

RESOLUTION # 17-23

**RESOLUTION TO ADOPT A CASH MANAGEMENT PLAN
AND INTERNAL CONTROL PROCEDURES**

WHEREAS, N.J.S.A. 40A:5-14 of Local Fiscal Affairs Law requires that every local unit shall adopt a "Cash Management Plan" and shall deposit in interest bearing accounts all available public funds pursuant to the plan; and

WHEREAS, the municipal auditor recommended that the City of Woodbury develop and adopt Internal Control Procedures; and

WHEREAS, the municipal auditor has recommended that said plan, procedures and policies be reviewed, amended and adopted annually;

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Woodbury hereby adopts the "Cash Management Plan" and the "Internal Control Procedures" to be utilized by the City of Woodbury attached hereto and made a part hereof.

ADOPTED at a regular meeting of the Mayor and City Council of the City of Woodbury held January 3, 2017.



DAVID TROVATO
President of Council

ATTEST:



ROYA. DUFFIELD
Clerk

Recorded vote:

Ayes (8): Swanson, McIlvaine, Johnson, Fleming, Parker, Reddin, Carter, Trovato

Nays, Abstentions: none

Absent (1): Tierney

CITY OF WOODBURY

POLICIES AND PROCEDURES

CASH MANAGEMENT GUIDELINES

This plan is established to comply with the requirements of NJSA 40A:5-4 and to provide a guide to municipal officials and employees in carrying out their duties concerning the receipt and disbursement of funds of the City of Woodbury.

The following requirements shall be adhered to:

- A. The City Council shall, at its reorganization meeting designate the legal depositories for all municipal funds. The resolution may be amended or supplemented from time to time as the City Council deems necessary. Such resolution(s) shall be deemed a part of the Cash Management Plan.
- B. The City Council shall establish by resolution adopted at its reorganization meeting of said administration the required signatories to all municipal bank accounts. The resolution may be amended or supplemented from time to time as the City Council deems necessary. Such resolution(s) shall be deemed a part of the Cash Management Plan.
- C. All municipal funds received by any official or employee shall either be deposited within 48 hours to an interest bearing account in the name of the City of Woodbury, or shall be turned over to the Chief Financial Officer (CFO) or his/her designee within 48 hours of receipt, **without exception.**
- D. All revenues received by the CFO or his/her designee shall be deposited to interest bearing accounts in the legal depositories with the exception of the items identified in Section E.
- E. The following funds shall not be required to be maintained in interest bearing accounts:
 - 1. Change Funds
 - 2. Petty Cash Funds
 - 3. Trust Funds to the extent that the deposit of such funds to an interest bearing account would require by law the payment of interest to the provider of funds.
 - 4. Any grant funds required by the grant agreement not to be placed in interest bearing accounts.
 - 5. Bond and Interest Accounts for Debt Service payments.
 - 6. Compensating balances maintained for the purpose of obtaining specific services from financial institutions.
 - 7. Any other funds or balances which due to reasons of practicality or requirements of some regulatory authority must be placed in non-interest bearing accounts.

- F. No municipal funds shall be disbursed by the CFO prior to the approval of the City Council except for:
1. Debt Service Payments
 2. Investments
 3. Payroll turnover to agencies
 4. Discount vouchers
 5. Any vouchers that would incur a penalty or interest should payment not be made timely.
 6. Payroll
 7. Trust Account/Recreation Program expenses covered by fees collected.
 8. Tax Title Lien Redemption Payments
 9. Health Insurance Funding Requests
 10. Interfund Transfers between bank accounts

Documentation on these items shall be submitted to City Council for ratification on the bill resolution presented at the next Council meeting following the payments.

- G. It shall be the responsibility of the CFO to analyze the cash flow and to invest funds in legal investments as to maximize interest earnings. The CFO will observe the following guidelines:
1. When investing funds in commercial banks, savings banks, savings and loans and other depository institutions, the CFO shall attempt to obtain a minimum of three quotations and shall invest at the institutions offering the highest effective rate. If such investment together with all other deposits of the City of Woodbury in said institution exceeds the Federal Deposit Insurance Corporation limit then the following criteria must be met.
 - a) the total deposits of the City of Woodbury may not exceed 25% of the total Equity Capital of the institution.
 - b) the institution must be covered by a Current Governmental Unit Deposit Protection Act Certification
 2. The Chief Financial Officer may use the New Jersey Cash Management Fund as an investment.
 3. The Chief Financial Officer shall determine which type of legal investment will best serve the needs of the municipality and is authorized to place funds in any legal investment, unless otherwise restricted by the Governing Body.
 4. The CFO shall report monthly all investment transactions as required by NJS 40A:5-51.2 to City Council.

**CITY OF WOODBURY
POLICIES AND PROCEDURES**

INTERNAL CONTROL PROCEDURES

Conducting the affairs of local government means controlling the operations on a daily basis. To accomplish this, management decisions will be made based upon the information furnished by the working staff. Therefore, accurate and timely information is necessary. Additionally, a system of checks and balances must be established. Such a system involves the principles of internal control.

Definition of Internal Control

Internal control comprises the plan of organization and all of the coordinate methods and measures adopted by a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

Internal control also includes **administrative** and **accounting controls**.

- **Administrative control** includes, but is not limited to, the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility for achieving the objectives of the organization and is the starting point for establishing accounting control of transactions.
- **Accounting control** comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:
 - a. Transactions are executed in accordance with management's general or specific authorization.
 - b. Transactions are recorded as necessary to:
 - 1. permit preparation of financial statements in conformity with generally accepted accounting principles; and
 - 2. maintain accountability for assets.
 - c. Access to assets is permitted only in accordance with management's authorization.
 - d. The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any difference.

Internal control within the municipality comprises the plan of organization and involves all the coordinated methods available whereby the work of one person is verified by another person without duplication of function or effort.

1. **RECEIPT OF FUNDS**

The proper care and concern when handling municipal funds are extremely important and is strongly emphasized.

- a. Individuals cash drawers will be maintained and utilized whenever possible. It is recommended that office personnel not share cash drawers.
- b. All tax/utility receipts will be validated by office personnel utilizing the proper mechanical device (i.e. cash register or validating machine). All other receipts will be date stamped as received.
- c. Daily cash settlements will be conducted and receipts turned over timely.
 1. Revenue received by the Fire Marshal's Office and Police Department will be turned over to the Finance Office within 48 hours.
 2. Revenue collected by the East Greenwich Joint Interlocal Municipal Court will be turned over to the Finance Office on a monthly basis.
 3. The Finance, Tax/Utility Office, Registrar of Vital Statistics and Housing offices will deposit all revenues to the proper depositories within 48 hours.
 4. The security of all funds in locked cash drawers or properly secured bank bags stored in a fire-proof safe until deposit to the proper depository shall always be accomplished.
 5. Individual receipts should be properly identified at all times.
 6. Prenumbered receipts are utilized in the absence of machine generated receipting.
 7. The cashing of checks or acceptance of checks in excess of amounts due is prohibited. The cashing of an employee's personal check is prohibited. Third-party checks are unacceptable.

2. **CASH DISBURSEMENTS**

All purchases will be made in accordance with the Purchasing Policies and Procedures established by the City of Woodbury.

All municipal checks shall be prenumbered. Blank and voided checks will be accurately accounted for and physically secured at all times.

A minimum of three signatures, as designated by resolution of the Governing Body, will be required on all checks drawn on municipal depositories. Signature facsimiles may be utilized; Signature facsimile devices must be secured at all times.

Signing of blank checks in advance is prohibited.

3. **PURCHASE ORDERS/VOUCHERS**

All purchase orders and vouchers will be issued in accordance with the Purchasing Policies and Procedures established by the City of Woodbury. Department Heads and Supervisors will ensure that purchases are made in accordance with said policies and procedures.

The Assistant Finance Officer will process purchase requisitions and vouchers that have had availability of funds certified by the CFO.

The Assistant Finance Officer will encumber approved purchase requisitions and issue purchase orders to the requesting Departments.

The Assistant Finance Officer will verify all purchase orders and vouchers to determine that the claim is proper: including, but no limited to determining that the required documentation is attached, and the proper signatures and approvals have been secured, before processing for payment and submitting to the City Council for approval. The Assistant Finance Officer will print each electronic purchase order or initial each voucher to signify said review has been completed. Discrepancies or questions will be directed to the individual purchasing department for clarification prior to processing for payment.

4. **PETTY CASH AND CHANGE FUNDS**

Petty cash funds may be established in accordance with NJS 40A:5-21 upon written application, authorized by resolution of the Governing Body and subsequent to approval by the Director of Local Government Services.

Petty cash funds established and approved for the City of Woodbury are as follows:

- a. City Clerk in the amount of \$200.00
(\$100.00 Current Fund, \$100.00 Water/Sewer Operating Fund)

Change funds established and approved for the City of Woodbury are as follows:

- a. City Clerk in the amount of \$150.00
- b. Tax/Utility Collector in the amount of \$300.00 (3 drawers of \$100 each)
(\$150 Current Fund/\$150 Water/Sewer Operating Fund)
- c. Housing Office in the amount of \$50.00

Petty cash and change funds shall be properly secured at all times. The individual named as custodian of said fund, shall be accountable for all cash and receipting slips, which should always total to the amount of the fund.

5. **INVESTMENTS**

Investment of excess municipal funds is a priority. The Chief Financial Officer will follow the guidelines established in the Cash Management Plan when investing excess or idle municipal funds. Interest earned on investments should be carefully reviewed and analyzed for proper credit.

6. **BALANCING AND RECONCILING FISCAL RECORDS**

Accurate records must be maintained. Records will be reconciled and verified by individuals other than the personnel performing the maintenance of those records. Records will be maintained current and backlogs when occurring, shall be eliminated.

The Assistant Finance Officers will reconcile the following bank records on a monthly basis:

- a. Current Operating Fund
- b. Water/Sewer Operating Fund
- c. General Capital Fund
- d. Water/Sewer Capital Fund
- e. Animal Control Fund
- f. Trust – Other Account
- g. Trust – Unemployment Account
- h. Trust – Subdivision Escrow
- i. Trust – Police Outside Employment Escrow
- j. Trust – Recycling Account
- k. Trust – RCA Account
- l. Trust – Payroll Account
- m. Trust – Payroll Agency Account
- n. Trust – CDBG Account
- o. Trust – Forfeiture Account
- p. Trust – Clerk Account

The Tax/Utility Collector will reconcile the following bank records on a monthly basis:

- a. Trust – Tax Title Lien Redemption Account
- b. Trust – Tax Sale Premiums Account
- c. Tax Collector – Taxes
- d. Tax Collector – Utility

Copies of bank reconciliations will be forwarded to the CFO for verification with the General Ledger Trial Balance.

7. **REPORTS**

The submission of monthly reports provides an important management tool to municipal officials.

The Tax Collector, Construction Official and CFO will submit a report detailing the financial activity of their respective department to the Governing Body and Municipal Clerk on a monthly basis.

Acknowledgment of these reports will be made a matter of the official minute record.

8. **GENERAL LEDGER TRIAL BALANCE**

The CFO will maintain the trial balance reports for the various funds of the City of Woodbury on a monthly basis.

The Tax Collector will provide the necessary documentation to the CFO to permit the proper maintenance of the general ledger trial balances.

Tax, water and sewer adjustments will be provided to the CFO on a monthly basis.

The CFO will verify the following items for accuracy:

- a. Cash disbursements will be verified with the Budget Status Report.
- b. Revenue reports will be verified with bank reconciliations.
- c. General Ledger receivable balances will be verified with the Trial Balance reports for taxes, water and sewer.