

# City of Waupun

## Purchasing – Budget – Accounting

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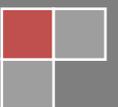
### A Framework for Financial Stability Guide Book

#### Process, Practices, and Policies

*Effective: September 12, 2017,*

*Amended: December 13, 2022*

*Amended: August 19, 2024*



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## **INTRODUCTION**

### **AUTHORITY, PURPOSE AND CONTENT**

This document repeals all other policies regarding Purchasing, Budgeting, and Accounting as prepared by the Finance Department and adopted by the City of Waupun Common Council with the effective date of September 12 , 2017, revised December 1, 2022.

City Administration shall review and update the policy manual on an annual basis. Any additions or modifications shall be presented to the Committee of the Whole and approved by the Common Council. Any modifications to this policy manual shall be noted with the date that it became effective.

The intent of this document is to provide purchasing, budgeting, and accounting guidance for accountability, consistency and standards of operational procedures and processes for all financial transactions. The Finance Department shall assist where further clarification is needed.

This guide book shall be used as a procedural framework for employees to make sound defensible decisions of the highest ethical standards.

This policy manual is a guide to procedures and policies and does not give anyone the authority to revise or manipulate the adopted budget. The adopted budget shall be adhered to as adopted by the City of Waupun Common Council.

The policies in this manual cannot provide for every possible financial transaction situation. The content is guidance in every day ordinary transactions. When out of the ordinary situations arise, the Finance Department will determine the proper processing method to be used.

This document does not contain any confidential information.

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# 1- PURCHASING POLICY

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## 1.1 Definitions:

**Agreement** is a negotiated and usually legally enforceable understanding between two or more legally competent parties. An agreement typically documents the give-and-take of a negotiated settlement and a contract specifies the minimum acceptable standard of performance.

**Bid** is the written commitment of a vendor to furnish goods, materials and/or services or a combination thereof in specific quantities at a firm price. Unless otherwise defined, bids are obtained through a formal procedure that uses written documents, advertising and defined time frames to request and receive quotations from prospective vendors.

**Bidder** is one who submits a bid in response to a Request for Bids, Quotes or Proposals.

**Certificate of Insurance** is a document describing the insurance policies maintained by an insured. It identifies the policy number, effective and expiration dates and name of the insurance company affording coverage. It generally acts as proof or evidence of insurance.

**Environmentally Preferable Products** are products that have a less harmful impact on human health and the environment when compared with competing products.

**Information Services (IS)** are those items that relate to computers, software, hardware, telephone or other technology-type equipment, services and supplies.

**Professional Services** are performed by independent contractors/consultants whose occupation is the rendering of such services. While not limited to licensed occupations, the services are considered "professional." Such professional services include, but are not limited to:

- Accounting and billing services
- Appraisal services
- Consulting services
- Information services studies
- Environmental studies
- Financial and operational audits
- Legal services (except witnesses/consultants retained for litigation)
- Personnel, job classification and benefit studies
- Training services
- Translation services

**Public Works** is any project for the construction, repair, remodeling or improvement of any public works building, infrastructure and grounds and/or the furnishing of supplies or material of any kind for such work.

**Purchase Order (PO)** is a written contract with a vendor that formalizes the terms and conditions of a proposed transaction.

**Quotation** is the written or verbal commitment of a vendor to furnish non-public works products or services in specific quantities at a firm price.

**Request for Bid (RFB)** is a structured purchasing process for public works projects used to determine source selection when price is the only factor. Contract is awarded to the lowest responsible bidder provided it meets the required specifications and is within budget.

**Request for Information (RFI)** is a method to collect information about the capabilities of various suppliers for comparative and budgeting purposes as well as help make decisions on whether to proceed with a RFP or RFQ.

**Request for Proposal (RFP)** is a method of purchasing when price is not the only factor and used when specifications and scope of services cannot be prepared to provide all prospective contractors with a complete and accurate description of the work to be performed. It is intended that the contractor will perform that work. Performance factors along with price are considered. Contract is awarded to the highest scoring vendor provided it meets the required specifications.

**Request for Quote (RFQ)** is a structured purchasing decision process used to determine source selection when price is the only factor. Contract is awarded to the vendor with the lowest price or highest proceeds quoted provided it meets the required specifications.

**Services** means the furnishing of labor, time or effort by a contractor, not involving the delivery of a specific end product other than reports which are merely incidental to the required performance. This term includes professional services.

**Sole Source** is when there is only one specific vendor that can provide the specific equipment, supplies or services requested.

**Specification** is any description of the necessary characteristics of a product, service, or item that must be met by prospective vendors. Specifications are developed jointly by the user department and Purchasing and shall not be written to limit competition.

**Vendor** refers to a company or firm that is a source of supply for goods and/or services.

**W-9** is an IRS form, also known as "Request for Taxpayer Identification Number and Certification", which is used to verify an entity's taxpayer identification number (TIN).

## **1.2 General Departmental Purchasing Requirements:**

All purchasing activities shall be conducted in such a manner as to obtain the best possible price, quality and service for the City of Waupun.

Departments shall:

1. Ensure its employees are aware of the City of Waupun's purchasing policies and procedures.

2. Receive Department Head/Team Leader/Manager approval PRIOR to starting the purchasing process.
3. Ensure the necessary funding is available in their budget PRIOR to starting the purchasing process.
4. Obtain a W-9 for all new vendors except if it is a refund/reimbursement.
5. Ensure the City of Waupun does not pay sales tax for any goods or services within the State of Wisconsin.
6. Not reimburse sales tax paid for purchases within the State of Wisconsin.
7. Not lead vendors to believe they will be awarded a contract if information they provide is being used for budget or planning purposes only.
8. Have the Department Head/Team Leader/Manager review and approve all invoices and account lines being charged.
9. Negotiate terms and discounts for purchases.
10. Request a Certificate of Insurance from any vendor performing a service on any property owned by the City of Waupun.
11. Obtain proper Material/Safety data sheets where applicable.
12. Follow Federal, City and Wisconsin State Statutes regarding procurement for Public Work projects. (see PURCHASING CATEGORIES)
13. Structure specifications for all requests so as not to limit competition.
14. Return to Finance Department any checks that are returned back to the city due to error, lack of need, undeliverable, etc.
15. Allow Accounts Payable checks to be mailed directly to the vendor, unless they are city employees or the department has a specific written request for needing the check back.

### **1.3 Employee Reimbursements:**

Travel - Every employee reimbursement must be documented, along with attached original itemized receipts, nature of business, program allocation, and funding source (if applicable) before submitting for reimbursement.

Lodging - an itemized receipt from the hotel detailing all charges, the person(s) for whom the lodging was provided, and the specific business purpose.

Meals and Entertainment – If an employee travels for work-related business, then the employee may be eligible for meal reimbursement for each full day of travel when engaged in approved travel. There are some restrictions as to how the allowance relates to breakfast and dinner. Breakfast is only subject to reimbursement if the employee is staying overnight the day before when traveling or leaves before 6:00 a.m. to travel. Dinner will not be covered unless the employee is not expected home before 7:00 pm.

The maximum expense for meals is as follows:

Breakfast	Up to \$9.00 per day
Lunch	Up to \$13.00 per day
Dinner	Up to \$21.00 per day

The City does not reimburse employees for snacks or alcoholic beverages

Mileage – for the use of personal vehicles for City business is paid at the current IRS rate.

Other Expenditures - a receipt from the vendor detailing all goods or services purchased (including the class of service for transportation) and the specific business purpose.

The City of Waupun is exempt from Sales Tax and Room Taxes when traveling within the State of Wisconsin. All employees shall obtain a Sales Tax Exemption Form (S-211) prior to incurring any travel expenses or purchasing any goods that would be subject to Wisconsin Sales Tax. Sales Tax Exemption Forms may be obtained from the Finance Department. The Sales Tax Exemption Form must be presented prior to purchasing to avoid paying sales tax.

Sales Tax paid by an employee will not be reimbursed. (exception for meals within per diem amounts)

**1.4 Vendor Relations:**

City of Waupun employees participating in purchasing activities shall give all qualified bidders equal consideration and assurance of an unbiased judgment in determining whether the vendor's goods or services meet the specifications put forth by the city in the solicitation process.

City of Waupun employees purchasing from vendors with a direct family or personal relationship shall take caution in doing so and document a competitive purchasing process. Family/personal relationships with vendors should be disclosed in writing to your supervisor to provide disclosure prior to any purchase.

City of Waupun employees are encouraged to buy local if possible.

**1.5 City-Wide Contracting**

Pre-approved City-wide Standard Contracts

Departments shall purchase standard products or services from contracts negotiated for City-wide use. Examples of such contracts may include office supplies, janitorial supplies, copy paper, copier maintenance, IT, etc.

**1.6 Disposal of Supplies and Equipment:**

Supplies or Equipment no longer serving a useful purpose shall be disposed by transferring the material to a department which might have a use, by public auction or in such manner considered to be in the best interest of the city.

**1.7 Purchasing Categories and Purchasing Policies:**

The City of Waupun purchasing activities are divided into categories:

1. Purchases under \$5,000
2. Purchases \$5,000 - \$75,000
3. Purchases over \$75,000

Values are based on the total cost of an order, not individual items, and should include all incidental costs such as shipping, installation, training, etc. Separating or splitting purchases to remain within a specific category is strictly prohibited.

Details for each of the categories are described below:

1. Purchases under \$5,000

Purchases under \$5,000 may be procured by an employee authorized by the department head to purchase on behalf of that department in accordance with this policy. Quotes are encouraged and can be either verbal or written. Purchases in this category are encouraged to be made locally, but not required.

2. Purchases \$5,000-\$75,000

The procurement process shall be in accordance with WI Statute Chapter 62 regarding competitive bidding of public works projects governed under state law.

For all other purchases between \$5,000 and \$75,000 not governed by Chapter 62, the department head may procure needed items based on the needs of the department, costs of the service or purchase, and the qualifications of the vendor, if the item being procured is included in the adopted City of Waupun budget, and after obtaining competitive bids, unless for a sole-source vendor.

Competitive bids must be solicited using an informal bidding procedure, which may include any state contract available to local municipalities in procuring a given item. Informal bidding requires preparation of specifications, which are sent to prospective bidders without formal advertising. Factors of importance that consider total cost of ownership of procured item such as lead time to delivery, access to service for warranty work or repair that can be serviced within a five-mile radius of the city, or other factors deemed important to determination of best value should be outlined and requested as part of the bid documents. Bids submitted must meet specifications as outlined. A comparison of at least two or three bids that meet specifications as outlined is expected and all bids are required to be in writing. Purchases in this category are encouraged to be made locally, but not required. The City of Waupun may reject any and all bids, quotes or proposals for substantial noncompliance with the specifications or if price is higher than budgeted. A bid shall be awarded to the lowest responsible bidder, however the city reserves the right to consider bids other than the lowest bid based on overall best value for the city as outlined in bid specifications.

To purchase an item included in the adopted city budget, the department head will present the information from the bidding process to a standing committee that provides oversight of their department, or in the absence of such committee, the city administrator. Board or administrator recommendation for the purchase is then presented to the Committee of the Whole for approval before a purchase agreement or contract is signed.

At times, the policy recognizes that unplanned purchases may be necessary to meet the needs of the city. To purchase an item not included in the adopted city budget, the department head will present the information from the bidding process and rationale for the need to the standing committee that provides oversight of their department, or in the absence of such committee, the city administrator. Board or administrator recommendation for the purchase is then presented to the Common Council with recommendation for funding and/or a budget modification for Council approval before a purchase agreement or contract is signed.

3. Purchases exceeding \$75,000

The procurement process shall be in accordance with WI Statute Chapter 62 regarding competitive bidding of public works projects governed under state law. Purchases that exceed \$75,000 are subject to sealed bidding requirements unless designated otherwise by the City Council. To obtain purchase approval, the department head will present the information from the bidding process to a standing

committee that provides oversight of their department, or in the absence of such committee, the city administrator. Board or administrator recommendation for the purchase is then presented to the Common Council for approval before a purchase agreement or contract is signed.

### **1.8 Major Equipment and Vehicle Buy Local Preference Purchasing Policy**

The following procedure shall be used by all departments when purchasing any vehicle or major piece of equipment. The “local area” as defined in Section 1.7 applies.

The steps are as follows:

1. Funding for specific vehicle and equipment purchases are approved during the budget process by the Mayor, Committee of the Whole, and ultimately adopted by the full Common Council.
2. The department head is then responsible to inform the Standing Committee of the Common Council that they work with about the details of the impending vehicle/equipment purchase.
3. Standing Committee approves purchase.
4. When purchasing a piece of equipment costing \$10,000 - \$25,000, competitive quotes or bids must be taken. Competitive bids must be solicited when purchasing any vehicle, or any other piece of equipment costing \$25,000 to \$100,000, using an informal bidding procedure, which would include any state contract available to local municipalities in procuring a given item. Informal bidding requires preparation of specifications, which are sent to prospective bidders without formal advertising. Bids submitted must meet specifications as outlined. A comparison of at least two or three quotes that meet specifications as outlined is expected and all quotes are required to be in writing. The bid is awarded to the lowest cost vendor. If a local vendor as defined in 1.7 submits a bid within 1% of the lowest non-local bidder, the purchase is awarded to that local vendor if the item to be purchased does not fall into the exceptions listed in Section 1.9. If a low bid is rejected based on local preference policy, documentation of the rationale for the rejection must be maintained in the procurement file. Purchases that exceed \$100,000 are subject to sealed bidding requirements unless designated otherwise by the City Council.
5. Common Council approves successful bid and purchase agreements for items over \$100,000.

### **1.9 Exceptions:**

This policy shall NOT apply to:

Emergency purchases used to resolve an immediate threat to the health or safety of the public and/or employees. The department addressing the emergency situation shall procure the necessary products/services and submit a report of all emergency purchases and justification to the City Administrator within five (5) business days of the event.

Purchases based on a cooperative purchasing agreement established by one or more units of government. Cooperative purchasing may include, but are not limited to, joint or multi-party contracts between units of government or open-ended state, municipal, federal or other government contracts which are made available to the City of Waupun.

Purchases that are determined to be available from only one source as a result of a regulated or natural monopoly such as utility, telephone and cable services. These purchases must be approved by the City Attorney for the required supply, service, or construction, and when circumstances exist, which preclude competitive procurement.

Due to state law, Buy Local Preference policies may not apply to public works projects. Due to federal restrictions, federally funded programs are also exempt. Exemptions will also be made for emergencies, sole source purchases, cooperative purchasing agreements and cases in which a local vendor is not qualified as determined by City staff. If it is determined by City staff that a vendor has misrepresented its local status, it will be ineligible to receive preference.

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## **1.1- CREDIT CARD/P-(PURCHASE) CARD POLICY**

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### **1.1.0 Introduction to Credit Card Policy:**

The City of Waupun will issue credit cards to certain employees/departments for use in their jobs; this policy sets out the acceptable and unacceptable uses of such credit cards. Use of city-issued credit cards is a privilege, which the City of Waupun may withdraw in the event of serious or repeated abuse. Any credit card the City of Waupun issues to an employee/department must be used for business purposes only and are intended to be used primarily for conferences, hotels, meals, and purchases where vendors do not provide purchase terms.

Employees with credit cards shall not use them for any non-business, non-essential purpose, i.e., for any personal purchase or any other transaction that is not authorized or needed to carry out their duties. The City of Waupun will not regard expenses for one's own business-related use, such as lodging and meals while on company-approved business trips, as personal purchases, as long as such expenses are consistent with the City of Waupun's travel and expense reimbursement policy. If any employee uses a company credit card for personal purchases in violation of this policy, the cost of such purchase(s) could be considered an advance of future wages payable to that employee if not immediately reimbursed to the City of Waupun. If an employee uses a company credit card for any other type of unauthorized transaction in violation of this policy, i.e., incurs financial liability on the City of Waupun's part that is not within the scope of the employee's duties or the employee's authorization to make business-related purchases, the cost of such purchase(s) or transaction will be the financial responsibility of that employee, and the employee will be expected to reimburse the City of Waupun. Any purchases an employee makes with a city credit card in violation of this policy will result in disciplinary action, up to and possibly including termination of employment, depending upon the severity and repeat nature of the offense.

### **1.1.1 Finance Department Approval:**

The Finance Department approves the positions/departments with the ability to use a credit card issued by the City of Waupun.

The Finance Department shall maintain a listing of all positions/departments authorized to use a credit card and associated credit limits.

### **1.1.2 DEPARTMENTAL USAGE POLICY**

Cardholders approved to use a credit card shall:

- Have purchases authorized by a Department Head/Team Leader/Manager
- Only use the credit card for City of Waupun purchases
- Ensure that sales tax is not paid on all exempt purchases

- Follow the policy on Employee Reimbursements (refer to 1.3 of this manual)
- Cardholders are responsible for ensuring that they adhere to the Credit Card policy, thereby ensuring adequate controls are exercised to minimize the risk that credit cards are used for fraudulent or corrupt purposes
- Report lost or stolen cards immediately to Wells Fargo Bank 1-800-642-4720 and report immediately to the Finance Department.
- Upon resignation or termination of duties with the City of Waupun, reconcile all expenditures on his/her card account since the last Statement and surrender the card upon termination to appropriate staff or exit interviewer.

### **1.1.3 CREDIT CARD ACCOUNTING PROCESS**

Purchase receipts and invoices shall be turned in to Accounts Payable department within 5 working days. It is recommended to scan receipts and email to Accounts Payable. Monthly credit card statements will be received and opened by Accounts Payable. Accounts Payable will match and reconcile receipts with purchases. Any missing receipts will be requested immediately. Cardholders that do not turn in receipts in a timely manner on a routine basis could result in cancellation of the card or shall be held responsible for any late payment fees incurred.

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## 2- ACCOUNTS PAYABLE PROCESS

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### **2.1 Overview**

City of Waupun strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

It is the policy of the City of Waupun that the recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the vendor invoice for the related goods or services. The vendor invoice should be supported by an approved purchase order where necessary and should be reviewed and approved by a Department Manager prior to being processed for payment. Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized
2. Invoices are processed in a timely manner
3. Vendor credit terms and operating cash are managed for maximum benefits

### **2.2 Recording of Accounts Payable**

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

Accounts payable are processed on a semi-monthly basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

It is the policy of City of Waupun that only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment.

### **2.3 Preparation of a Voucher Package**

Prior to any account payable being submitted for payment, a package called a "voucher package" shall be assembled. Each voucher package shall contain the following documents:

1. Purchase Order (where appropriate)
2. Vendor invoice
3. Packing slip (where appropriate)
4. Receiving report (or other indication of receipt of merchandise and authorization of acceptance)
5. Any other supporting documentation deemed appropriate

### **2.4 Processing of Voucher Packages**

The following procedures shall be applied to each voucher package by the designated department employee:

1. Check the mathematical accuracy of the vendor invoice,
2. Compare the nature, quantity, and prices of all items ordered per the vendor invoice to the purchase order request form, packing slip, and receiving report,
3. Review the general ledger distribution that has been documented by each department using the Organization's current chart of accounts, and
4. Obtain the review and approval of the department director (or their designee) associated with the goods or services purchased.

Approvals by department directors indicate their acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with general ledger account coding, and agreement to pay vendor in full. Approvals shall be documented with initials or signatures of the approving individual. A list of employees authorized to approve purchases is attached to this manual.

## **2.5 Payment Discounts**

To the extent practical, it is the City's policy to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

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## 3- BUDGET POLICY

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### **3.1 Definition of Fund Structure:**

The City of Waupun uses fund accounting for its financial structure. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

Funds are the control structures that ensure that public monies are spent only for authorized purposes and within the amounts authorized. Funds are established to account for the different types of activities and legal restrictions that are associated with a particular governmental function. The use of funds and the budgeting, accounting, and auditing that are associated with this fund structure are governed by the Governmental Accounting Standards Board (GASB).

For financial statement presentation purposes, the various funds of the City are grouped into the following fund types under three broad fund categories: governmental, proprietary, and fiduciary / agency.

#### ***1 - Governmental Funds***

Governmental funds are those through which most municipal functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The City's Governmental Funds are the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The General Fund accounts for all financial resources except those required to be accounted for in another fund. The unassigned general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Wisconsin, and of the City of Waupun.

Special Revenue Funds are used to account for revenue from specific sources (other than major capital projects) which require separate accounting because of legal restrictions.

Debt Service Funds account for the accumulation of resources for and payment of general long-term obligations' principal and interest.

Capital Projects Funds account for financial resources to be used for acquisition

of equipment and the construction of major capital facilities (other than those financed by proprietary funds), and to account for the financing of public improvements or services deemed to benefit specific properties on which assessments are levied.

### **2 - Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise funds are used to account for operations that provide services which a fee is charged to external users for goods or services.

### **3 - Fiduciary /Agency Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund is comprised of only the agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The City does not have to appropriate agency funds. Agency funds account for money a government holds in an agency capacity on behalf of another person or entity. Therefore a government has minimal discretion in spending this money.

### **3.2 Capital Budgeting:**

Capital Projects include the acquisition of equipment and construction projects. Construction projects are defined as a study, engineering/design, and construction, or a combination of all three phases totaling \$5,000 or more having a useful life of at least five years. Equipment is defined as any equipment or software with a useful life of 3 years or more and a value of \$1,000 or more individually to be an equipment replacement/purchase eligible item.

The Capital Improvement Plan (CIP) is comprised of all current and anticipated long-term capital needs of the City. The ability to fund those projects will be based on the Financial Forecasting “Plan”. The “Plan” is a document updated by the Finance Director as needed. The CIP is a comprehensive resource of the City’s assets indicating useful life, entry price and depreciable value.

Projects will be funded by a combination of note proceeds, bond proceeds, grants, municipal capital lease financing, government loans, gifts, and operating funds. If a capital project is debt funded (note, bond, lease or loan), the term of the debt should not exceed the useful life of the project.

### **3.3 Budget Timeline Guide:**

January            Carryover requests are due

April-May	Budget priority setting and long-term capital planning
June	Five-year capital and equipment plans submitted to Finance Department
July	Departments submit operational budgets
August	Committee of the Whole workshop on equipment and capital improvement plan
September	Committee of the Whole workshop on proposed budget
October	Council budget review session
November	Council adopts the budget and sets the levy rate
December	Tax bills are generated

### **3.4 Budget Transfer Policy:**

#### **BACKGROUND**

During the course of a fiscal year, departments often find it necessary to adjust their budget due to unanticipated savings or temporary shifting of departmental priorities. Because of the temporary (i.e., current fiscal year) basis of these adjustments, budget transfers are processed to affect the change. It is expected that department heads will make all permanent budget adjustments through the annual budget process.

In addition, funding for some activities are budgeted on a system-wide basis (contingencies, etc.) and allocated to the individual departments during the fiscal year. Budget transfers are also prepared for supplemental funding and/or spending authorized or approved by the Mayor, the Committee of the Whole, other Council Standing Committees and/or the Common Council

This policy applies to any changes made to the council adopted budget.

#### **POLICY**

Department Heads and Managers are responsible for monitoring their budgets. At a minimum, departments are to monitor their ability to be in balance by the end of each quarter and fiscal yearend. All revenues and expenses must be properly accounted for throughout the course of the year and allocated to the appropriate accounts. Department heads and managers are **not allowed to manipulate revenues and expenses to avoid budget overdrafts.**

If, during the course of the year, a department determines an expense account may be in overdraft status at the end of the fiscal year, that department should initiate the proper budget adjustment action according to the procedures outlined below. Requests for a budget transfer should be made at the time the department realizes it cannot achieve its objective for a given account.

Departments will fill out the Budget Transfer Request Form as provided by the Finance Department and present the completed form to the Finance Department to initiate the appropriate process. The document

will be submitted to a department, committee or governing body contingent on the amount of the request (see below).

Budget transfers are bound by department. This allows for transfers between functions within departments, but restricts transfers between departments as well as different funds. In rare unforeseen circumstances, budget transfers or amendments between departments as well as different funds may occur upon approval by a two-thirds vote from Common Council. A class 1 notice of the change must be published within 10 days after the change is made or the change is invalid.

Transfer approvals will be determined by the level of funds being requested for transfer.

- ❖ Level #1 - Less than \$2,500 – Finance Director or designee(s)
- ❖ Level #2 - \$2,500 – \$9,999 – Oversight Committee
- ❖ Level #3 - \$10,000 - \$24,999 – Oversight Committee and Committee of the Whole
- ❖ Level #4 - \$25,000 & Up – Oversight Committee, Committee of the Whole and Common Council

All budget transfers will be processed by the Finance Department. Budget status and transfer activity will be monitored by the Finance Director/Treasurer (or designee) through the use of the City-Wide Financial Management System. The Mayor and the Common Council will monitor activity through monthly budget to actual reporting.

After respective approval and the transfer of data has been entered into the Financial Management System, the Budget Transfer Request Form will be sent to the department head and/or manager with the Finance Department's section completed to confirm the transfer or give feedback on a denial.

**Departments must review all transfers to ensure that resources have been distributed properly.**

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## 4- ACCOUNTING POLICY

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### **4.1 Basis of Accounting:**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting, and proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

### **4.2 User Fees and Charges:**

The City of Waupun Common Council shall establish all user charges and fees at a level sufficient to cover the costs of services provided. It will also consider market rates and charges levied by other municipalities to establish comparable amounts. Fees and charges should be reviewed annually, and should be modified to allow growth at a rate that keeps pace with the costs of the provided service.

### **4.3 Accounts Receivable**

Training in the module is available from the Finance Department and Procedural processes are drafted and available for use to all employees using the module.

Any invoice placed in the system shall not be reversed, adjusted or discounted by the department that initiated the invoice. The department shall request for their standing committee to recommend to the Common Council the bill be reversed or adjusted.

Exceptions would include: an error on the billing, usual and customary adjustments, wrong customer billed or any invoice that does not require a judgment whether it is a legitimate billing.

### **4.4 Accounts Receivable Delinquent Payments and Collections:**

The Finance Department is responsible for coordinating, tracking, monitoring and collecting all delinquent payments due to the City of Waupun.

The Finance Department shall process and send out letters and past due statements for overdue accounts by the end of the second week of each month.

The accounts receivable aging schedule for the City of Waupun to send a past due notices to overdue accounts are:

- 30 days past due shall receive a letter from the Finance Department notifying them of a past due amount.
- 60-90 days past due accounts shall receive a letter from the Finance Department notifying them of the past due amount and the available option to start a payment plan
- Over 90 days past due accounts shall receive a final notice letter regarding the account going to collection if not paid within 10 days of the letter.

- The Finance Department is authorized to send accounts remaining delinquent after 100 days to a collection agency.

#### **4.5 Cash Receipts/Cash Handling**

Any department taking in cash/check/credit card transactions must report and cash handle deliverables on a timely basis. Each department has unique situations and as such timely means something different. Therefore, the minimum deposit requirements for departments are at least weekly.

Departments shall:

- Contact the Finance Department to assist in the deposit process if unsure how to account for the monies.
- Immediately receipt all funds collected
- Deposit all receipts intact with the City Clerk's Office. This means receipts shall be deposited in receipt number order.

#### **4.6 Payments from Accounts with Non-Sufficient Funds:**

If payment is submitted to the City of Waupun from a bank account with non-sufficient funds, the City Clerk shall notify the issuer for recovery of the amount plus an administrative/service/bank fee of \$25. This fee is to recover costs associated with the NSF payment.

The City Clerk, for all non-tax payment transactions, when notified of a NSF, shall immediately reverse the receipt and send the debtor a letter of notification that the debt is not paid. Upon repayment the debt shall be processed through cash receipting. Repayment deadline of a tax payment that is NSF shall be determined by the installment due dates taking consideration for the grace period. If not repaid by a deadline, the City Clerk shall reverse the payment in the tax system and mark the tax parcel delinquent if applicable.

#### **4.7 Bank/Cash Reconciliation**

The Finance Department is responsible for balancing cash and all bank statements monthly. This shall be done no later than the 15<sup>th</sup> of the following month. Any discrepancies, errors and adjustments shall be made and departments affected shall be notified as to the issue to assist in future accuracy.

The Finance Director/Treasurer is responsible for the cash flow availability with movement of monies between accounts for positive impact of the City of Waupun's resources.

#### **4.8 Unassigned General Fund Balance Policy**

To maintain the City of Waupun's credit rating and meet seasonal cash flow shortfalls, the Budget shall provide for anticipated Unassigned General Fund Balance between 30% and 40% of annual General Fund revenues.

Should the Unassigned General Fund Balance fall below 30% of General Fund revenues a plan for regaining compliance with the policy shall be submitted to the City Council via the Committee of the Whole.

In the event the Unassigned General Fund Balance is above 40%, the difference must be used for property tax relief and/or one time capital expenditures which do not increase ongoing City costs.

**4.9 Asset Capitalization Policy**

This policy establishes the minimum cost value (capitalization amount) that shall be used to determine the capital assets, including infrastructure assets that are to be recorded in the city’s annual financial statements. This policy also addresses other considerations for recording and depreciating fixed assets.

**4.9.1 Capitalization Threshold**

Capital assets may be acquired through purchase, self-construction, or donation. The asset value when purchased will be the initial cost plus the trade-in value of any old asset traded, plus all costs related to placing the asset into operation. Donated or contributed assets are recorded at fair market value as of the date the asset is acquired. The cost of self-constructed assets will include all costs of construction.

Capital asset value thresholds for capitalization are to be applied to individual capital assets rather than to groups of similar capital assets.

<b>Class of Asset</b>	<b>Examples of Costs to be Capitalized</b>	<b>Capitalization</b>
Land	Purchase price or market value, closing costs, cost of preparing land for use, demolition of existing buildings and improvements	Capitalize all land
Machinery and equipment	Purchase price, freight charges, assembly, installation	\$5,000
Land Improvements	Included parking lots, outdoor lighting, fences, tennis courts, playground equipment, athletic fields, trails, retaining walls	\$5,000
Buildings	Materials, labor, design costs, site excavation, purchase price	\$5,000
Building Improvements	Component units when separately replaced. Major renovation or alterations of original building.	\$5,000
Intangible assets	Software, land use rights, patents, copyrights, trademarks	\$25,000
Infrastructure	See Attachment A of Examples	\$25,000

- a. Capital assets having values of \$250 to \$5,000 are to be controlled at the department level for insurance and inventory reporting purposes. However, these capital assets will not be capitalized and will not be reported as capital assets.
- b. Value estimates of capital assets required to be reported, but for which no historical documentation is available due to past accounting practices, shall be reviewed by the City auditor in accordance with GASB requirements.
- c. A listing of capital assets is to be kept, annually reconciled and reported in the annual financial statements.

**4.9.2 Useful Lives**

Consider the following when determining the useful life of an asset:

- The length of time these assets have historically lasted
- Anticipated changes in technology

- Specific asset use
- Maintenance practices – among City departments, similar assets may be assigned different useful lives, depending on asset use and maintenance

Capital Assets – General Guidance

- Buildings 30-50 years
- Building Improvements 15-50 years
- Machinery and equipment 3-20 years
- Land improvements 15 – 30 years
- Intangible assets 2 – 100 years

Infrastructure Assets – Specific Guidance

- Asphalt 20 years
- Curb & Gutter 30 years
- Concrete 30 years
- Sidewalks 30 years
- Bridges 50 years

**4.9.3 Salvage Value**

The salvage value of capital assets is estimated to be immaterial to the financial statements. Therefore, generally the City will not record salvage value on capital assets.

**4.9.4 Disposition of Assets**

Fixed assets may be disposed of due to sale, obsolescence, loss, destruction, or replacement. Upon disposal of an asset, the capital asset records will be relieved of the cost and related depreciation.

**4.9.5 Depreciation Method**

The straight-line depreciation method will be used for all capital assets. The capital asset software program used by the City allows for depreciation to be calculated on an individual asset basis. In addition, depreciation will be calculated in the year of addition based on one half year’s depreciation regardless of when in the year the asset was put into use.

Infrastructure assets will be depreciated on the straight-line method on an annual basis. Assets will be depreciated on an individual segment basis, when possible, or a composite method when determined to be more reasonable.

**4.9.6 Works of Art and Historical Treasures**

Works of art and historical treasures purchased by or donated to the City should be reported at their historical cost or estimated fair value at date of donation.

Attachment A – Infrastructure Capitalization Guidance

<b><u>Infrastructure</u></b>	<b><u>Examples of Costs to be Capitalized</u></b>	<b><u>Examples of Costs to be Expensed</u></b>
<b>Streets, Curb, &amp; Gutter</b>	New construction, partial reconstruction, full reconstruction	Crack filling, sweeping, patching, seal coating, pavement rehabilitation, pavement recycling, overlay
<b>Bridges</b>	New construction, partial reconstruction, full reconstruction	Crack filling, patching
<b>Storm Sewers</b>	New construction, partial reconstruction, full reconstruction	Storm sewer repairs
<b>Sidewalks</b>	New construction, partial reconstruction, full reconstruction	Spot replacements
<b>Dams</b>	New construction, partial reconstruction, full reconstruction	Spot repairs, maintenance

**4.10 Debt Management Policy**

The City of Waupun shall, as a matter of policy, conduct its finances so that the amount of direct, non- self-supporting, unlimited tax general obligation debt outstanding at any time that is subject to approval by the City Council does not exceed 75% of the city’s legal debt margin capacity which is calculated at 5% of the city’s total equalized valuation.

The city’s general obligation public improvement bond issues should be structured such that, on average, the life is less than 15 years.

When the city finances capital projects by issuing bonds, it will pay back the related debt within a period not to exceed useful life of the projects.

The city will promote effective communications regarding its financial conditions with bond rating agencies and others in the marketplace based on full disclosure.

The city will regularly evaluate its adherence to the debt policy.

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## 5- INVESTMENT POLICY

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### 5.1 Governing Authority

Legality – The investment program shall be operated in conformance with federal, state and other legal requirements, including Wisconsin Statute §66.0603.

### 5.2 Scope

This policy applies to the investment of all funds. Proceeds from certain bond issues, as well as separate foundation or endowment assets, may be covered by a separate policy as necessary.

#### 1. Pooling of Funds

Except for cash in certain restricted and special funds. The City of Waupun will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

### 5.3 General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

#### 1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

##### a. Credit Risk

The City of Waupun will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section 7 of this Investment Policy
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and adviser with which the City of Waupun will do business in accordance with Section 5.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

##### b. Interest Rate Risk

The City of Waupun will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter term securities, money market funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see Section 8)

## 2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the short term portion of the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools, which offer the same date liquidity for short term funds.

## 3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

## 4. Local Considerations

Where possible, funds may be invested for the betterment of the local economy or that of local entities within the state. The City of Waupun may accept a proposal from an eligible institution, which provides for a reduced rate of interest provided that such institution documents the use of deposited funds for community development projects.

## 5.4 Standards of Care

### 1. Prudence

The standard of care to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from the expectations

are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The “prudent person” standard states that, “Investments shall be made with judgment and care, under circumstances when prevailing, which the persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

## 2. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City of Waupun.

## 3. Delegation of Authority

Authority to manage the investment program is granted to the Finance Director/Treasurer and City Administrator, hereinafter referred to as investment officers and derived from the following: Wisconsin State Statute 59.62. Responsibility for the operation of the investment program is hereby delegated to the investment officers.

### **5.5 Safekeeping and Custody**

Securities will be held by a (centralized) independent third party custodian selected by the entity as evidenced by safekeeping receipts in the City of Waupun’s name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

### **5.6 Internal Controls**

The finance director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Waupun are protected from losses, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefit requires estimates and judgments by management. The internal controls shall address the following points:

- Control of collusion.
- Separation of transaction authority and review from accounting and recordkeeping.
- Custodial safekeeping.
- Avoidance of physical delivery of securities.
- Clear delegation of authority to subordinate staff members.

- Written confirmation of transactions for investment and wire transfers.
- Development of a wire transfer agreement with the lead bank and third-party custodians.

## **5.7 Suitable and Authorized Investments**

### **1. Investment Types**

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law where applicable:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States Government and are considered to be the most secure instruments available;
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value (e.g., debt issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corp, Federal Home Loan Bank, Federal Farm Credit Bank);
- Certificates of Deposit and other evidences of deposit at financial institutions;
- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1 or D-1 or higher) by a nationally recognized rating agency;
- Bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by any Rating Agency in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise):
- Investment-grade obligations of state provincial and local governments and public authorities;
- Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments;
- Money Market mutual funds regulated by the Security and Exchange Commission and whose portfolios consist only of dollar denominated securities; and
- Local government investment pool either state administered or developed through joint powers statutes and other intergovernmental agreement legislation.

### **2. Collateralization**

Where allowed by state law and in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization may be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit

## **5.8 Investment Parameters**

### **1. Diversification**

The City of Waupun will minimize concentration of credit risk, the risk of loss attributed to the magnitude of a government's investment in a single issuer, by diversifying the portfolio so that reliance on any one issuer or broker/dealer will not place an undue financial burden on the City of Waupun. Accordingly, the permitted concentrations of investments, as a percentage of the portfolio and per individual issuer, are as follows:

- U.S. Treasury Obligations: 0-100 percent.
- State or Municipal Debt Obligations: 0-50 percent, 0-10 percent per issuer.
- U.S. Sponsored Agencies: 0-70 percent, 0-10 percent per issuer.
- Certificates of Deposit: 0-10 percent, not to exceed applicable FDIC coverage per institution.
- Corporate Notes/Bonds: 0-70 percent, 0-10 percent per issuer.
- Cash and cash equivalents (savings and money market accounts): 0-100 percent, not to exceed applicable FDIC coverage unless covered by a collateralization agreement or bond(s).

## 2. Maximum Maturities

To the extent possible, the City of Waupun shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Waupun will not directly invest in securities maturing more than seven (7) years from the date of purchase or in accordance with state and local statutes and ordinances. The City of Waupun shall adopt weighted average maturity limitations (which range from 90 days to 7 years), consistent with the investment type objectives.

Reserve funds and other funds with longer term investment horizons may be invested in securities exceeding six (6) years if the maturities of such investments are made to coincide as nearly as practicable with expected use of funds.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as the local government investment pool, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

## 5.9 Reporting

### 1. Methods

The finance director shall prepare a detailed investment report semiannually. The investment report will be prepared in a manner, which will allow the City of Waupun to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be provided to the Committee of the Whole. The report will include the following:

- Listing of individual securities held at the end of the reporting period
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investment by maturity date.
- Percentage of the total portfolio, which each type of investment represents.

## 2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken and the benchmarks shall have a similar weighted average maturity as the portfolio.

## 3. Mark to Market

The market value of the portfolio shall be calculated monthly as part of the monthly report. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on “Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools.”

### **5.10 Policy Considerations**

#### 1. Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

### **5.11 Approval of Investment Policy**

The investment policy shall be formally approved and adopted by the city council and may be reviewed as deemed appropriate.

### **5.12 Supporting Documentation**

Documents, as applicable, including but not limited to the following, will be available as supplements to the investment policy:

- Relevant investment statutes and ordinances;
- Investment Procedures and Internal Controls;
- Glossary;
- Broker/Dealer Questionnaire
- Credit studies for securities purchased and financial institutions used;
- Safekeeping agreements;
- Wire transfer agreements;
- Sample investment reports;
- Methodology for calculating rate of return;
- GFOA Recommended Policies.

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## 6- INTERNAL CONTROLS

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### **6.1 Definition of Internal Control**

Internal control is a process that is developed by the municipality to provide reasonable assurance that the following categories of objectives will be achieved:

- the municipality’s financial reporting will be reliable;
- the municipality will be operated effectively and efficiently; and
- the municipality will comply with applicable laws, regulations, contracts and grant agreements.

A good internal control structure is essential to providing reasonable assurance that the City of Waupun is achieving their objectives. Such objectives include, but are not limited to, utilizing public resources in compliance with laws, regulations and budgetary limitations. An adequate control structure will provide information that helps detect errors and fraud, and provides reasonable assurance that financial reports are accurate. It will limit the opportunity for theft or unauthorized use of assets, including cash, inventory and capital assets.

These Internal Controls establish guidance related to internal control and compliance for management within the City of Waupun. Developing an adequate internal control system requires continual analysis and modification to address changing circumstances. Management should identify and address additional objectives that are relevant to their operations.

These objectives are often stated as goals and should address all significant activities of the City of Waupun. There is the need to identify these activities and place relevant risks and related control procedures to them.

The framework for a comprehensive control plan is within these five essential components:

1. Control environment
2. Risk assessment
3. Control Activity
4. Information and communication
5. Monitoring

These five components must operate together to have effective internal control.

### **6.2 Control Environment**

The control environment is the foundation for all the other components. It “sets the tone at the top”. That is, if management (the Mayor, Council, Department Heads) views internal control as important, the rest of the organization will likely follow that same path. Control environment factors include integrity, ethical values, management’s philosophy and operating style, organizational structure, assignment of authority and responsibility, and human resource policies and practices.

The control environment involves more than setting standards, policies, and structures; it involves communicating and enforcing those standards, policies and structures.

### **6.3 Risk Assessment**

Municipal officials should have processes in place to identify potential risks due to changing circumstances. Technological developments, employee turnover, new programs, new accounting standards, new laws and regulations, economic growth and decline, and many other factors impact the adequacy of a municipality's internal control structure.

Municipal officials need to consider the potential for fraud in assessing the various types, assessing incentive, pressures and opportunities. Each will present different risks that must be identified and analyzed for its significance and each risk needs a determination of the level for response.

#### Operations –

- Ensure that the municipality's resources are adequately safeguarded
- Provide taxpayer services efficiently and effectively
- Consider tolerances for risk
- Provide for the long-term stability of the municipality
- Provide a stable and rewarding environment for employees

#### Financial Reporting –

- Provide timely internal financial reports and schedules for evaluating operations
- Provide timely external financial and non-financial reporting
- Issue timely financial reports that comply with generally accepted accounting principles and the additional requirements of GASB (Government Accounting Standards Board)
- Provide an Internal Audit Report regarding security status of municipal resources

#### Compliance–

- Comply with all relevant laws, regulations, contracts and grant agreements

### **6.4 Control Activities**

Control activities are management's specific policies and procedures that help ensure that the risks related to achieving management's objectives are addressed.

Management should at a minimum:

- Develop an employee manual that addresses management's expectations regarding business practices and ethical behavior (includes pay scales, promotions, dress code, probationary period, evaluations, conflict of interest issues, etc.); job skills requirements (job descriptions, lines of authority and responsibility, certifications, education, training, etc.); employee benefits (leave, flex plans, health insurance, pension, PTO, etc.); disciplinary policies and procedures
- Establish a simple and flexible organizational plan that clearly places responsibility for specific activities upon specified individuals/job titles. Control over the accounting function should be centralized under one official who is responsible for all recordkeeping and reporting and who has

the authority to supervise the entire financial operation. Centralizing the accounting function does not eliminate the approval and custodial functions. It allows for consistent application of accounting rules and a general overall review of all activities of the municipality.

- Separate duties of employees so that no one person has control over a complete transaction from beginning to end. Work flow should be established so that one employee's work is automatically verified by another employee working independently. When possible, different persons should be responsible for the authorization, recordkeeping (posting), custodial (cash and materials handling), and review procedures, to prevent manipulation of records and minimize the possibility of collusion. When adequate segregation of duties is not possible, management oversight should be increased to provide reasonable assurance that errors, irregularities or fraud are prevented or detected and corrected in a timely manner. Such oversight would include, but not be limited to, the review of bank statements, cash receipts and cash disbursements summaries as well as the related supporting documentation, and analysis of monthly reports.
- Maintain record retention to substantiate transactions.
- Should ensure that qualified individuals are hired and that appropriate training is provided.
- Establish IT controls for information processing a)security b)passwords c)change management d)numerical sequences of transactions and checks
- Use tangible and intangible safeguards to secure the organization's resources. Tangible being: cameras, locks, barriers; Intangible being: collateral/insurance on financial resources, institutional knowledge.

## **6.5 Information and Communication**

Information and communication systems should provide reliable reports for both internal and external purposes. The means of communicating information within the organization will significantly impact whether objectives are achieved.

## **6.6 Monitoring**

Monitoring the internal control system provides assurance to management that: policies and procedures are being followed; information is being communicated accurately and timely; and, risks are being identified and appropriately addressed. In addition, it ensures that internal control continues to operate effectively, since processes, goals, and circumstances are not static and changes in those areas will necessitate changes in internal control.

During the annual external audit, performed by a Certified Public Accounting Firm, internal controls shall also be analyzed and measured for their effectiveness throughout the organization. They shall issue a report on internal controls and compliance, offering information regarding laws and regulations and internal controls related to financial reporting.

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**7-**  
**FEDERAL AWARDS**

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**7.1 Charging of Costs to Federal Awards**

Only costs that are reasonable, allowable and allocable to a federal award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal awards.

**7.2 Criteria for Allowability**

All costs must meet the following criteria in order to be treated as allowable direct or indirect costs under a federal award:

1. The cost must be "reasonable" for the performance of the award, considering the following factors:
  - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the Organization or the performance of the award;
  - b. Restraints imposed by such factors as generally accepted sound business practices, arm's length bargaining, federal and state laws and regulations, and the terms and conditions of the award;
  - c. Whether the individuals concerned acted with prudence in the circumstances;
  - d. Consistency with established policies and procedures of the Organization, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be "allocable" to an award by meeting one of the following criteria:
  - a. The cost is incurred specifically for a federal award;
  - b. The cost benefits both the federal award and other work, and can be distributed in reasonable proportion to the benefits received; or
  - c. The cost is necessary to the overall operation of the Organization, but where a direct relationship to any particular program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions of OMS Circular A-122 or the federal award itself.
4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of the Organization.
5. Costs must be consistent with Non Federal charges and be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles.

7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.
8. The cost must be adequately documented.

### **7.3 Personnel and Fringe Benefit Costs**

The cost of fringe benefits in the form of compensation paid to employees during periods of authorized absences from the job, such as for vacation, family-related leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowed and provided for under the City of Waupun's written employment compensation and benefits manual.

### **7.4 Procurement**

The City of Waupun will adhere to all Wisconsin DOT Transit procurement procedures when 5311 Federal Grant monies are used, WisDOT Procurement Manual attached in the appendix.

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## 8- RECORD RETENTION

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### **8.1 Record Retention**

The City of Waupun's policy is to retain records as required by Wisconsin statutes and city ordinance 3.10.

### **8.2 Financial Records**

Officers may destroy the following nonutility records under their jurisdiction after the completion of an audit by State auditors or an auditor licensed under Ch. 442, Wis. Stats., but not less than 7 years after payment or receipt of the sum involved in the applicable transaction:

- (a) Bank statements, deposit books, slips and stubs.
- (b) Bonds and coupons after maturity.
- (c) Cancelled checks, duplicates and check stubs.
- (d) License and permit applications, stubs and duplicates.
- (e) Payrolls and other time and employment records of personnel included under the Wisconsin Retirement Fund.
- (f) Receipt forms.
- (g) Special assessment records.
- (h) Vouchers, requisitions, purchase orders and all other supporting documents pertaining thereto.

### **8.3 Utility Records**

Officers may destroy the following records of municipal utilities subject to regulation by the State Public Service Commission and after an audit as provided above, but not less than 2 years after payment or receipt of the sum involved in the applicable transaction:

- (a) Water, sewer, electrical stubs and receipts of current billings.
- (b) Customers' ledgers.
- (c) Vouchers and supporting documents pertaining to charges not included in plant accounts.
- (d) Other utility records after 7 years with the written approval of the State Public Service Commission.

### **8.4 Other Records**

Officers may destroy the following records, but not less than 7 years after the record was effective:

- (a) Assessment rolls and related records, including Board of Review minutes.
- (b) Contracts and papers relating thereto.
- (c) Financial reports other than annual financial reports.
- (d) Insurance policies.
- (e) Justice dockets.
- (f) Oaths of office.
- (g) Reports of boards, commissions, committees and officials duplicated in the official minutes.

- (h) Resolutions and petitions.
- (i) Voter record cards.

**8.5 Notice Required**

Prior to the *destruction* of any public record described above, at least 60 days notice shall be given the State Historical Society.

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## **APPENDIX**

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WisDOT Procurement Manual – For the current version see

<http://wisconsindot.gov/Pages/doing-bus/local-gov/astnce-pgms/transit/procure.aspx>