

Policies and Procedures to Manage Your Municipality/District

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Policies and Procedures: Why?

- A well-written, comprehensive policy and procedure manual can be an effective management tool, which:
 - Clarifies management objectives and directives.
 - Reduces uncertainties.
 - Enhances continuity of policies and procedures.
 - Increases effectiveness of internal controls.
 - Assists in the external audit process.
 - Reduces opportunities for fraud and misconduct.

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Policies **guide** decision-making.

Procedures **drive** actions.



Key Differences

- **Policies**

- Formulated by the board or by top management.
- Flexible
- Provide requirements in broad terms.

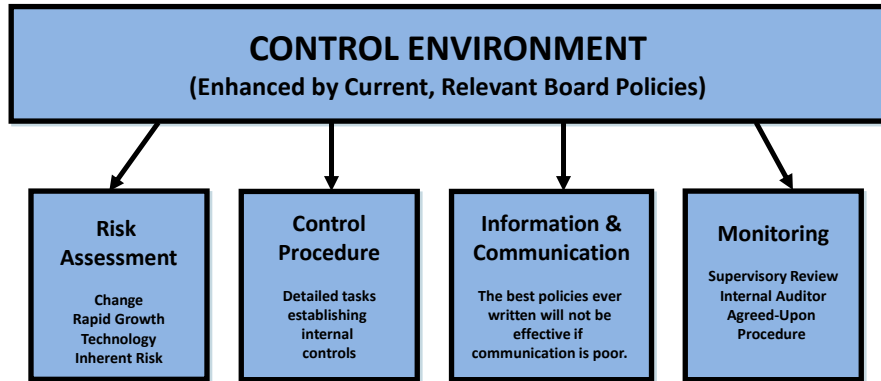
- **Procedures**

- Executed by lower level management and staff.
- Step-by-step
- Provide detailed sequences.



Making the Connection: Policies and Internal Controls

Internal Control Framework



Required Board Policies

- **Code of Ethics** – General Municipal Law (GML) Section 806
- **Deposits and Investments** – GML Section 39
- **Procurement** – GML Section 104(b)
- **Workplace Violence Prevention** – Labor Law Article 2, Section 27-b
- **Sexual Harassment Prevention** – Executive Law Article 15
- **Breach Notification** – State Technology Law Section 208
- **State Emergencies Involving Public Health** – Labor Law §27-c

Board Review/Update Annually/Communicate

Code of Ethics

- **Requirements**
 - Standards of conduct reasonably expected
 - Disclosure of interest in legislation before the local government
 - Investments in conflict with public duties
 - Private employment or business interests in conflict with official duties
- **Other Considerations**
 - Annual statements of financial disclosure
 - Acceptance of gifts from vendors
 - Avoiding the appearance of impropriety
- **Distribute to employees and post**

Investment Policy

- **Minimum Legal Requirements**
 - Delegation of investment authority
 - Designation of depository and custodial bank/trust company
 - Permitted types of authorized investments
 - Provisions to secure financial interests – types of acceptable collateral/ eligible securities
 - Standards for diversification; security and custodial agreements; qualifications of firms
- **Procedures**
 - Monitoring, controlling and depositing investments
 - Securing local government financial interests

The law requires OSC to formulate a “model investment policy” for local governments.

Investment Policy

- **Procedures**

- Cash flow projections to enable appropriate decisions about types and maturities of investments.
- A record describing the amount, date, interest rate and maturity of investments and general ledger accounts.
- Competitive quotations or negotiated prices.
- Comparison of FDIC coverage and pledged collateral to gross deposits and investments.
- Current security and custodial agreements, reviewed by counsel.

Procurement Policy

- **Requirements**

- Goods and services not required to be bid:
 - Purchase contracts less than \$20K
 - Public work contracts less than \$35K
- Professional services not required to be bid.

- **Goals**

- Prudent/economical use of public money
- Maximum quality/lowest cost
- Guards against fraud/favoritism

Procurement Policy

- **Procedures**

- Appropriate for size and complexity/cost-benefit
 - Written quotations
 - Verbal (phone) quotations
 - At what amounts and for what types?
 - How to document?
 - Requests for proposals (RFPs) – professional services
- Other Considerations
 - How will you monitor effectiveness?
 - Design and Effectiveness can be tested in OSC audits

Workplace Violence Prevention Policy

- Purpose and employer commitment to staff health and safety.
- Address prohibited conduct
- WVP Program goals and objectives
 - Process the employer will use to ensure employee and union participation in the program.
- How and to whom to report an incident
- Enforcement

Employer must post a Workplace Violence Prevention Policy Statement conspicuously.

Sexual Harassment Policy

- **Requirements**
 - Define and prohibit sexual harassment in the workplace
 - Make clear that sexual harassment is a form of employee misconduct
 - Inform employees of rights of redress and availability of complaint resolution channels
 - Affirm that sanctions exist and will be enforced
- **Procedures**
 - Reporting and investigation of complaints
 - Post-investigation and appeal
 - Duties for managers and supervisors
 - Sanctions and implementation

Breach Notification Policy

- Must require that notification be given to certain individuals when there is a breach of the security of the system as it relates to private information. State entities are required to report breach to:
 - **the NYS Attorney General**
 - **the NYS Office of Information Technology Services' Enterprise Information Security Office**
 - **the Department of State's Division of Consumer Protection**
- Ensures officials and employees understand and are prepared to fulfill their legal obligation to notify affected individuals.

<https://its.ny.gov/breach-notification>

Preparation of Public Employers for State Disaster Emergencies Involving Public Health

- Prepare a plan for the continuation of operations in the event that the governor declares a state disaster emergency involving a communicable disease.
- The operations plan required by this section shall include, but not be limited to:
 - A list and description of the types of positions considered essential.
 - Protocols for non-essential employees.
 - Staggering of work shifts for essential employees.
 - Protocols for procuring personal protective equipment.
 - Protocols in the event an employee is exposed to the disease.
 - Protocols for documenting work hours, locations and potential housing.
- Employees have an opportunity to review and make recommendations.
- Final plan is to be posted conspicuously and in employee handbook.



Assess Your Risks – Adopt Policies – Establish Control Procedures

Typical Risk Areas:

- | | |
|--|----------------------------------|
| • Cash | • Fund Balance |
| • Cell Phones | • Fuel Controls |
| • Confidential / Sensitive Information (Paper and Digital) | • Internet Usage |
| • Credit Cards | • Network Security |
| • Equipment Use | • Travel and Conference Expenses |
| • Financial Reporting | • Wire Transfer/Online Banking |



Recommended Policies

- Cash Receipts
- Computer and Internet Use
 - Cell Phone/ Electronic Devices
- Private, Personal and Sensitive Information
- Credit Card Use
- Fund Balance
- Capital (Fixed) Assets
- Vehicle Use
- Gasoline and Fuel Usage
- Travel and Conference Expenses

Board Review/Update Annually/Communicate

Cash Receipts

- **Policy**
 - Assignment of responsibility
 - Location of collections
 - Issuance of duplicate receipts
 - Safeguards for undeposited monies
 - Deposit timely and intact
 - Reconciliation responsibilities
 - Record keeping requirements and responsibility

Cash Receipts

- **Procedures**
 - Standardized forms
 - Maintain list of bonded individuals
 - Segregation of duties
 - Deposit procedures
 - Reconciliation procedures
 - Record keeping procedures
 - Audit procedures
 - What happens if a discrepancy is identified?

Computer and Internet Use

- **Recommended Policies**
 - Internet, Email, and Personal Computer Use
 - Use of and Access to Personal, Private, and Sensitive Information
 - Password Security
 - Wireless Security Policy
 - Mobile Computing and Storage Device Policy
 - Online Banking

Credit Cards

- **Policy**

- Require Board authorization before credit cards are obtained
 - Centralize responsibility for opening accounts
 - Designate credit limits
- Provide guidelines on appropriate use
 - For legitimate business purposes
 - Must not circumvent purchasing policies
 - Guidelines for allowable purchases by phone, fax and internet
- Require original documentation to support charges
- Designate responsibility for monitoring credit card usage
- Provide for recovery of inappropriate charges
- Outline notification process for lost or stolen cards; employee terminations
- Custody of credit cards



Credit Cards

- **Procedures**

- Maintain list of approved users, account numbers, expiration dates.
- Issue cards in the name of specific individuals to establish accountability.
- Impose card restrictions – no cash back, transaction limits.
- Monitor usage and report results to CEO or Board.
- Claims auditing official or body knowledgeable in policy requirements.



Fund Balance

- **Policy should:**
 - Be adopted by the governing board with input from key officials (e.g., CFO, budget officer).
 - Be in written form and subject to review by governing board on a regular basis.
 - Be used to develop and amend multi-year capital and operational plans.
 - Address how surplus balances will be applied.
 - Address the timing for balances to be replenished to the desired level.

Capital Assets

- **Policy**
 - Identify major types of equipment and person responsible for physically safeguarding them.
 - Establish a dollar threshold below which equipment will not be inventoried.
 - Describe the types of inventory records that should be maintained and person responsible.
 - Require physical control over assets and maintenance of records be divided among different departments when possible.
 - Require conducting inventories to compare records to actual assets.
- **Goal**
 - Safeguard equipment from misuse or theft.

Capital Assets

- **Procedures**

- Mark or label all equipment.
- Safeguard highly portable equipment in limited access areas.
- Equipment inventory records should contain descriptions, quantities, locations, dates of purchase and original cost.
- Assign a non-custodial individual to prep and maintain inventory records.
- Authorize and document retirement and/or disposal of equipment prior to the actual disposal .
- Design procedures specifically to control consumables commodities such as gasoline, diesel fuel, copier paper and cafeteria foods.
- Provide for an annual physical inventory.

Vehicle Use

- **Policy**

- Appropriate use (e.g., for official business); municipal and personal vehicle use
- Sanctions exist and will be enforced

- **Procedures**

- Assignment of vehicles
- Maintenance and care
- Reporting accidents and responsibility for tickets
- Applying for reimbursable expenses

Gasoline and Fuel Usage

- **Policy**
 - Authorized personnel and vehicles.
 - Authorized third parties / contractual arrangements.
 - Safety and security of fuel locations.
 - Security of access keys.
 - Enforcement of business use only.
- **Procedures**
 - Billing procedures for third parties / departments.
 - Inventory/ reconciliations.
 - Storage audits.

Travel and Conference Expenses

- **Policy**
 - Pre-approval authorization process
 - Reimbursable vs. non-reimbursable expenses
 - Guidelines for day vs. overnight trips
 - Maximum reimbursement rates
 - Required documentation to claim reimbursement
- **Procedures**
 - Standardized forms
 - Supervisory or board approval
 - Auditing procedures, including steps for disallowances

Recap

- Identify significant risks.
- Recommend policy development to CEO.
- Help develop that policy.
- Seek board input and approval.
- Develop detailed procedures to implement adopted policies.
- Communicate to employees.
- Monitor compliance and effectiveness.
- Revisit policies and procedures for improvements.

Resources

- Ethics – multiple resources
- Seeking Competition in Procurement
- Investing and Protecting Public Funds
- Travel and Conference Expense Management
- Information Technology Security
- Cash Management Technology
- Capital Assets
- Credit Card Accountability
- Managing Your Travel and Conference Expenses

<https://www.osc.ny.gov/local-government/publications>

Thank You

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