues by Source



Of Littleton’s \$63 million FY2020 operating budget, \$41.5 million was funded from the tax levy, \$5.7 million from state aid, \$9.7 million from local receipts, and \$6 million other available funds. The majority of Littleton’s tax levy (68.8%) is attributable to residential properties. It is unclear to what extent the COVID-19 related shutdown of local businesses in the second half of FY2020 and first half of FY2021 will affect these collections in the short-term.

Littleton’s main reserves consist of free cash and a general stabilization fund, and the town has maintained an ample reserve balance since FY2015. In FY2020, certified free cash levels were \$7.8 million, or 13.7% of the budget, and the general stabilization fund’s balance was \$6.1 million, or 10.7% of the budget. On a combined basis, Littleton has an amount equal to 24.5% of its FY2020 budget in reserve, ensuring that it is well poised to weather any unexpected revenue downturns, which is especially important given the current Covid-19 crisis and its effects on current and future fiscal circumstances.

Free Cash and General Stabilization Fund as a Percentage of General Fund Budget



As shown in the table below, Littleton’s FY2020 average single-family tax bill of \$8,270 was below the county average of \$8,804, but well above the statewide average of \$5,969. The town’s FY2020 average single-family value of \$465,384 is below the county average of \$598,088, but higher than the statewide average of \$425,077. Littleton’s per capita income of \$49,559 is higher than statewide average of \$43,019 and just above the Middlesex County average of \$65,216. The town’s per capita equalized valuation (EQV), which represents the full and fair cash value of all taxable property, of \$217,372 is below the statewide average of \$254,395 and the county average of \$255,518. EQV is used to calculate various state aid allocations (e.g., Chapter 70) and assessments (e.g., mosquito control) and the Town’s debt limit.

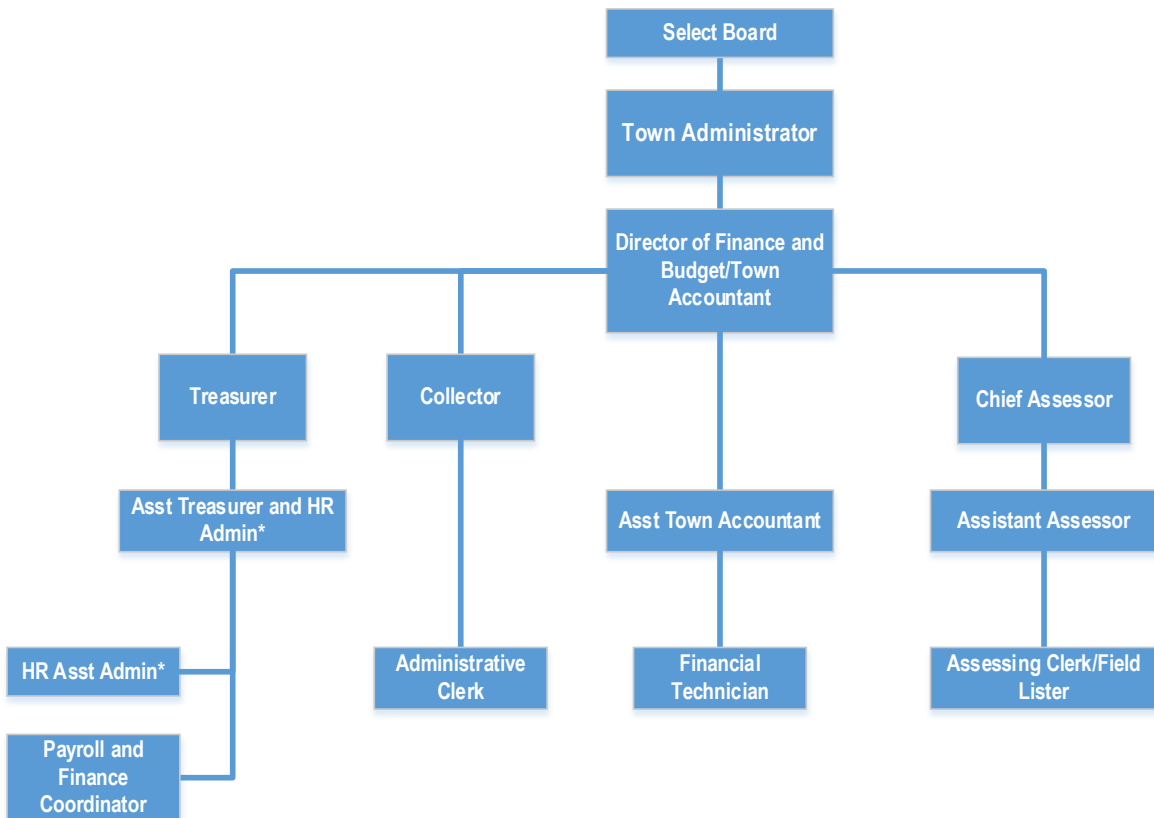
	Average Single Family Tax Bill	Average Single Family Value	Avg Tax Bill as % of Value	DOR Income Per Capita	Average Tax Bill as a % of Income	EQV per Capita
Littleton	8,270	465,384	1.78%	49,559	16.69%	217,372
Middlesex County	8,804	598,088	1.50%	65,216	15.06%	255,518
Statewide	5,969	425,077	1.52%	43,019	15.21%	254,395

Standard & Poor’s Global Inc. (S&P) evaluates ongoing management practices and policies when reviewing a town’s credit quality. In May 2020, S&P reaffirmed Littleton’s coveted bond rating of AAA with a stable outlook, which the town has held since 2014. This rating reflects the socio-economic profile, financial management practices, and budgetary flexibility. One weakness cited by S&P is Littleton’s large pension and other post-employment benefit obligations (OPEB). The rating agency cited a 44.1% funding level of a defined-benefit health care plan for retired employees of the town and the electric department, and a net OPEB liability of \$18.1 million.

OVERALL FINANCIAL MANAGEMENT

Littleton’s financial management structure is headed by a town administrator appointed by a board of selectmen. Since our initial visit, the town has transitioned to a new town administrator, which will provide an opportunity to reconsider the position’s role in the budget process as outlined in our recommendations below. The town administrator’s office includes an assistant town administrator and administrative assistant. The assistant town administrator will take on the duties of a human resources director from the treasurer’s office.

The finance director (who is appointed by and reports to the town administrator) supervises the town’s financial department heads: the treasurer, collector, director of finance and budget/town accountant (whom we will refer to as “finance director”) and the day to day operations of the chief assessor. In practice, the finance director develops the town budget directly with the finance committee and input from the board of selectmen.



*HR functionality moving to Town Administrator’s office.

The finance director also develops forecasts and analysis, and solicits, receives, and compiles departmental budget submissions for operating and capital budget development. Outside of the budget development process, the finance director is responsible for all the duties of a town accountant, such as supervising the accounting department, maintaining the general ledger, reconciling with the treasurer and collector, and monthly budget monitoring. The finance director's staff include an assistant town accountant (primarily responsible for accounts payable processing) and a financial technician/clerk.

The treasurer is appointed by and works under the supervision of the finance director, and the office is in the midst of significant organizational change. The previous treasurer retired in the fall of 2020 and had been a mainstay of the town's budget process, providing significant financial analysis to the finance director and finance committee, in addition to his normal treasury duties. The former assistant treasurer is also a recent retiree, and had functioned as the town's head of human resources and benefits administration, but as noted above the human resources functions of this position has been moved to the town administrator's office. A payroll and finance coordinator processes accounts payable and payroll warrants for payment and accepts turnover sheets for the department, among other duties. This position also handled benefits deductions for payroll until that functionality was transferred to the new human resources department under the town administrator.

The collector is also a finance director appointee. Her office is lighter in personnel than the other finance departments, comprised of the full-time collector and a part-time administrative clerk. The department prepares a volume of 4,200 real estate bills on a quarterly basis, contracting with the firm Kelly and Ryan for printing. Kelly and Ryan are also the deputy collector for motor vehicle excise (MVE) and other excise. The collector's office only bills and collects for real estate, personal property, and excise taxes. Other town receipts include utility receipts for a combined water and electric enterprise, which bills separately, and parking tickets, which are paid directly to the select board's office.

The assessing department is responsible for valuing town property and maintaining a database of approximately 4,000 real estate parcels. Day-to-day activities are overseen by a chief assessor, who is appointed by and reports to the finance director. An assistant assessor covers the counter and performs other daily operations in the office, including processing abatement applications, preparing forms of list, entering building permit inspection information into Patriot (the town's CAMA vendor) and general record keeping. A part time field lister/assistant clerk splits her time between covering the counter and general administrative tasks when in the office, and residential data collection in the field.

In March of 2019, Littleton's director of finance and budget ended her employment with the town and took a position in another community. In April 2019, the Treasurer discovered suspicious financial

activity on the town's books, reported it to the police, and a criminal investigation followed. The investigation soon uncovered over \$150,000 worth of fraudulent transactions on the town's credit card, attributable to the former finance director. Reeling from this failure of the town's financial control structures, the select board started recruiting for a replacement finance director with an eye toward shoring up their weaknesses and blind spots.

In August of 2019, the board appointed the current director of finance and budget (finance director), who then implemented several measures intended to address the town's internal control weaknesses, including the town administrator's approval of requisitions over \$5,000 and all expense reimbursements for department heads. Many of the town's new accountability measures were made easier by the conversion of their financial system to Munis, but the conversion process in itself has meant adapting to new systems and resolving errors, on which the town has made steady progress.

The board then hired firm CliftonLarsenAllen (CLA) to review the finance department's organizational structure, policies, procedures, and general practices. This analysis was completed and delivered to the town in November 2019. High priority findings included a Police 911 Grant fund that was being used improperly as a revolving account, a general lack of appropriate documentation for financial transactions, a non-standalone human resources department, and too many Munis users with highest-level payroll permissions. There were other medium- and low-priority findings as well, which are not reproduced here.

Since the release of the report, the town has taken action to address the findings. The Police 911 grants have been brought into compliance with MGL and the Finance and Budget Director has implemented new procedures to ensure staff create proper documentation with every transaction. Similarly, the finance office has updated documentation and workflow requirements in general to create a system of controls and accountability. While payroll functionality is staying in the treasurer's office, the town is removing the personnel and human resources administration functions from the treasurer and shifting them to the Town Administrator's office, designating the assistant town administrator as the human resources director. Regarding Munis permissions, the finance director has limited the number of "super users" and is evaluating staff permissions and needs in general.

While finance officials are steadily making progress on implementing the changes recommended by the CLA report, we noted some overarching structural issues that the town should address. The first relates to the select board's role in the budget process and financial matters. In Massachusetts, the executive function of a town is generally vested in its board of selectmen (barring a town council form of government) and part of that executive function is ultimate accountability and authority over fiscal

policy. In this case, fiscal policy includes the annual budget process as well as the networks of accountability that support responsible disbursement of town funds on a daily basis.

In Littleton, the position of town administrator is the board of selectmen's proxy for all administrative matters, but ultimately his/her duties are rooted in the board's executive authority and responsibilities. While the town's bylaws acknowledge this fact by assigning budget responsibility to the town administrator, Littleton's financial management structure has historically been primarily overseen by an active finance committee, with direct support from the Director of Finance and Budget, while the town administrator, and by extension the board of selectmen, have generally deferred or not been extensively involved. While this particular instance relates to budget matters, it may also create a culture where financial matters in general may be removed from the necessary executive oversight that it is the select board's duty to provide and be relegated to a parallel line of accountability involving only the finance director and the finance committee.

Nevertheless, the incumbent finance director has taken action to involve the select board and town administrator in budget and financial matters and to increase cooperation and communication wherever possible. Prior to the incumbent finance director, the town administrator did not sign off on or receive a copy of the town's disbursement warrants. This practice has been halted and now the town administrator receives copies of and signs off on all warrants. We are encouraged by this change but would generally expect to also see greater involvement of the select board/administrator in the budget development process as well. We provide guidance on this, along with other matters related to succession planning and financial operations, in the recommendations below.

RECOMMENDATIONS

Strengthen the Town Administrator's Role in the Budget Process

We recommend that the Town Administrator take a position at the head of the budget development process, setting clear lines of accountability that lead back to that position, while allowing for delegation of specific tasks to the finance director where appropriate. At the time of our interviews, the town administrator was essentially just another department submitting a budget request to the finance director.

To start, the town administrator should meet with the board of selectmen before the budget season begins and develop a set of annual budget goals and objectives. As the town's elected executive body, the board of selectmen should be setting policy priorities for the upcoming fiscal year, including on matters of the budget. The administrator can then communicate these priorities to departments in the form of spending guidelines or other parameters at the start of budget development. The specific task of distributing budget materials and instructions may be delegated to the finance director, but the town administrator (and thus the select board) should be involved in setting the direction of overall financial planning.

We also recommend that the town administrator participate when the finance director meets with department heads to discuss their annual budget requests and, upon conferring with the finance director, should have approval authority over departmental budget requests before they are submitted either to the finance committee or select board.

Ideally, the town administrator will work with the finance director to develop budget requests into a comprehensive annual budget document that is then submitted to the select board and finance committee. This document should include a budget message that frames the year's financial plan in context of its annual goals, a summary of the town's financial forecast, and a breakdown of the revenue and expenditure figures used to develop the year's financial plan and create a balanced budget. The budget document should also include sections outlining departmental goals, objectives, and changes to spending, a section outlining the year's capital budget and capital improvement plan, as well as any financial policies that are relevant to the town's budget development.

As the chief administrative officer of town government, the town administrator should be responsible for its fiscal as well as operational administration. This will not only keep the administrator apprised of the financial situation of each department, but more importantly allow him/her to evaluate and

provide guidance on whether the department's spending plan aligns with the select board's goals and objectives as outlined earlier in the process.

To start, the town may want to adopt an annual budget policy to codify the roles and responsibilities of finance officials. The annual budget policy should include:

- Budget goals for the general fund, capital investment, reserves, and enterprise or business-type activities.
- Principles for balanced and sustainable budgets including funding levels and sources and circumstances for considering any Proposition 2½ referendums.
- A budget calendar that specifies dates for initial revenue projections and updates, departmental appropriation guidelines and request returns, capital improvement plan, working budget, and the final budget, allowing for hearings, reviews and approvals at different levels, and accounts for the time needed to print and distribute the warrant.
- Requirements for the budget document include the budget's short- and long-term strategic goals, narrative information on departmental and organizational goals and the resources needed to meet those goals, and graphical information on revenues, expenditures, reserves, and other financial data.
- Budget monitoring guidelines for requiring a review of revenue and expenditure reports by the select board and finance committee during the year to provide the opportunity to make plans for any necessary corrective actions and to consider advance forecasting into the next year.

Delegate Warrant-Signing Authority to Town Administrator

We recommend that the select board vote to delegate warrant-approval authority to the town administrator. This will ensure that the town's regular disbursements of payroll and accounts payable expenses continue to be made smoothly and on time. During our interviews, we learned that at present, every warrant requires the signature of a majority of the select board. Since the select board is a part-time body made up of volunteers it may not always be possible for finance staff to acquire a necessary signature if board members are not in the building. While staff and board members are diligent and are typically successful at acquiring the needed signatures, this may not always be the case, and could result in late payments of town obligations. Alternatively, the town may consider adopting the use of an online signature application (one example would be DocuSign) to allow for approval of warrants remotely.

Adopt Financial Operations Policies to Support Formalized Internal Control Practices

While the town has adopted a formal policy manual, it does not include policies for fraud mitigation or internal controls around processes such as disbursements, revenue turnovers, and reconciliations. At the time of our interviews, the finance director indicated that she was working with other department heads to formalize these practices, including a regular schedule for reconciliations. We applaud the progress in this matter so far and believe that it provides an opportunity to codify best practices by adopting the financial policies noted below. Please see the appendix for sample policies that TAB has developed.

Antifraud: This policy specifically defines fraud and creates a framework for recognizing, reporting, and laying out a process to begin any necessary investigations. It defines the responsibility for both staff and management, and creates a reporting structure, headed by a Chief Accountability Officer, for employees to follow if they suspect fraud or impropriety. We recommend designating the town administrator as Chief Accountability officer if the town adopts an antifraud policy.

Disbursements: This policy governs the process around payroll and accounts payable disbursements, identifying the officials and staff involved and defining their responsibilities. Recent enhancements to the processes added by the finance director could be codified here.

Reconciliations: A reconciliation policy provides a framework to ensure transactions are in balance, mitigates fraud, safeguards general ledger accuracy, and maximizes certifications of free cash. Financial officers must conduct and document regular reconciliations of their internal accounting records, and these must be reconciled to the general ledger. Source documentation that must be reconciled with the town accountant's records includes the treasurer's cashbook, collector's control book, payroll withholdings, and special revenue accounts (e.g. federal, state, and local grants, gifts). A reconciliations policy outlines the personnel responsible for reconciling, the specific records to be reconciled, and a time frame for getting it done regularly and efficiently.

Revenue Turnover: A revenue turnover policy is designed to safeguard town assets, maximize cashflow, and provide guidelines for departments to turn over receipts to the treasurer. It should include details of the internal control procedures used to safeguard the town's revenue handling, including the personnel involved and their responsibilities at each step in the process.

Year End Closing: The town requires accurate financial data to effectively monitor its financial activity for errors or fraud, and to make informed budget decisions. The year end closing process is key in ensuring accurate record keeping and establishing a clear picture of the town's financial position. A

year end closing policy specifies the tasks, deadlines, and officials involved in successfully closing the town's books.

Conduct a Workflow Analysis and Create a Procedures Manual

We recommend the finance director conduct a workflow analysis of all finance department procedures, with a focus on using available technology to maximize efficiencies and recording key tasks. Processes worthy of review include payroll, beginning with time and attendance input to verification and finalization in the treasurer/collector's and accountant's offices, accounts payable warrant processing, online payment collection, reconciliation, and other key tasks identified by staff. The town's recent conversion to Munis provides a good opportunity to do this, since staff will need to relearn many functions under the new software.

Complementing the workflow review should be the creation of a manual encompassing all the key procedures of the finance department. As initial efforts are being made to standardize various policies, documenting a detailed list of responsibilities that each staff member completes on an ongoing basis is the next step. Effort should be made to include the specific steps required to accomplish objectives defined in accompanying policies. The process of creating manuals can help discover redundant controls and to make risk assessment decisions on the cost of sustaining particular controls or adding new ones.

This task will take considerable effort and should be approached in stages, beginning with the department's most high-risk activities. The manual should be designed to maintain services when there are unexpected employee absences and so that any new staff who start working in the department can quickly learn the job requirements. Equally important, the manual should explicitly highlight internal controls and how they are expected to function. These controls, which can be preventative or detective, include examples such as segregation of duties, approvals, authorizations, verifications, physical asset security, reconciliations, inventories, as well as policies and procedures themselves.

A comprehensive manual should contain a combination of the pertinent policies, statements of objectives, step-by-step instructions, and related software application screenshots. Once developed, these manuals should be stored electronically on shared drives for easy access so that procedures that apply across many departments such as turnovers or purchasing are widely available. Tasks specifically referencing Munis should be reviewed and revised by the responsible department with each Munis update.

Combine the Treasurer and Collector Departments

We recommend combining the tax collector and the treasurer offices into a single department managed by a treasurer/collector. While section 17-1 of Littleton's administrative bylaws calls for separate treasurer and tax collector positions, combining the departments functionally could be a matter of simply appointing the same individual to both positions. In the future, the town may decide to go through the process of revising its bylaws to reflect a distinct treasurer/collector position and department.

The collector position could become an assistant treasurer/collector in the new department with the same duties and responsibilities for collecting town receipts, supported by the same part-time clerk position. The transfer of the assistant treasurer/human resources director's functionality to the town administrator's office should create space in the department for an assistant treasurer/collector. An assistant treasurer/collector would cross-train in the treasurer/collector's duties, and the administrative clerk from collections could be cross-trained in treasury duties. Having receipts collected, counted, posted, deposited, and managed in the same office would increase staff efficiency as well as the opportunity for cross-training and continuation of service in the case of unexpected absences. Once the offices are functionally combined, we recommend reviewing their physical locations and office layouts to better support the functioning of a single department.

Designate the Tax Collector (or new Treasurer/Collector) as Town Collector

We recommend the town designate the tax collector (or the treasurer/collector, should the town choose to merge the departments) a town collector. This will streamline the Town's revenue collection functions, which are currently decentralized. For instance, fines for parking infractions are paid through the Select Board's office.

Rather than ensuring that proper procedures exist in each of these departments, we recommend that local officials direct the collection of all taxes, fees and other charges through a single office in town hall. Designating one individual as the town collector also reduces the need for turnovers between other departments to the treasurer and centralizes the town's collections operations. Having one office with these responsibilities, especially one well equipped to receive and record funds, reduces the risk that any payments could be lost, and should make reconciliations easier and more efficient.

Enhance Assistant Town Accountant Position

We recommend delegating some of the day-to-day accounting duties of finance director/town accountant to the assistant town account. At the time of our interviews, the position's main responsibility was accounts payable processing. We leave it to the finance director to determine the ultimate balance of duties between the two positions. However, delegating more of the day-to-day accounting tasks to the assistant town accountant (or other personnel) would allow the finance director to spend more time on strategic financial planning and other high-level budget considerations that are inherent to the position. We also strongly recommend ensuring that the assistant town accountant is cross-trained on the finance director's core duties as town accountant and able to fill in in the case of an unexpected absence.

Conduct Financial Management Team Meetings

We recommend that the financial management team meet on a regular basis. Financial management team meetings provide the opportunity to discuss the town's fiscal issues and review progress toward financial goals and objectives. For example, meetings would be an opportunity to review upcoming deadlines and responsibilities surrounding town meeting, financial forecasting, revenue and expenditure monitoring and adjustments, capital financing, free cash certification, and year-end closing. These meetings enhance lines of communication and provide a forum to raise and resolve interdepartmental issues while underscoring how each office is dependent on the performance of the others.

Regular team meetings will provide the opportunity to formally establish open communication, outline expectations, and set team goals. Led by the finance director, meeting participants typically include the treasurer, collector, chief assessor, and a representative from the school business office. In addition to the finance offices, the town's chief technology officer should also be a standing member of this committee, due to the necessity of the towns' financial software and network in completing town business. Meetings should be held at least monthly, with a set agenda and supporting materials sent in advance to all participants. Occasions may arise in which additional managerial, analytical, or administrative support is necessary and might include the town administrator or specific department heads, as needed.

APPENDIX

ANTIFRAUD

PURPOSE

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

POLICY

The Town 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. Town officials, employees and other persons acting on behalf of the Town must, always comply with all applicable policies, laws, and regulations. A “Person acting on behalf of the Town” refers to any individual responsible for or to Monson’s government placed in that position by some official relationship with the Town.

The Town 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 Town intends to fully, objectively, and impartially investigate any suspected acts of fraud or other similar irregularities regardless 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 Town 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 Town 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 Town
- 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 Town
- 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 Town 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 Town Administrator has primary responsibility for coordinating all fraud investigations.

C. Reporting Suspicion of Fraud

Any Town employee or official who suspects fraud or abuse has occurred will promptly report it to the Town Administrator, who will duly post the matter for discussion in an executive session of the Board of Selectmen. If the suspected fraud involves the Town Administrator, the employee/official will report it to the Chair of the Board of Selectmen or to a different member of the Board 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 Town Administrator 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 Town therefore strongly encourages individuals to put their names to reports; however, an anonymous report can be emailed to the Town Administrator at ebrassard@monson-ma.gov.

D. Security of Evidence

Upon receipt of a report of suspected fraud, the Town Administrator 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 Town Administrator 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 Town may make any comment to the media or any other party without explicit authorization from the Town Administrator or Board of Selectmen.

F. Investigation

As soon as possible after receipt of a report of potential fraud or abuse, the Town Administrator will schedule a Board of Selectmen 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 Board of Selectmen and Town Administrator devise a media strategy on the issue?
- Is there a need to report the issue to any external parties?

The Town will investigate every non-anonymous report of suspected fraud. For any anonymous report, the Board of Selectmen 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 Town)
- Sufficiency of details provided to enable an investigation

To begin the formal investigation, the Town Administrator will consult with the Town Counsel to obtain guidance on next steps. From there, the Town Administrator may also seek the involvement of the Finance Director, Police Chief, and other personnel as needed. The Town Administrator may also recommend to the Board of Selectmen 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 Town Administrator or other assigned investigator will provide a written report of findings to the Board of Selectmen. If it supports a finding of fraud, the Town will pursue disciplinary action against any individual(s) involved and make every reasonable effort to recover any lost assets. On the advice of Town Counsel, the Board of Selectmen may also report the violation(s) to the local district attorney's office to pursue appropriate legal actions.

Additionally, the Town Administrator, 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 Town-wide, to mitigate the risk of future fraudulent activity. The subject department head(s) will subsequently provide the Town Administrator with updates on the status of the corrective action(s) monthly or upon request.

If the Town's investigation concludes that there was a violation of any federal criminal law involving fraud, bribery or gratuity potentially affecting a federal award, the Town Administrator 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 Town Administrator 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 Town 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 Town Administrator 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 Town employees must complete the state's conflict of interest training. Further, any Town employee responsible for managing a vendor contract will ensure the vendor receives a copy of this policy and returns a signed acknowledgment. The Town Administrator or his designee 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, 5B, 5C, 5D, 5E, 5F, 5J](#) [M.G.L. c. 268A](#)

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

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

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

EFFECTIVE DATE

This policy was adopted on [date].

DISBURSEMENTS

PURPOSE

To mitigate the risk of fraud and ensure the Town disburses cash only for legally valid liabilities, this policy establishes guidelines for the expenditure of Town funds.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Finance Director and Treasurer job duties▪ Board of Selectmen’s warrant approval responsibilities▪ 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 and payroll disbursements
Scope:	<ul style="list-style-type: none">▪ Guidelines for managing requests for and disbursements of Town funds to pay accounts payable liabilities and to compensate employees through payroll.

POLICY

No disbursement for any payroll or accounts payable (AP) expense shall occur without the prior review of the Finance Director and approval by the Board of Selectmen. Accordingly, the Finance Director is responsible for finalizing every AP and payroll warrant and the Board of Selectmen for approving each by majority signatures.

Every AP disbursement must be based on an original invoice and valid form W-9 for the payee. As a tax-exempt organization, the Town will not pay sales tax on any expense. 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 town meeting in accordance with [M.G.L. c. 44, § 64](#). All payroll expenditures must be based on approved time and attendance (T&A) reports and be consistent with personal service contracts, classification schedules, or Monson personnel bylaws. No employee may submit overtime hours or hours for any special detail work without the supervisor’s advanced approval.

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.

A. Ongoing Maintenance of Payroll and Leave Time Data

The Treasurer is responsible for maintaining the Harper’s payroll database of all active town employees including their salaries, pay rates, stipends, weekly work hours, benefit options, and withholdings within the payroll module. Any change to an employee’s employment status, work hours, or pay rate can only be made by the Treasurer staff based on a personnel action form signed by the appropriate department head, Finance Director, and the Town Administrator.

The Assistant Town Accountant has oversight responsibility for maintaining the Excel spreadsheet of employee leave time accumulations and usage. A change to any employee’s rate of accumulation must

be supported by one of the following documents: collective bargaining agreement, classification schedule, or personal services contract. Deductions to leave time will be based on data reported on biweekly time sheets.

B. Responsibilities Related to Disbursement Processing

Every **employee** is responsible for:

- Documenting on a biweekly time sheet the hours worked or leave time used by specific date

Each **department head** is responsible for:

- Assuring that all purchases of goods and services conform to the state's procurement laws
- Verifying that adequate funds exist in the department's budget for every AP and payroll submission, attesting to the accuracy of each AP submission via signature on the coversheet of the invoice(s) and for payroll submissions by electronic email signature accompanying emailed Excel reports
- Timely submitting of AP disbursement requests and T&A reports to the Finance Director, and emailing T&A reports to the Town Administrator

The **Finance Director** is responsible for:

- Reviewing T&A reports and AP submissions and including each requested expense on the AP/payroll warrant only after validating:
 - Procurement laws were adhered to
 - The submission is legal
 - No fraud is evident
 - Adequate funds exist
- Preparing the AP and payroll warrants and submitting them to the Board of Selectmen for approval
- Ensuring the payroll warrant balances with the Treasurer's payroll preliminary report before providing it to the Board of Selectmen and subsequently notifying the Treasurer to initiate bank transactions to disburse the payroll
- Monitoring and maintaining employee leave time balances in the Excel spreadsheet on both pay period and annual accrual basis
- Updating the general ledger with all AP and payroll warrant expenditures

The **Treasurer** is responsible for:

- Reviewing payroll data in the Harper's database based on departmental electronic time sheets and manual hard copy submissions
- Reviewing the AP warrant and withholding from disbursement any amounts owed to the town by listed payees
- Upon receipt of payroll and AP warrants signed by the Board of Selectmen, funding the gross payroll warrant, the Town's portion of Medicare tax, and the gross AP warrant in the associated bank accounts

- Dispersing payroll by direct deposit, which is mandatory for all employees
- Mailing out all AP checks to the vendors
 - The Treasurer will not give any vendor checks to department heads or other employees to mail
- Updating the cashbook to document the disbursement activity

The **Board of Selectmen** are responsible for:

- Reviewing each warrant for appropriateness by examining the invoices, back-up documents, and payroll detail, and directing any inquiries to the Finance Director
- Approving the warrants by signing them

C. Manual Disbursements in Exceptional Circumstances

An emergency or other imperative circumstance may compel an allowable exception to the usual disbursement process. In such rare cases, the Treasurer may issue a manual check for an AP or payroll liability upon receipt of written authorizations from the Town Administrator and Finance Director. For the next AP/payroll warrant, the department head will then submit the amount to the Finance Director as a no-check transaction.

D. Audit

All disbursement activity is subject to audit by Monson’s independent auditor.

REFERENCES

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

[M.G.L. c. 44, §§ 56, 58, 64](#)

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

[M.G.L. c. 200A, § 9A](#)

Monson policy on Antifraud

EFFECTIVE DATE

This policy was adopted on [date].

RECONCILIATIONS

PURPOSE

To ensure transactions are in balance, to mitigate fraud, and to safeguard general ledger accuracy, financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger. This policy sets guidelines for the various types of reconciliations.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Finance Director in keeping the general ledger up to date▪ Treasurer in maintaining a cash book and managing payroll withholdings▪ Collector and all other personnel within the Town, who have responsibility either for managing a receivable account and/or a special revenue fund
Scope:	<ul style="list-style-type: none">▪ The periodic reconciliation of cash, receivables, and special revenue fund records within departments and of those departmental records with the general ledger

POLICY

The Collector and all other department heads with accounts receivable duties will internally reconcile their respective accounting records and subsequently reconcile them with the Finance Director 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 Monson's financial records.

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 business days of each transaction. The Treasurer will reconcile cashbook accounts to their corresponding bank accounts weekly and will complete full-month bank reconciliations within fifteen days of month-end. 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 correct them when appropriate. The Treasurer will then forward the reconciled cashbook balances report to the Finance Director and, when needed, an additional Schedule of Receipts for any adjustments made.

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. At the conclusion of each pay cycle, the Treasurer will forward a summary report of

withholdings subject to vendor invoices (i.e., insurances) to the Finance Director to be recorded in separate general ledger agency accounts and disbursed through the accounts payable process.

To reduce the risk to the Town for liabilities in excess of withholdings, the Assistant Town Accountant, under the direction of the Finance Director, will conduct monthly reconciliations of these payroll withholdings to their corresponding accounts payable, identify any discrepancies, and provide the results of these activities to the Treasurer to make any necessary payroll changes or adjustments. The Treasurer 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.

C. Accounts Receivable Reconciliation

Accounts receivable are outstanding monies owed to the Town, whether from committed bills (i.e., taxes, excises, liens, foreclosures, water 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 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 the record-keeper reduces a commitment according to processed collections, abatements, and exemptions 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

The record-keeper will forward a copy of the internally reconciled accounts receivable balances to the Finance Director. For the Collector, this is the Schedule of Outstanding Receivables.

D. Special Revenue Reconciliation

Governed by various state statutes, special revenue funds are 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 Finance Director,

and properly authorized transfers are recorded for the period. These department heads will subsequently provide the Finance Director with reconciliation reports on the funds.

E. General Ledger Reconciliation

To achieve the core objective of maintaining the general ledger's integrity, the Finance Director must regularly reconcile it with the separately maintained accounting records outlined in Sections A – D above. In addition, it is the Finance Director'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 Finance Director 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 Finance Director 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 Treasurer's Schedule of Receipts 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 Finance Director must trace each entry to the ledger until the variance is determined.

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

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

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

The Finance Director will verify that all special revenue fund reconciliations match the general ledger. The responsible department head and Finance Director 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 15th of the month following the one being reconciled. At each quarter-ending month, the Finance Director 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 by a worksheet 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 Finance Director will submit the collective set of reconciliation worksheets to the Town Administrator at each month's end.

G. Audit

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

REFERENCES

Monson policies on Antifraud, Disbursements, Financial Management Team, and Revenue Turnover

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

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

EFFECTIVE DATE

This policy was adopted on [date].

REVENUE TURNOVER

PURPOSE

To safeguard Town 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 Town's revenues are properly and timely secured, recorded, and deposited in Town bank accounts.

APPLICABILITY AND SCOPE

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

POLICY

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. Each department will turn over at least weekly and must do so by the end of the day when cash receipts total \$500 or more. At each month-end, departmental staff will turn over all revenues no later than 11:00 am on the last business day of the month.

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

A. Receiving Payments

Using prenumbered receipt books, assigned departmental staff must issue a receipt for every payment received, even when the payer attempts to refuse it. These departmental staff must identify the forms of payment (check, cash, or credit card) in their receipt books. As the exception, employees in the Collector's office receiving taxes and other collections from the public need only issue receipts for cash payments. Every staff person who receives a check will immediately endorse it "For Deposit Only" using a stamp or by handwriting. Every department receiving payments shall secure them in a locked cash box or safe until completing a turnover to the Treasurer.

Each department head is responsible for overseeing the processing, recording, record retention, and turning over of receipts to the Treasurer. To the extent practicable, separate individuals should be tasked with 1) receiving and endorsing payments, 2) recording payments in the departmental log, 3) depositing receipts in the bank (if applicable for the department), and 4) turning receipts over to the Treasurer.

B. Turning Over Revenues

Departmental staff will fill out a Schedule of Departmental Payments to the Treasurer (i.e., the turnover form), obtain the department head's signature on it, and make two copies of it. Every listed receipt should tie back to a receipt book entry and to the receipt logs maintained by the department head. Departmental staff will deliver the turnover package in person and at no time may leave any unattended turnovers in the Treasurer's office or elsewhere in Town Hall.

No less than weekly and at month-end, the Treasurer will complete an internal turnover of all the collections processed during that period for taxes and other committed receivables. The turnover form will report all the collections summarized by receipt type, which must reconcile to the bank deposits for the same period.

When the Treasurer's office has accepted the turnover, the department employee will receive back two copies of the turnover form signed and dated by the Treasurer or Assistant Treasurer. The department employee will retain one turnover copy on file and is responsible for delivering the other copy to the Finance Director. The Finance Director will refuse to accept any turnover that is not signed by the Treasurer or Assistant Treasurer.

The head of every department that receives payments will review the Finance Director's monthly revenue reports to verify all turned over receipts have been accurately recorded in the appropriate general ledger accounts and report any discrepancies to the Finance Director.

C. Receiving Turnovers

When presented with the turnover, Treasury staff will count the receipts in the presence of the authorized department employee. Any inaccuracies on the turnover forms will be corrected on them at that time and initialed by both parties. The Treasury staff member will then sign the turnover copies and return two of them to the departmental employee.

Within 24 hours of receiving the turnover, Treasury staff will record the receipt data in the VADAR Receipts module. At the close of business each day, the Treasurer will review the VADAR postings, turnover documents, and receipts, update the cashbook, and deposit the checks using a remote scanner. The Treasurer will take cash to the bank for deposit weekly unless receipts exceed \$1,000. 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. Once receipts are entered into VADAR, the Treasurer submits the receipts to the Finance Director through VADAR and sends an email confirmation.

The Treasurer will forward a VADAR Schedule of Receipts report to the Finance Director at month end. The Finance Director will compare this report with the electronically accepted turnovers emailed to them and contact the Treasurer about any discrepancies. The Finance Director will then accept the verified receipts in VADAR, which posts them to the general ledger.

D. Insufficient Funds

Upon notification from the bank of an insufficient check or an invalid or otherwise unpaid electronic funds transfer (EFT), the Treasurer makes a reversal entry in the cashbook receipts and assigns it to the

appropriate bank account. The Treasurer will notify the department responsible for the turnover and the Finance Director.

The department responsible will notify the issuer in writing of the bounced check or rejected EFT. Payment of the original amount plus a \$25.00 penalty is due in five days and must be in the form of cash, money order, or certified check.

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 will 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 committed amount will be reinstated by the appropriate official and the usual collection procedures followed.

E. Cash Drawers

On a limited basis, the Finance Director may authorize funds for a department cash drawer for the exclusive purpose of making change. The department head must complete a Cash Drawer Authorization Form (included in the Appendix) to request this funding. The Finance Director will maintain records of cash drawer balances in the general ledger as cash accounts.

Use of these cash drawers shall be restricted only to departmental staff whose job duty assignments specify cashier functions. The department head is responsible for ensuring that each cash drawer is counted daily and will immediately investigate and correct any discrepancies. Cash drawers shall be stored in locked cabinets or safes.

F. Reconciliation

In accordance with the Town's Reconciliation policy, the Treasurer will reconcile the cashbook with bank statements and provide a summary of cashbook balances to the Finance Director.

G. Audit

All cash management activity is subject to review by the Finance Director and the Town's independent auditor. Further, the Finance Director will conduct random, periodic audits of departments revenue turnover procedures to ensure adherence to this policy.

REFERENCES

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

Monson Reconciliations policy

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

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 Town 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. As an important reserve, the Town’s annual free cash cannot be certified expeditiously and accurately unless applicable employees adhere to best practice year-end schedules and procedures. To meet these objectives, this policy specifies the tasks that must be completed, their associated deadlines, and the parties responsible.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Board of Selectmen and Finance Committee in their budget transfer authority▪ Town Administrator, Finance Director, Treasurer, and Collector job duties▪ All department heads in managing and reporting on their budgets and assets
Scope:	<ul style="list-style-type: none">▪ Tasks necessary to close the fiscal year’s books and complete required annual reports▪ Protocol for year-end appropriation transfers

POLICY

The Town Administrator 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 Finance Director will transmit year-end instructions 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 15: Requests for encumbrances
- June 30: All available invoices
- June 30: Status reports on the balances of grants, other special appropriations, and special revenue accounts

A. Year-end Encumbrances

In response to notices from department heads of pending expense obligations from the fiscal year, the Finance Director will encumber funds for them only if proper documentation shows the funds have been committed to specific purchases (by purchase orders), services (by service agreements), or projects (by contracts).

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

By May 15, the Finance Director will distribute management reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status updates on them.

Each department head will notify the Finance Director in writing of any completed project with an unexpended balance so that he/she may close its account to fund balance (or to a special revenue source, if appropriate). Alternatively, if any completed project's account is in deficit, the department head will notify the Finance Director in writing, provide funding source(s), and state when it will be resolved so that she can plan for closing the account.

The Finance Director will carefully review any special appropriation account remaining open but inactive in the general ledger for more than two fiscal years to ensure it does not serve as an unauthorized special revenue funding source.

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

As of March 1, the Finance Director 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 Finance Director 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 Finance Director will refer the shortfall to the Town Administrator to either submit it for a debt authorization, an appropriation from available funds by town meeting, or a line-item transfer by the Board of Selectmen and Finance Committee (see section D below).

By June 15, the Finance Director 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 Finance Director an asset update report with notes confirming the existing data, making additions, and/or noting appropriate deletions, along with narrative explanations. The Finance Director will update the Town's capital asset inventory based on the returned information.

D. Year-end Transfers

The Finance Director will pay close attention to any appropriation deficits that may be rectified through line-item transfers and notify the Town Administrator. No earlier than May 1 and no later than July 15, the Town Administrator will put any necessary transfer request on the Finance Committee's meeting agenda, followed by the Board of Selectmen's meeting agenda, for their authorizations.

E. Closing the Books

No later than August 31, the Finance Director 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.
- Zero out all open encumbrances from the prior fiscal year.
- Verify the new opening balances of all special revenue funds.
- 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.

Finance Director:

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

Finance Director, Treasurer, and Collector:

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

REFERENCES

[M.G.L. c. 44, § 33B](#) [M.G.L. c. 59, § 5](#) [M.G.L. c. 64, § 64](#)

Monson policies on Antifraud, Capital Planning, Grants Management, Purchasing, and Reconciliations

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

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

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

EFFECTIVE DATE

The policy was adopted on [date].