

RESOLUTION NO. 14-514

A RESOLUTION ESTABLISHING AN INTERNAL CONTROLS POLICY FOR THE TOWN OF MOUNT CARMEL, TENNESSEE.

WHEREAS, sound accounting practices and policies are necessary for ensuring the integrity of financial records and Town funds; and

WHEREAS, the development of an Internal Controls Policy will provide a foundation for protecting the financial resources of the Town; and

WHEREAS, an Internal Controls Policy establishes how such funds should be processed and handled; and

WHEREAS, the public health and welfare require it.

NOW THEREFORE, BE IT RESOLVED, by the Board of Mayor and Aldermen of the Town of Mount Carmel as follows:

SECTION I. That the attached "Internal Financial Controls Policy" is adopted by the Board of Mayor and Aldermen of the Town of Mount Carmel.

THIS Resolution shall become effective immediately, the public welfare demanding it.

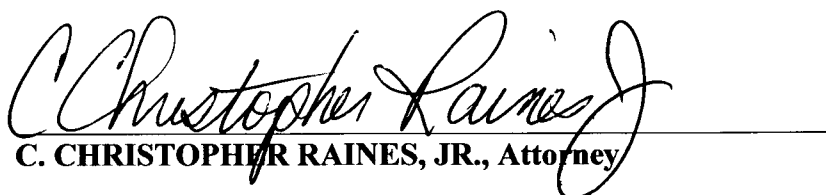
ADOPTED this the 25th day of February, 2014.

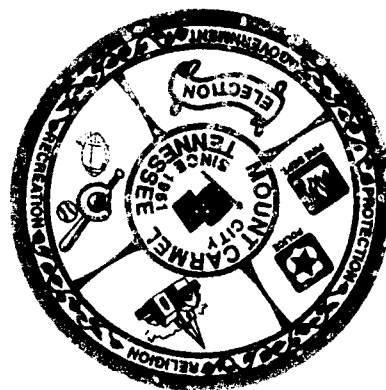

LARRY FROST, Mayor

ATTEST:


MARIAN SANDIDGE, Recorder

APPROVED AS TO FORM:


C. CHRISTOPHER RAINES, JR., Attorney



FIRST READING	AYES	NAYS	OTHER
Alderman Eugene Christian	✓		
Alderman Wanda Davidson	✓		
Alderman Leann DeBord			absent
Alderman Frances Frost	✓		
Alderman Carl Wolfe	✓		
Vice-Mayor Paul Hale	✓		
Mayor Larry Frost	✓		
TOTALS	6	0	1

PASSED FIRST READING February 25, 2014

TOWN OF MOUNT CARMEL, TENNESSEE

INTERNAL FINANCIAL CONTROLS POLICY

INTRODUCTION

The Town of Mount Carmel has adopted and implemented this Internal Financial Controls Policy to safeguard public funds and to provide clear instructions to City officers and employees as to how such funds should be processed and recorded. All Town officers and employees handling town funds shall be subject to the requirements of this policy. This Policy may be amended from time to time by the Mount Carmel Board of Mayor and Aldermen.

RECEIPTS AND DEPOSITS OF FUNDS

The Court Clerk and/or the City Recorder shall be responsible for opening all incoming mail and stamping "For Deposit Only" on all checks immediately upon receipt. These employees shall also log into their respective mail log books a list of checks and/or payments and calculate the total amount of all money/checks received. In addition, any checks or cash received shall be receipted in duplicate, by either a computer generated or hand written pre-numbered receipt. The list of payments received shall be signed by each employee and remitted along with the money/checks, stubs and receipts then entered into their respective cash registers.

All cash payments should be received by the Court Clerk and/or the City Recorder who shall be responsible for preparing a computer generated or hand written pre-numbered receipt in duplicate for all such funds. All cash and duplicate receipts should be turned over to the Finance Director not later than the end of each business day. A daily collection report should be prepared by each employee receiving any cash payments summarizing all collections by source.

Anytime custody of money changes from one employee to another the money should be counted by both. A pre-numbered receipt or other document recording the count should be prepared and signed by both employees indicating concurrence with the amount transferred. This document should be retained by the individual turning the money over.

All deposits of cash, checks or other payments should be posted to the City's cash receipts journal by the Finance Director (the person who opens mail & stamps "FDO" on checks or who is responsible for receiving cash should differ from the person who posts to the journal and deposits). The on duty Police Officer shall be responsible for making deposits and all collections must be deposited no later than three (3) working days after initial receipt. Deposit receipts should also be retained and matched against the collection reports.

CHECK WRITING AND DISBURSEMENTS

All persons with authority to write and sign checks on the behalf of the Town shall be approved by resolution of the governing body of Town. The Finance Director who is responsible for reconciling the bank statements shall not be authorized to sign checks.

Two (2) authorized signatures are required for all checks. Before signing checks, each signator should review the supporting documentation (such as vendor invoices, purchase authorizations, etc.) to verify that the expenditure is legitimate before the check is signed.

All credit card statements should be reviewed by multiple persons to ensure the legitimacy of the charges. Town officials and current Town employees shall be authorized credit card users and shall comply with the Town's credit card use policy.

The Pool

Property Loss Control Survey 9/12/13

RECOMMENDATION

November 4, 2013

Town of Mount Carmel – 5058

Bill Magoon – Conservation Consultant, East Region

Site 3, City Hall, 100 East Main Street, Mount Carmel, TN 37645

Recommendation: The Pool recommends adoption and implementation of the attached Financial Controls Guidelines. The Pool further recommends a disguise be developed for the deposit bag when someone takes the deposit to the bank.

Response: We have to alter the attached sample policies to suit the way the Town of Mount Carmel handles credit cards. Our credit cards are not ISSUED to employees. They are signed in and out and logged. Therefore, I will alter the policy. I planned to have that policy passed by the Board by December. However, we recently had an employee to quit without notice and have not had the time to work on it as planned.

We have altered the way the deposit is taken to the bank. When the officer comes to get the deposit in a locked bag, it is placed inside of a brown envelope as suggested.

Total Sites 1

Name of person providing responses to the Property Loss Control Survey Recommendations:

Name and Title: Marian Sandidge, City Recorder

January 7, 2014

Please return a signed/dated copy of this enclosure, within 60 days by fax to 615-371-9212 or e-mail to VNelson@thepool-tn.org or mail it to:

The Pool

Property Survey Response

Attn: Vicki Nelson

5100 Maryland Way

Brentwood, TN 37027

Subject: Town of Mount Carmel Property Loss Control Survey Response 2013

From: Marian Sandidge (mariansandidge@yahoo.com)

To: VNelson@thepool-tn.org;

Date: Tuesday, January 7, 2014 4:24 PM

Vicki,

Please find attached the Town of Mount Carmel's response to Bill Magoon's Property Loss Control Survey of November 4, 2013. If you or Bill have any questions, please do not hesitate to contact me.

Thank you,

Marian Sandidge, City Recorder

Town of Mount Carmel

423-357-7311

November 04, 2013

Ms. Marian Sandidge, City Recorder
City of Mount Carmel
P.O. Box 1421
Mount Carmel, TN 37645-1421

Dear Ms. Sandidge:

On September 12, 2013, The Pool conducted a **PROPERTY** loss control survey of the City of Mount Carmel. As a result of the conditions observed during our survey, we are submitting the following **property** loss control recommendations. Our loss control recommendations are not intended to be a substitute for ongoing local loss control efforts. We believe the items listed on the enclosure have the potential of causing a financial loss to The Pool. We do not represent that the recommendations listed address all of the hazardous conditions that exist in Mount Carmel. We do not represent that implementing our recommendation is the best possible solution and that no loss will occur if our recommendations are implemented. The information contained in this report is intended to benefit The Pool in Underwriting and Loss Control efforts. The information in this report is not for the benefit of others.

The Pool requests that you or a designated representative review the recommendations. We request that you please **return a completed copy of the enclosure within (60) working days** indicating what actions have been or will be taken on each recommendation made. The **written response** is **vital** for our reporting the **property loss exposures** and willingness to implement realistic recommendations to our underwriters and re-insurers **for rating and premium purposes**.

Thank you for your assistance with the **property** loss control survey and if you have questions or need any assistance please contact me.

Sincerely,



Bill Magoon
Property Conservation Consultant

IC: Michael G. Fann, Director of Loss Control
Jodeen Baumann, Underwriting Department
Heritage Insurance Group Inc

Filename: PE50581309E

Enclosures – Property Survey Schedule and Recommendations



FINANCIAL CONTROLS POLICY

Within the last decade, there have been numerous news reports focusing on public fraud and theft in local government by public officers. In response to these fraud and theft issues, the Tennessee General Assembly passed the Local Government Instances of Fraud Reporting Act and The Municipal Finance Officer Certification and Education Act in 2007. The first Act requires the reporting of “theft, forgery, credit card fraud, or any other act of unlawful taking, waste, or abuse of, or official misconduct, involving public money, property...by public officials.” The second Act requires the hiring of or contracting with a Certified Municipal Finance Officer (CMFO), sending an employee for CMFO certification, or sending an employee through 24 hours of annual CMFO training (only for cities with gross revenues and outstanding debt at or below \$100,000). The passage of these two Acts by the Tennessee State Legislature clearly indicates that fraud and theft are serious issues, and that municipalities should take proactive steps to minimize the associated exposures.

The goal of any professionally managed municipality should be to create internal financial controls that would detect and prevent fraud and theft of public funds and property. In an effort to assist municipalities, the Comptroller of the Treasury, Department of Municipal Audit, has issued the *Internal Control and Compliance Manual for Tennessee Municipalities* (the “City Manual”), which sets out, in detail, guidance for establishing internal financial controls. According to the Tennessee State Comptroller, “having adequate internal controls will provide information that helps detect errors and fraud, and ...will limit the opportunity for theft or unauthorized use of assets, including cash, inventory and capital assets.”¹

As outlined in the Comptroller’s City Manual, the secure handling of public funds requires that all municipalities adopt an internal financial control policy. In concurrence, the TML Risk Management Pool recommends that all municipal financial officers familiarize themselves with the city manual, and adopt written internal financial control policies to protect public funds and other assets.

Although the City Manual is comprehensive and each municipality is strongly encouraged to seek compliance with the guidelines contained therein, from a loss control perspective, every city and town, at a minimum, should develop policies that address: (1) the receipt and deposit of funds; (2) check-writing and other disbursements including debit/credit cards; and (3) petty cash. Like our government structure, internal control policies should ensure a system of checks and balances. The consistent and overriding theme of internal financial control is that no single person (and preferably more than 2 persons) should be responsible for handling each transaction involving public funds. Smaller municipalities may have to realign certain job duties or enlist the help of elected officials, in order to provide an adequate separation of duties.

RECEIPTS/DEPOSITS OF PUBLIC FUNDS

One person (or certain specified persons) should be responsible for opening mail and stamping “For Deposit Only” immediately upon receipt. A “For Deposit Only” (or “FDO”) endorsement stamp (with the municipalities account number) requires the bank to deposit the funds into the bank account. If all checks are stamped “FOR DEPOSIT ONLY” upon receipt, it can prevent someone from cashing a lost or stolen check. The designated employee(s) who opens the mail, should also prepare a list of all money/checks received. Finally, any municipal employee or official who receives any funds shall issue to the payer a receipt and shall retain a duplicate thereof.

¹ Internal Control and Compliance Manual For Tennessee Municipalities, June 2010, pg. 2

All deposits should be posted to the City's cash receipts journal; however, *the person who opens mail & stamps "FDO" on checks should differ from the person who posts to the journal and deposits.* Anytime custody of money changes from one employee to another the money should be counted by both. A pre-numbered receipt or other document recording the count should be prepared and signed by both employees indicating concurrence with the amount transferred. This document should be retained by the individual turning the money over.

Cash receipts should be monitored carefully by separate individuals and a written receipt and duplicate should be produced for all such funds. A daily collection report should be prepared by each cashier summarizing all cash collections by source. The daily collection should then be consolidated to be sent to the person(s) responsible for recording the activity.

Finally, all collections must be deposited no later than three (3) working days after initial receipt. Deposit receipts should also be retained and matched against the collection reports.

CHECK WRITING AND OTHER DISBURSEMENTS

Check writers should be separate from the person reconciling the bank statements to ensure that checks are written for legitimate, authorized purposes and to establish a clear separation of duties. This process serves an independent form of verification of the original transaction. Absent this provision, a check writer could issue and sign checks for personal, fraudulent purposes and conceal these activities.

In addition, municipal officials should ensure that two authorized signatures are required for all checks. Before signing checks, each signator should review the supporting documentation (such as vendor invoices, purchase authorizations, etc.) to verify that the expenditure is legitimate before the check is signed.

The increased use of debit and credit cards require that increased attention be paid to the use of such cards. All debit/credit card statements should be reviewed by multiple persons, including individuals independent of those who are authorized to use such cards, to ensure the legitimacy of the charges.

PETTY CASH

Like all other municipal expenditures, petty cash disbursements are only allowable for legitimate purposes and must be properly documented. An invoice/receipt, accompanied by a written petty cash voucher/request, showing the items purchased, and *signed by the person receiving the cash*, is required in each case. The amount on hand and the petty cash vouchers and related invoices/receipts written must total to the originally authorized amount.

ADDITIONAL CONCERNS

Equally important, these same financial controls should apply to any other department that is responsible for handling public funds. Many municipalities handle public funds in a variety of departments, such as, concessions from parks and recreation, building permit fees collected in the planning and codes departments, or fines and fees collected by the police department.

Parks and recreation departments, for example, are of particular concern because they handle public funds, but often have little, if any, written financial controls governing their operations. Some of the more specific common exposures for parks and recreation departments are: 1) when operating concessions, customer receipts are not always issued nor are duplicate receipts retained for municipal records in accordance to T.C.A. 9-2-103; 2) cash collections are not always reconciled by the cashiers at

Tennessee's Leader in Risk Management Services

All deposits of cash, checks or other payments should be posted to the City's cash receipts journal by _____ (*the person who opens mail & stamps "FDO" on checks or who is responsible for receiving cash should differ from the person who posts to the journal and deposits*). The _____ shall be responsible for making deposits and **all collections must be deposited no later than three (3) working days after initial receipt**. Deposit receipts should also be retained and matched against the collection reports.



CHECK WRITING AND DISBURSEMENTS

All persons with authority to write and sign checks on the behalf of the Town/City shall be approved by resolution of the governing body of Town/City. **The _____ who is responsible for reconciling the bank statements shall not be authorized to sign checks.**

Two (2) authorized signatures are required for all checks. Before signing checks, each signator should review the supporting documentation (such as vendor invoices, purchase authorizations, etc.) to verify that the expenditure is legitimate before the check is signed.

All debit/credit card statements should be reviewed by multiple persons, including by individuals independent of those who are authorized to use such cards, to ensure the legitimacy of the charges. **All persons using Town/City or city debit/credit cards shall be specifically authorized to do so by Resolution of the governing body and shall comply with the Town's credit card use policy.**

PETTY CASH	
10/1/19	10/1/19
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10/3/19	10/3/19
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10/5/19	10/5/19
10/6/19	10/6/19
10/7/19	10/7/19
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12/29/19	12/29/19
12/30/19	12/30/19
12/31/19	12/31/19

Petty cash disbursements are only allowable for legitimate purposes, are not for personal use and must be properly documented. An invoice/receipt, accompanied by a written petty cash voucher/request, showing the items purchased, and *signed by the person receiving the cash*, is required in each transaction at the time the petty cash is withdrawn. The amount on hand and the petty cash vouchers and related invoices/receipts written must total to the originally authorized amount. The _____ shall be responsible for monitoring the petty cash account and shall “audit” the petty cash account for any discrepancies at least once a week. This employee shall not make any withdrawals from petty cash. The petty cash account may be used only for withdrawals of less than \$_____ and the total account balance shall not exceed \$_____.

CITY/TOWN OF _____, TENNESSEE

CREDIT CARD POLICY

Adopted _____
(Date)

INTRODUCTION – GENERAL

The City/Town of _____ has adopted and implemented this Credit Card Policy to safeguard public funds and to provide clear instructions to City officers and employees that have been formally authorized to use City credit/debit cards. All city officers and employees using city/town credit/debit cards must be specifically authorized by Resolution of the _____ (governing body) and shall be subject to the requirements of this policy. For the purposes of this policy, all authorized officers and employees shall be referred to as “cardholders.” This Policy may be amended from time to time by the _____.

As a cardholder, you assume the responsibility for the protection and proper use of the card. Purchases with city credit cards must not conflict with the City/Town of _____ Purchasing Policy. The card should only be used by the authorized individual whose name appears on the card and use of the card shall not be delegated to other persons. Cardholders are responsible for all charges on the cards authorized to them. Cards and card numbers must be safeguarded against unauthorized use.

All credit card transactions will be visible via secure internet reporting tools and all cardholders’ purchasing activity will be monitored by the finance department and reviewed by the City auditors. Credit cards are not intended to be used for normal, recurring expenses associated with normal department operations. Business accounts should be set up for recurring activities. Receipts for all purchases by credit card shall be forwarded to the _____ (insert appropriate position ex. Finance Director)

It is the goal of the City/Town of _____ to have all transactions sales tax exempt, when applicable. It is the cardholder’s responsibility to notify the supplier, at the time of the transaction, if it will be exempt from sales tax.

The following situations are examples of misuse of the card:

- Purchases for personal benefit of the cardholder or another employee
- Assignment or transfer of an individual card to another person
- Use of the card by an unauthorized employee
- Use of a card by a suspended or terminated employee
- Purchases that are not for legitimate City/Town and public purposes
- Purchases in violation of the City/Town Purchasing Policy
- Splitting a purchase to avoid a single-purchase limitation
- Use of the card for commodities, goods, or services at vendors with City/Town accounts
- Lack of proper and timely submission of all purchase receipts

Any violations of this policy may subject to the employee to discipline, including termination.

CREDIT CARD AUDITS AND DOCUMENTATION OF PURCHASES

The City's/Town's finance director, auditor and/or State auditors will make periodic audits to verify that commodities, goods, and services purchased have been received and that policies and procedures are being followed. Adequate documentation must be maintained to record all transactions at the source. If a receipt is lost, a missing receipt affidavit must be filled out by the cardholder.

DISPUTING A TRANSACTION

If you as a cardholder believe a transaction is disputable, first contact the merchant to attempt resolution before beginning the official dispute process. Also, immediately notify your department head and the Finance Director of the disputed charge. In most cases, the merchant will credit (chargeback) your account and handle your needs in a professional manner. If you or your department head cannot resolve the transaction in dispute, _____ Bank will follow standard regulations outlined by the credit card company if the required written notification from the cardholder is received within sixty (60) days of the transaction date. You agree to cooperate fully in dealing with the credit card company for all disputed purchases.

CARDHOLDER RESPONSIBILITY AND PURCHASING GUIDELINES

It is important to remember that when using the card, you are expending taxpayer funds and that all credit card purchases must comply with City/Town policies, including this policy, the Purchasing Policy and the Internal Financial Controls Policy. Your expenditures are held to the highest degree of trust and accountability.

Cardholder privileges and procedures are contingent upon the following:

- **You must obtain and preserve ALL receipts.** Turn in all receipts to _____ regularly but at least monthly so that it may be compared with your credit card statement. Failure to produce adequate legible receipts will be subject to strict scrutiny by the finance department and City auditors. *Proper forms of transaction documentation include an invoice with detail of items purchased, cash register receipt with detail of items purchased, sales slip with detail of items purchased, or handwritten receipt signed by an employee of the supplier/merchant that includes detail of items purchased. In the event a receipt is lost, you must submit a "missing receipt affidavit" in lieu of the receipt.*
- If a cardholder fails to turn in a receipt, he/she must sign the document set forth on the following page of these policies. Multiple failures to provide receipts may result in cancellation of the card and other disciplinary action.
- Cash back, cash refunds or rebates may not be received by the cardholder.
- Splitting of transactions is not allowable (making one purchase into two or more for the purpose of staying within your limits).

LOST OR STOLEN CARDS In the event of a lost, stolen or, mutilated card, cardholders should immediately notify ##### Bank at 800-800-8001 and the finance department. Please protect your card by keeping it in a safe place and away from other "magnetized" stripe cards. Replacing your card may take 7-10 business days.



MISSING RECEIPT AFFIDAVIT

I, _____ have either misplaced
or not received a receipt for a card purchase.

This form is submitted in lieu of the original receipt.

Vendor Name: _____

Transaction Date: _____ Amount: \$ _____

Items Purchased: _____

I certify that the goods shown above were purchased for the City of _____'s
operating purposes as outlined in the policies and procedures for card use.

Cardholder signature: _____ Date: _____

Department Head: _____ Date: _____



City/Town of _____

CREDIT CARD USER AGREEMENT

I, _____ hereby acknowledge receipt of a City/Town of _____ credit card, issued by _____ Bank. As a cardholder, I agree to comply with the terms of this agreement, including all of the City/Town of _____'s policies and procedures included in the Credit Card Policy and Procedures Guide.

I understand that the City/Town of _____ is liable for all charges.

I agree that I will not use the credit card to make personal purchases for others or myself.

I understand that I will not request or receive cash back from suppliers as a result of exchanges, rebates, and refunds or for any other reason.

I understand that I am the only person authorized to use the card or card number assigned to me. I will not authorize the use of this card by other city employees who may want to use it to make approved purchases.

I understand that if I transfer to another department I must notify my department head immediately. I understand that the City can terminate my right to use the card at any time, for any reason. I agree to return my card to my department head immediately upon request or upon termination of employment.

I have reviewed the City of _____ Credit Card Policy. I understand the procedures and requirements for using the credit card and for providing the required documentation for each transaction made on this card.

I understand that any violation of the terms of this agreement may result in disciplinary action, up to and including termination of employment. I understand that where allowed by State and Federal law the City may deduct from my compensation the money amount equal to the total of any discrepancies, of the total amount of any personal gain, and/or of any fees related to the collection of such money. I understand that the City/Town may elect to collect this money and make also recover the reasonable costs of said collection, even if the City no longer employs me.

Cardholder Name (print)

Department

Cardholder Signature

Date



RETURN THIS PAGE TO THE FINANCE DEPARTMENT TO RECEIVE CARD

CONCLUSION

All city employees are responsible for safeguarding public funds and the public trust. Any violations of this policy observed by any city employees shall be reported to the _____ . Any employees found to have violated this policy may be disciplined up to and including termination.

The Pool

November 04, 2013

City of Mount Carmel
Survey Schedule

Site	Property Name	Status	Address
3	City Hall	OSC	100 E Main Street
Total	1		

NOS = Not On Schedule of properties currently covered by The Pool. To add these properties to your Policy, please contact your Agent or The Pool.