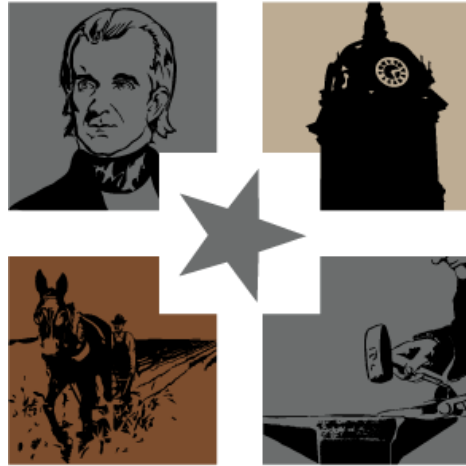


CITY OF COLUMBIA



T E N N E S S E E

Something good around every corner.

INTERNAL CONTROLS POLICY AND MANUAL

February 14, 2019

Policy Summary

The City of Columbia adopted an internal controls policy framework and manual to provide City staff with guidance with the development and documentation of internal control practices. The establishment of this policy, adoption by Council and ongoing review and revision is intended to provide reasonable assurance to City officials and Columbia citizens that management continually controls for risks to the organization with plans to mitigate such risks.

Adopted on 2/14/2019

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Internal Controls Policy Framework

1 INTRODUCTION

The City of Columbia (herein after referred to as “the City”) has a responsibility to taxpayers, ratepayers and constituents regarding stewardship of public funds and property. In the City’s efforts to serve the public as City officials or employees, the City establishes this Internal Controls Policy Framework and Manual using recognized best practices and state and federal directives.

State of Tennessee statutes require the Comptroller’s Office, Department of Audit to prescribe uniform accounting systems for entities that handle public funds. Those statutes require public officials to adopt and use the system designated by the Comptroller’s Office. The Tennessee Legislature amended [Tenn. Code Ann. § 9-18-102](#) in 2015 to require local governments to establish and maintain internal controls in accordance with guidance issued by the U.S. Government Accountability Office (GAO). The guidance is titled *Standards for Internal Control in the Federal Government* (Green Book). The Green Book follows the format developed by the Committee of Sponsoring Organizations (COSO) which has been the gold standard of internal control for all entities except the federal government for several years.

The internal control system consists of three (3) objectives and five (5) main components. Within the five (5) components there are 17 principles that apply to certain components. The state considers the five (5) elements mandatory and the 17 principles optional. The City of Columbia has chosen to address the five (5) elements as required by state law within this manual; however, the seventeen (17) principles from the Green Book are presented below for informational purposes and to help explain the five (5) components.

THREE (3) OBJECTIVES OF INTERNAL CONTROLS:

- 1. Reporting – reliability
- 2. Operations – effective and efficient
- 3. Compliance – compliant with applicable laws, regulations, contracts and grant agreements

FIVE (5) MAIN COMPONENTS OF INTERNAL CONTROLS THAT ARE REQUIRED TO BE ADDRESSED:

- 1. Control Environment
- 2. Risk Assessment
- 3. Control Activities
- 4. Information and Communication
- 5. Monitoring

Figure 3: The Five Components and 17 Principles of Internal Control:

CONTROL ENVIRONMENT:

1. The governing body and management should conduct business with integrity and ethical behavior.
2. The oversight body should oversee the City's internal control system.
3. Management should establish an organizational structure, assign responsibility and delegate authority to achieve the entity's objectives.
4. Management should demonstrate a commitment to recruit, develop and retain competent individuals
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

RISK ASSESSMENT:

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
7. Management should identify, analyze and respond to risks related to achieving the defined objectives.
8. Management should consider the potential for fraud when identifying, analyzing and responding to risks.
9. Management should identify, analyze and respond to significant changes that could impact the internal control system.

CONTROL ACTIVITIES:

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

INFORMATION AND COMMUNICATION:

13. Management should use quality information to achieve the entity's objectives.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

MONITORING:

16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
17. Management should remediate identified internal control deficiencies on a timely basis.

Source: GAO. GAO-14-704G.

Internal Control Policy and Manual Purpose: The purpose of this manual is to ensure that the objectives of reporting and compliance are established. The policies to achieve objectives are derived from various financial best practices, state and federal laws, and regulations and policies. Policies included in the manual have been developed to suit specific needs of City functions and resources. Detailed procedures are then developed and documented as a means for the City to comply with its established policies.

2 CONSIDERATIONS IN DEVELOPMENT OF INTERNAL CONTROLS

Internal control is defined as a process effected by an entity's oversight body, management and other personnel that provides reasonable assurance the City's objectives will be achieved. Before developing an Internal Control System (ICS), the City and various departments within the City should determine their respective missions, strategic goals and objectives, and then formulate a plan to achieve those objectives. The internal controls are policies and procedures put in place to help achieve goals and objectives. By describing how the City and City departments expect to meet varied goals and objectives, using compensating controls to minimize risk, the City as a whole increases organizational awareness of expectations. Each department's internal control plan will be unique; however, it must be based on polices included in this guide which incorporates or references to other comprehensive state, federal or standard setting agency polices that have been adopted.

Consistent monitoring of all components will ensure that the ICS (which must be reviewed and updated at least annually) is updated whenever changing conditions justify.

Since a City's/department's policies and procedures are the control activities for its internal control plans, it is important that they be reviewed in conjunction with the plans and referenced where appropriate. Everyone in the City has a responsibility to ensure that internal controls operate effectively.

As directed by T.C.A. 9-18-102 (a) and in accordance with the guidance issued by Tennessee Comptroller's Office, the City has adopted this internal control manual. It is critical to note that the development and operation of the internal control system involves everyone in the organization. As such, management must ensure that the manual is shared with all of its employees. The manual is a work in process and will be assessed periodically.

The following sections document the five (5) components of internal control and significant financial and compliance areas that are deemed high risk.

2.1 THE GREEN BOOK STATES DOCUMENTATION IS MANAGEMENT'S RESPONSIBILITY:

3.09 Management develops and maintains documentation of its internal control system.

3.10 Effective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.

3 FIVE COMPONENTS OF INTERNAL CONTROL

3.1 CONTROL ENVIRONMENT

Overview

The control environment is the foundation for **all** other components of internal control, providing discipline and structure. Moreover, management establishes the tone at the top regarding the importance of internal control and expected standards of conduct, and reinforces expectations at various levels. Control environment factors include the integrity, ethical values and competence of the City's personnel; the way management assigns authority and responsibility, and organizes and develops its personnel; and the attention and direction provided by the governing body.

OBJECTIVES

1. The governing body and management should conduct business with integrity and ethical behavior.
2. The oversight body and management should provide direction and oversight for City's internal control system.
3. Management should demonstrate a commitment to hire qualified and competent management.
4. Management should establish structure, authority and responsibility and hold individuals accountable for internal control responsibilities

Policies

1. A related party questionnaire is completed annually by all elected and appointed officials.
2. The governing body, through management, has adopted a personnel manual and has established job descriptions with minimum job requirements.
3. The governing body also uses the budget process as a means of oversight with department heads.
4. Organizational charts are established and reviewed to reflect structure of authority and responsibility.

3.1 Control Environment (Continued)

Procedures

Procedures of policy 1

- The Chief Financial Officer (CFO) requires completed related party questionnaires from elected officials and management team members (annually during the budget process before June 30th).
- The related party questionnaires are reviewed by the CFO. Any affirmative responses will be evaluated with regard to any relationship impacting City operations.
- Related party questionnaires are submitted to the City's external audit team each year.

Procedures for policy 2

- Detailed job descriptions with minimum job requirements are on file with the Personnel Department. The minimum job requirements are based on like positions in similar governments and will meet state or federal requirements if applicable.
- Hiring procedures are detailed in the manual and prohibit hiring anyone who does not meet the minimum job requirements.
- Revisions to the Personnel Manual are presented by the Personnel Director and revisions are made by resolution as needed after City Council approval.
- The Personnel Manual is discussed with new hires at an orientation session conducted by Personnel staff on or shortly after their first day of employment. All employees must acknowledge receipt of the contents of the manual.

Procedures for policy 3

- In January, the City Manager's Executive Secretary sends all department heads the budget worksheets for the upcoming fiscal year along with guidelines for completion and the specified due date.
- The City Recorder estimates revenues using the past five (5) years of collection history, current growth indicators, current year information and other related indicators relevant to revenue streams.
- The CFO will estimate all the appropriations not otherwise assigned to a department head, incorporate salaries and benefits into the department head's budgets, and assist with preparation of the capital budget.
- The City Manager sets meetings with all department heads in order for them to present their respective budget requests, including requests for additional funding based on their department's plan of operation and the City's Strategic Plan. Department heads prioritize their requests in order to facilitate decision making related to items to fund based upon available resources.

3.1 Control Environment (Continued)

Procedures for policy 3 (continued)

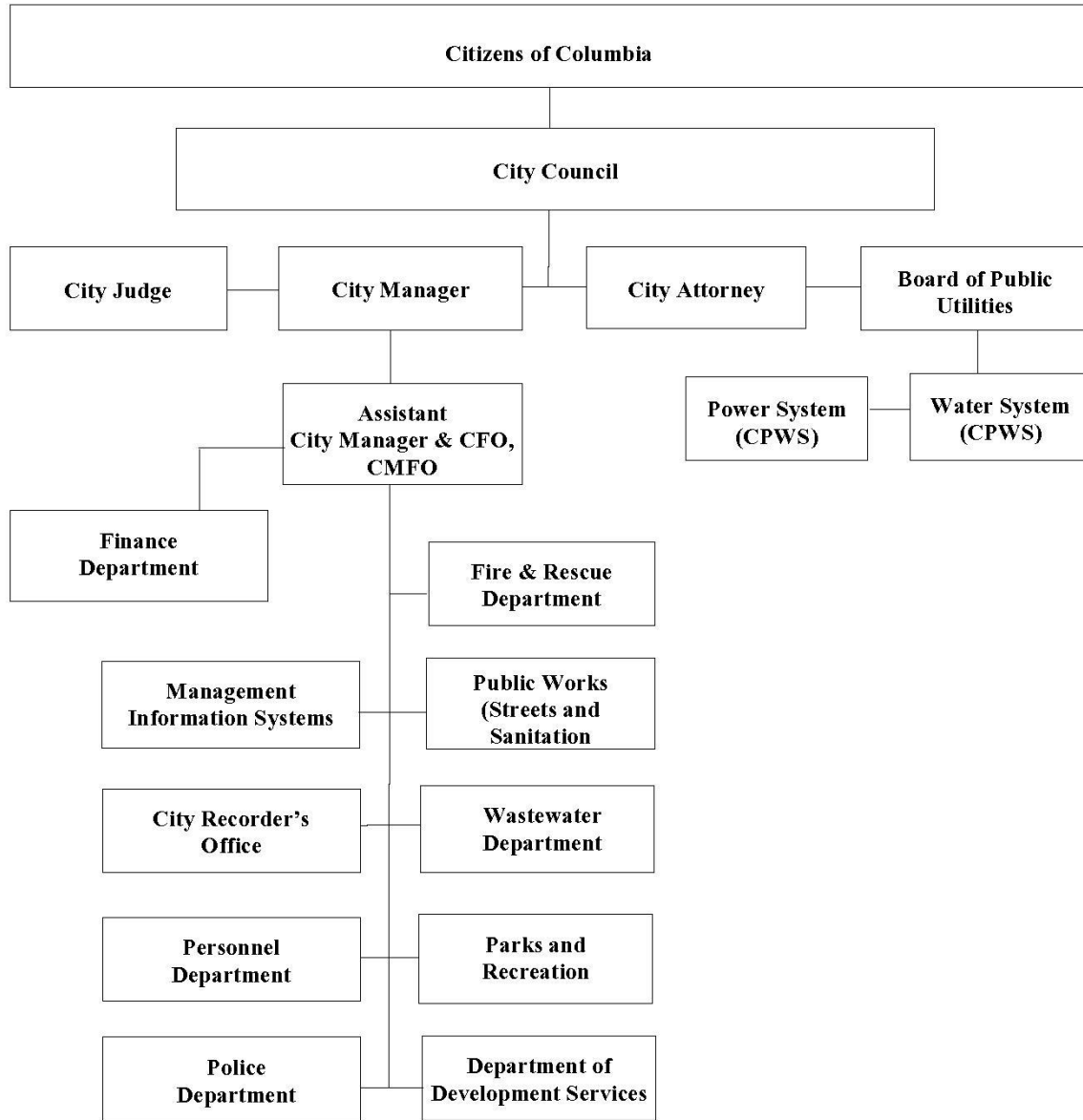
- The City Manager and CFO then meet to determine which departmental requests will be incorporated within the proposed budget and identify any problem areas that still exist. The CFO discusses recommended items with the department heads and makes adjustments to department spreadsheets.
- Adjusted budget spreadsheets are returned to departments in order for them to prepare their budget narrative (including department description, budget highlights, current FY accomplishments, new FY priorities and activity/budget summary).
- Department narratives are prepared and routed back to the City Manager's office for review and compilation.
- The CFO prepares the budget message, budget issues, summary sheets for Capital Equipment Replacement Plan, Management Information Systems Capital Improvement Program and an overall expenditure summary. The Personnel Department prepares the personnel appendix.
- The CFO prepares the budget ordinance for its first consideration at the May Council meeting and on second consideration at the June meeting.
- The required public notice of comparative budget information is placed in the local newspaper late in April and notice of the preliminary appropriation ordinance is also placed in the local newspaper prior to consideration (required to be published no less than 10 days before final consideration).
- The budget document is presented to Council at or before the May study session. A budget meeting is set to review/discuss the proposed budget with the City Council. Per past practice, the Wastewater revenues and expenditures are typically presented at the May study session and a separate meeting is set to discuss the other departments/funds.
- The final budget consideration is held at the June Council meeting.

Procedures for policy 4

- City organizational charts were developed based on the City's structure pursuant to the Columbia Municipal Charter.
- The charts are reviewed periodically as positions are added or changed to determine if the reporting structure, authority, and responsibility documented in the chart is still accurate.
- In addition to the personnel manual, all positions have detailed job descriptions which identifies the immediate supervisor and explains the responsibilities of the position.

3.1.1 Organization - Council Manager Form of Government

**CITY OF COLUMBIA, TENNESSEE
ORGANIZATION CHART**



Notes:

Chief Financial Officer (CFO)

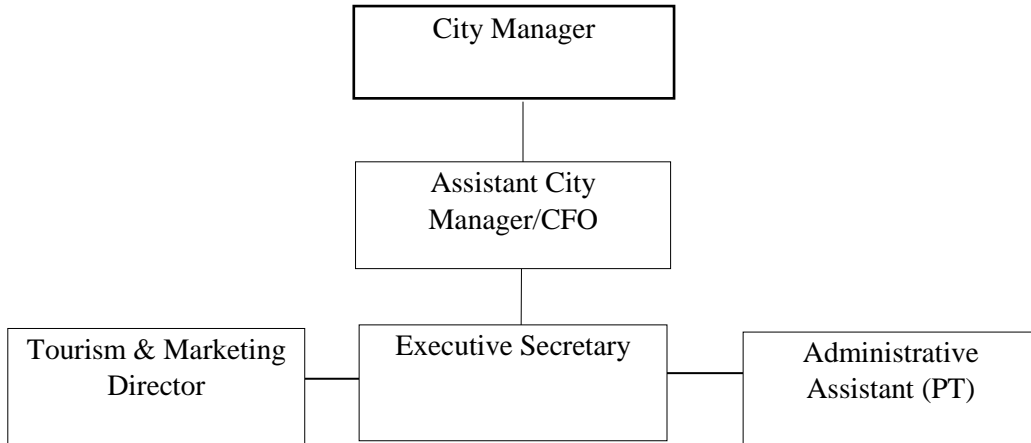
Certified Municipal Finance Officer (CMFO) certified, each municipality in the state required to have a designated CMFO

Columbia Power & Water Systems (CPWS), governed by the Board of Public Utilities

3.1.2 Departmental Structures

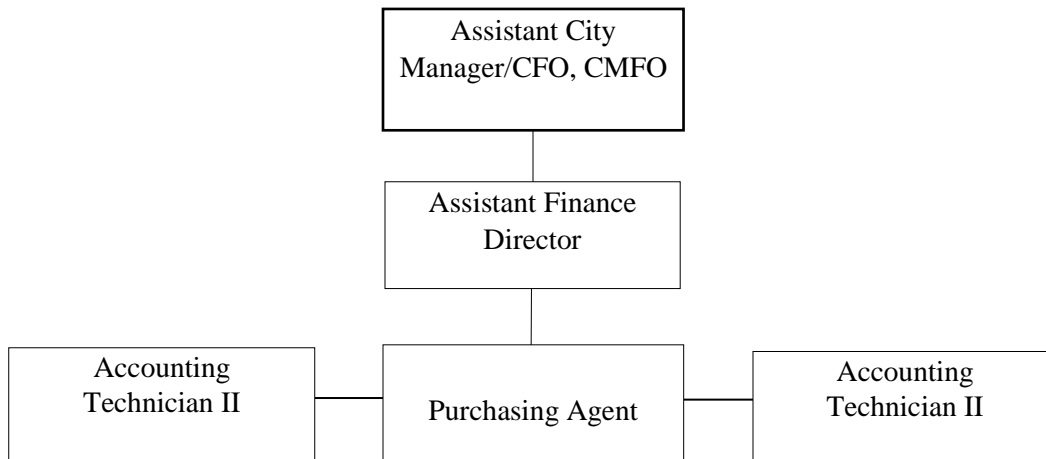
3.1.2.1 City Manager's Office

CITY MANAGER'S OFFICE



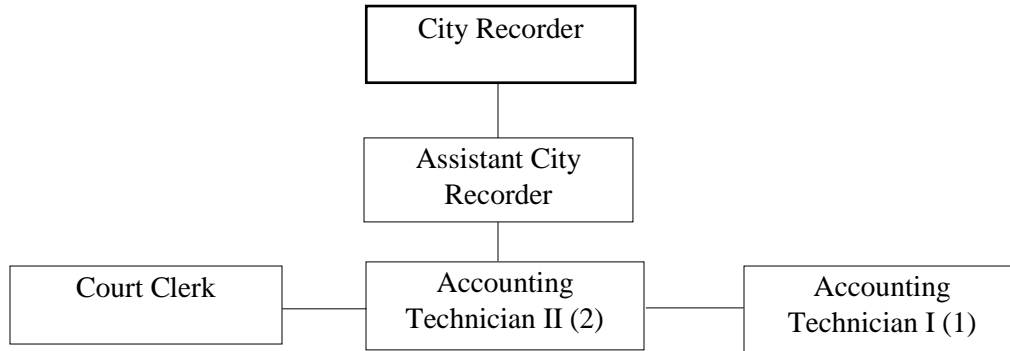
3.1.2.2 Finance Department

FINANCE DEPARTMENT



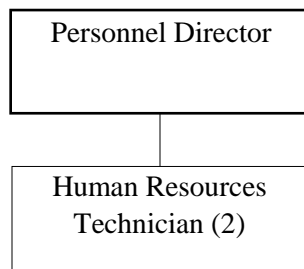
3.1.2.3 City Recorder's Office

CITY RECORDER'S OFFICE



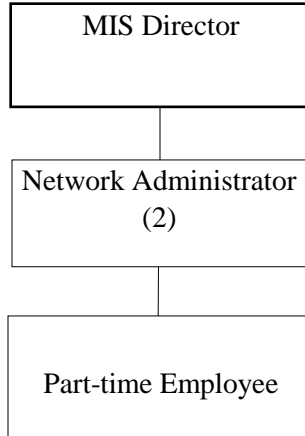
3.1.2.4 Personnel Department

PERSONNEL DEPARTMENT



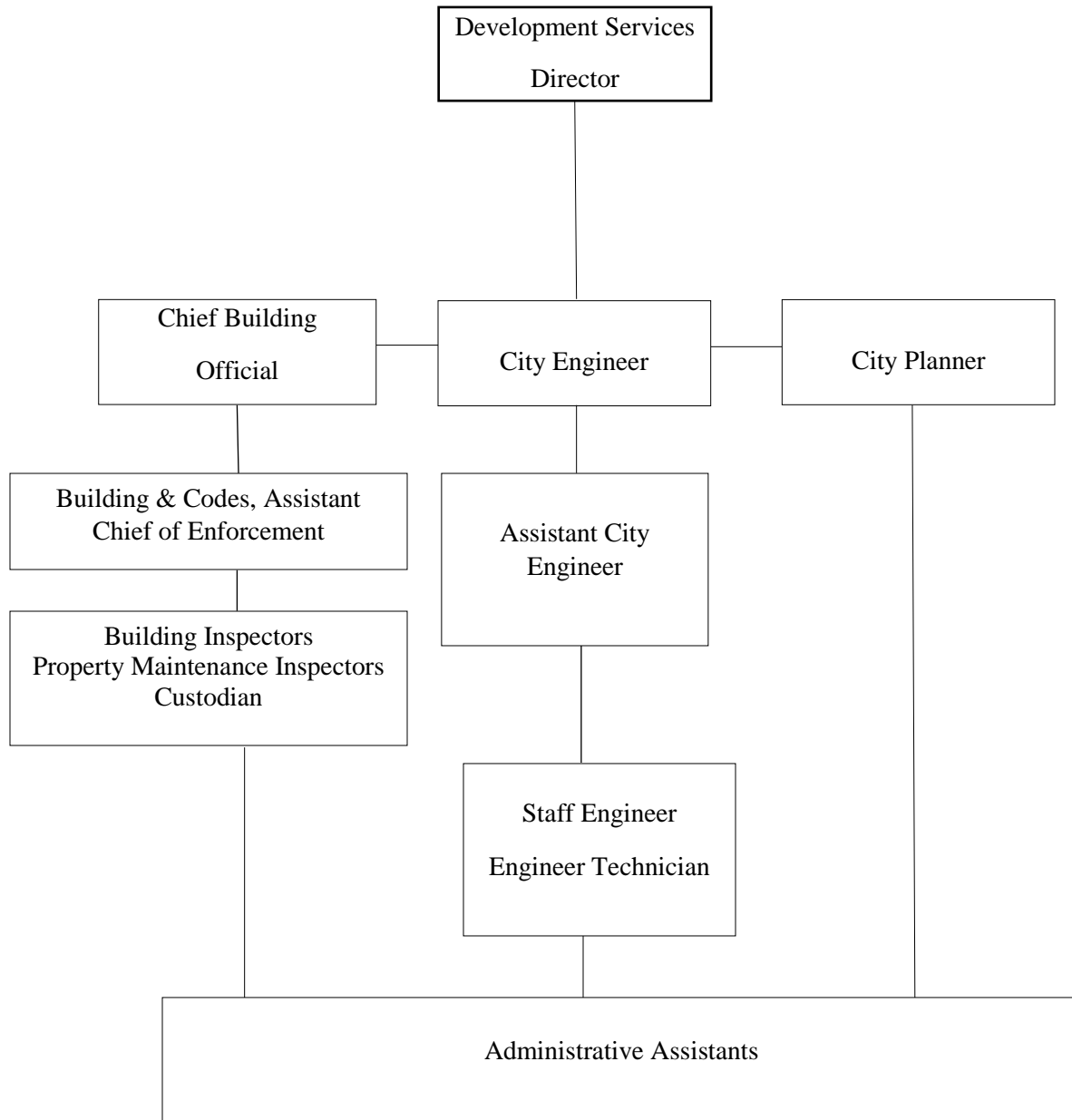
3.1.2.5 MIS Department

MIS DEPARTMENT



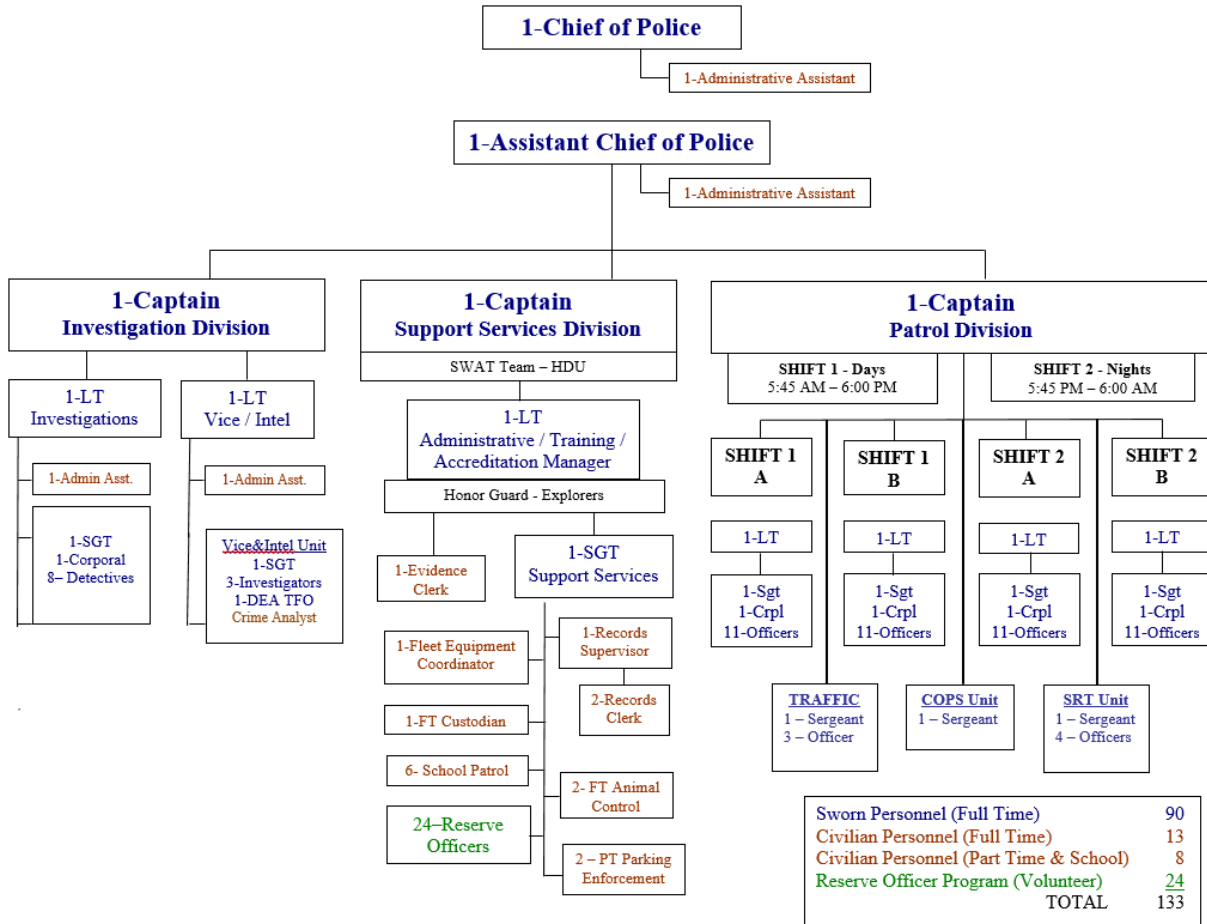
3.1.2.6 Development Services Department

DEVELOPMENT SERVICES



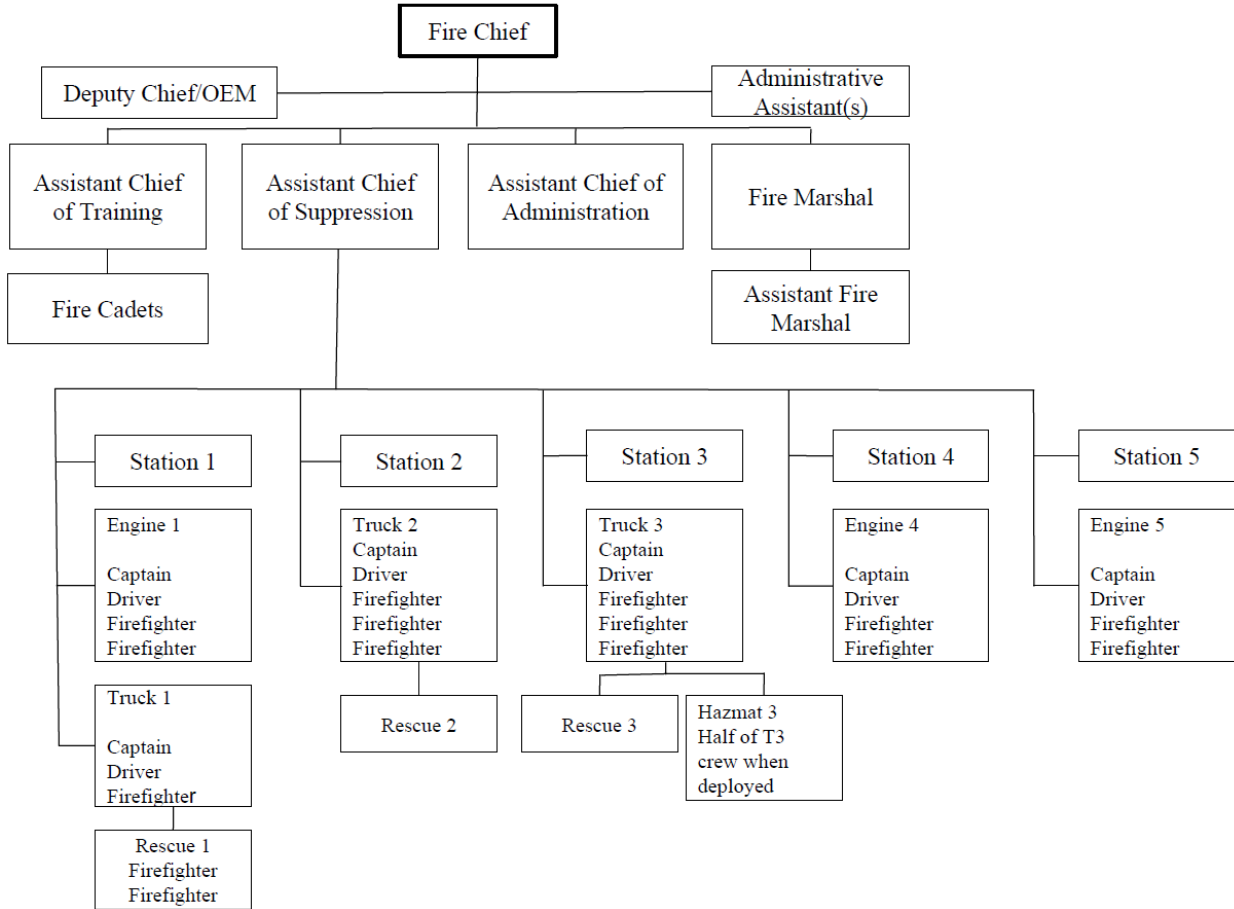
3.1.2.7 Police Department

POLICE DEPARTMENT

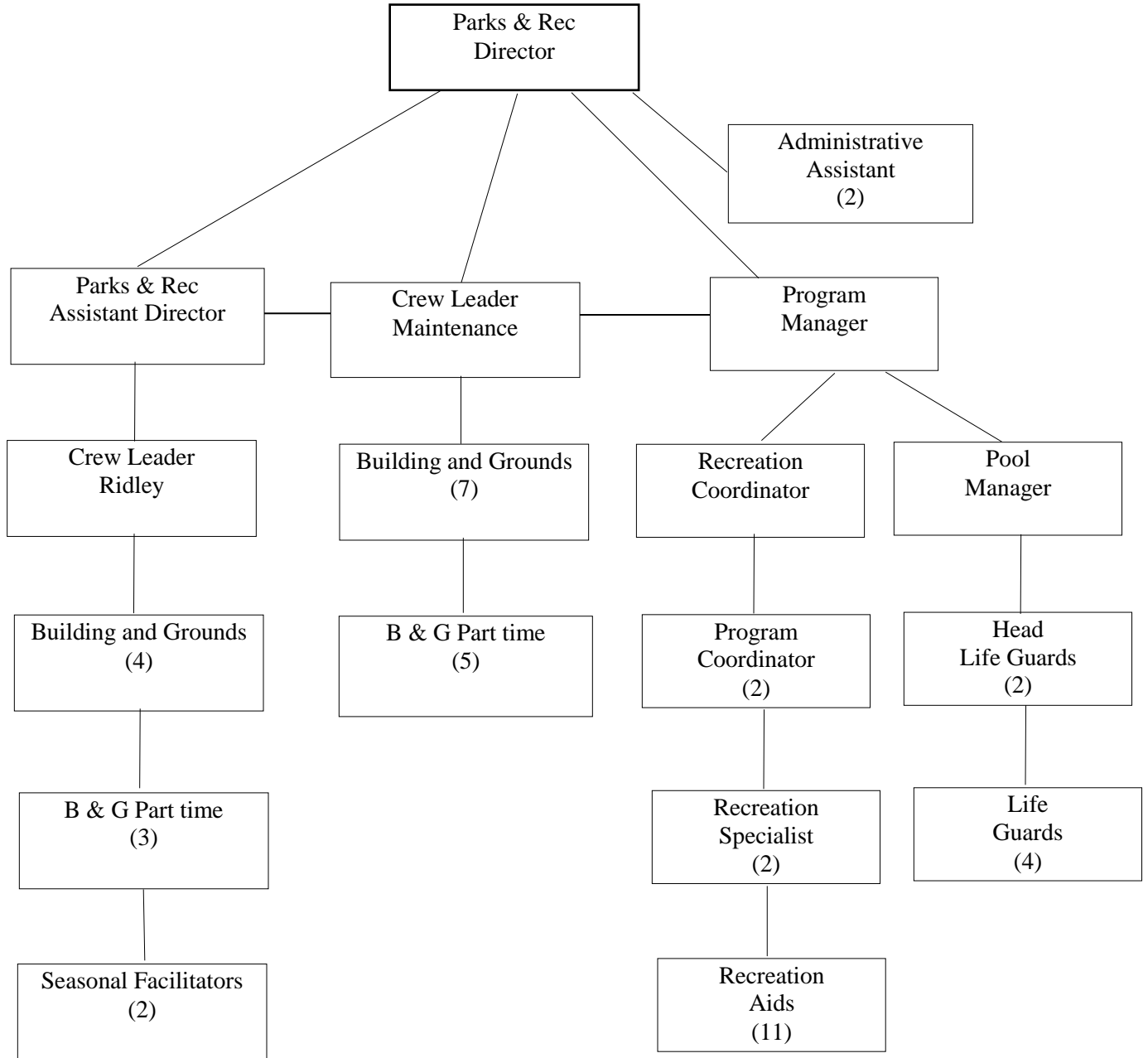


3.1.2.8 Fire Department

FIRE AND RESCUE

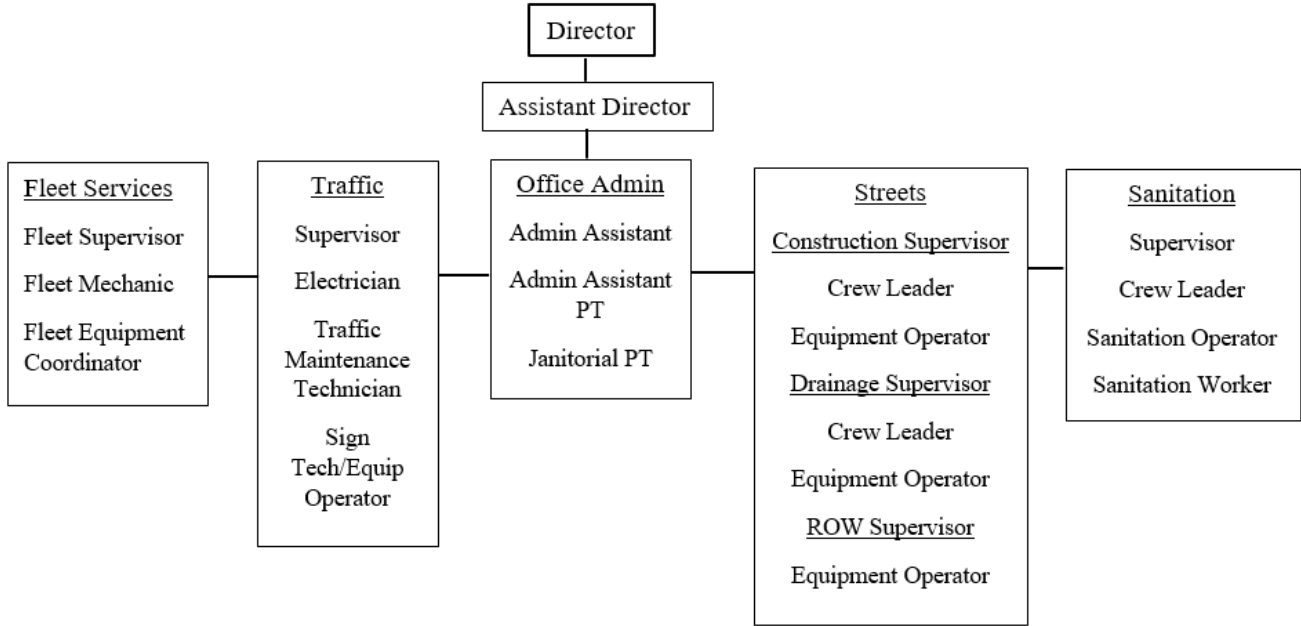


PARKS AND RECREATION DEPARTMENT



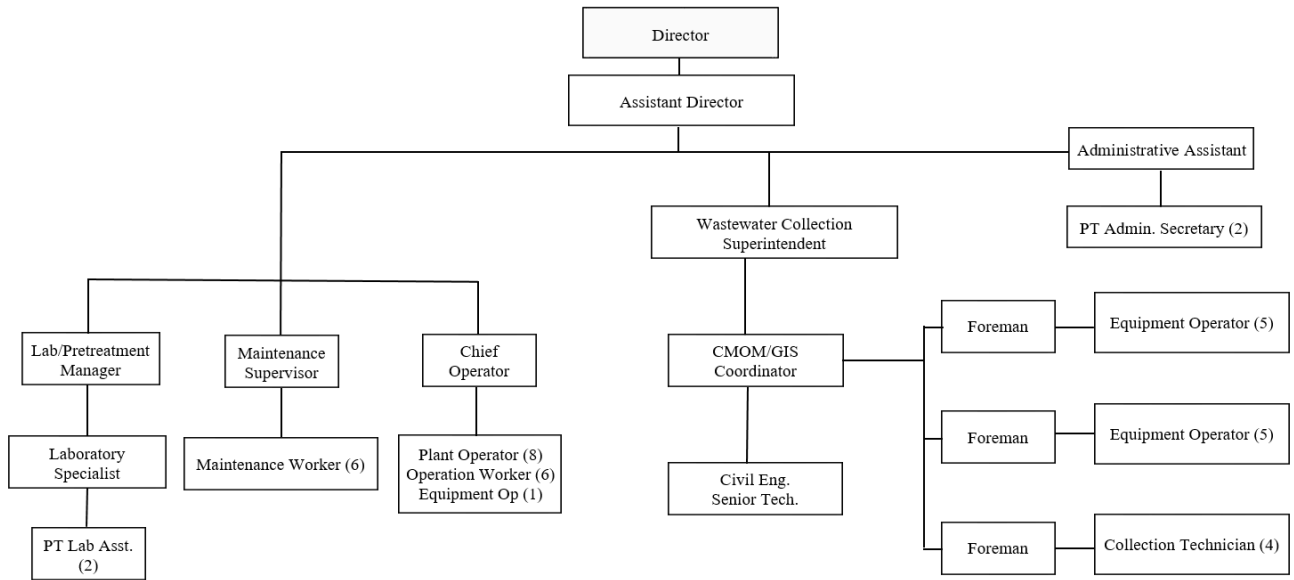
3.1.2.10 Public Works

PUBLIC WORKS DEPARTMENT



3.1.2.11 Wastewater Department

WASTEWATER



3.2 RISK ASSESSMENT

Overview

City officials and management assess risk of operations on an ongoing basis. The City has chosen to transfer the most common types of risk through the purchase of the following types of insurance:

- Property and Casualty
- Liability
- Errors and Omissions
- Worker Compensation

There are risks that cannot be anticipated or known about and as it relates to financial and compliance issues, the following assessed areas have been identified as certain risks that need to be addressed by the development of internal control policies and procedures. Internal controls will not eliminate all risk but will help reduce risk to gain reasonable assurance that reporting and compliance objectives are being met.

Objectives

1. **Collections** are complete, timely and accurate.
2. **Disbursements** are for a valid City purpose and properly recorded.
3. **Assets** are properly safeguarded.
4. City is in **compliance** with contractual, local, state and federal laws and regulations.

Risk

Objective 1

1. Collections could be lost or misappropriated.
2. Collections could be recorded improperly.
3. Collections may not be deposited in the bank and recorded timely.

3.2 Risk Assessment (Continued)

Risk

Objective 2

1. Disbursements could be unauthorized.
2. Disbursements could be for personal items.
3. Disbursements could be made for items never received.

Risk

Objective 3

1. Bank balances may be inaccurate due to failure to reconcile bank accounts.
2. Capital assets or inventory items could be missing.
3. Cash is not available when needed.
4. Inventory is not available when needed.

Risk

Objective 4

1. Grant funds could be spent for unallowable items.
2. Grant rules may not be followed which could result in having to return federal funds.
3. Federal reporting requirements were not met.

The significant areas of risk are identified above and policies and procedures will be documented in the **next section** to explain how the City plans to put internal controls in place to help reduce some of the risks associated with these areas of operations.

3.3 CONTROL ACTIVITIES

Overview

This section is where the detailed procedures will be documented. The objectives, policies and implemented procedures will be described for each of the significant areas identified in the Risk Assessment section.

3.3.1 General Collections/ACHs

Objectives

1. Collections are complete, timely and accurate.
2. Collections are safeguarded.
3. Collections should be recorded accurately and timely in the accounting system.

Policies

Objective 1

1. A receipt will be issued for each collection made.
2. Each cashier will have their own cash drawer.
3. Two people will count down cash daily.
4. Personal checks shall not be cashed from cash drawers.
5. All cash drawers will be closed out and counted daily.
6. All funds will be deposited daily.
7. Any monies collected at decentralized locations must be deposited through the City Recorder's Office.

3.3.1 General Collections (continued)

Procedures

Procedures for policies 1-7

- The City has four (4) cashiers. All cashiers are general cashiers who collect everything. The number of cashiers employed by the City is subject to change in order to ensure that daily collection activities are carried out effectively.
- Cashiers immediately stamp all checks “for deposit only” and issue automatically numbered receipts for all collections. Receipt lists date, amount, payer, proper accounting code, cash or check and is initialed by cashier. A copy is given to every customer or retained with daily cash report.
- A general ledger/deposit report is run daily.
- Each person closes and balances their cash drawer.
- Two cashiers combine all receipts and balance to the general ledger receipt report, one counting and the other reconciling daily receipts.
- Daily cash reports are given to the Assistant City Recorder or City Recorder who makes up the bank deposits.
- Counted, reconciled deposits are taken to the bank daily in a secure bank deposit bag and deposited in the bank’s deposit box or taken to the teller window.
- Daily cash reports are provided to the Finance Department.
- The Accounting Technician II responsible for Accounts Payables in the Finance Department reconciles the daily cash reports to the bank statements on a monthly basis.
- Individual receipts issued at decentralized locations (Parks & Recreation, Police Department) are turned in to the City Recorder’s Office. The City Recorder’s Office issues a receipt for those funds, which are submitted with the daily deposit.

Policies

Objective 2

8. All cash drawers are locked in a fireproof cabinet located in the City Recorder’s Office, the office locked overnight, during closed hours.
9. Deposit bag is secured until staff counts and secures for transport to the bank.
10. At no time will cash be left out in the open unattended.
11. Employees are prohibited from co-mingling City assets with personal assets.

3.3.1 General Collections (continued)

Procedures

Procedures for policies 8-12

- The City has four (4) cashiers who collect everything.
- The number of cashiers employed by the City is subject to change in order to ensure that daily collection activities are carried out effectively.
- Each cashier is issued a separate cash drawer.
- The fire proof cabinet is unlocked each morning and locked each afternoon, also secured in a locked office, i.e., the City Recorder's Office.
- All computer passwords will be changed periodically and access to collection, adjustment, voiding and other administrative functions will be restricted and checked regularly.
- Finance Department staff will reconcile daily cash reports and bank statements on a monthly basis.
- The CFO will periodically perform surprise cash counts to ensure there are no personal checks being held in the cash drawers and to ensure the drawers are in balance.
- The CFO is the only person authorized to have computer software support change restrictions or change control levels.

Policies

Objective 3

12. Chart of accounts codes will be reviewed with cashiers on a regular basis.
13. All daily collection reports are posted to the general ledger by the City Recorder or Assistant City Recorder.
14. All accounting system updates and changes are discussed with office staff and appropriate changes made if necessary.
15. Reconciliations are performed monthly by the Finance Department.

3.3.1 General Collections (continued)

Procedures

Procedures for polices 13-16

- All revenue codes used by the City are maintained on a secure, password protected computer. The City Recorder or Assistant City Recorder will notify the cashiers if an account code is changed or added.
- The CFO and Assistant Finance Director are the only staff authorized to add new accounts.
- The City Recorder or Assistant City Recorder post transactions daily to the general ledger.
- Management Information Systems department notifies the office staff when computer updates are scheduled.
- Staff is to report any problems to the City Recorder or Assistant City Recorder immediately.
- The Finance Department reconciles the daily deposits to the bank statements on a monthly basis.

3.3.2 General Disbursements/Drafts

Objectives

1. Disbursements are for a valid City purpose and necessary.
2. Disbursements are timely.
3. Disbursements are accurately coded and recorded in the accounting system.
4. Disbursements are legally appropriated.

Policies

Objective 1 and 2

1. The City has adopted a [Purchasing Policy](#) in compliance with state law. Various levels of authority have been assigned for accountability across City departments. Requirements based upon purchasing policy thresholds are communicated to departments along with any updates to the purchasing policy.
2. Purchasing cards are used for smaller dollar purchases and purchases authorized in the purchasing policy.
3. Direct charge invoices are reviewed and processed as received.
4. Purchase order invoices are checked against purchase orders and sent to City Hall for payment no less than every three (3) days, if not daily or every other day.
5. Checks are written no less than every two (2) weeks to ensure invoices are paid timely, though most often weekly.
6. The finance department uses a computerized accounts payable system.
7. All purchase orders are coded by purchaser and verified by the accounts payable clerk.
8. Invoices are entered in the accounts payable system weekly, though no less than every two (2) weeks.
9. The CFO reviews the accounts payable check register after the check run.

Procedures

- The City of Columbia has a [Purchasing Policy and Manual](#) that was formally adopted by the City Council and updated as needed. The policy establishes rules related to purchases based upon certain dollar thresholds. Purchases of goods or services over \$4,000 but under \$25,000 require preparation of a requisition with pricing and issuance of a purchase order (PO). Purchases \$25,000 and over require a formal bid process and Council award. The Purchasing Agent reviews all requests for purchase orders routed to the Purchasing Agent for review and

entry into the system. All purchase orders are signed/approved by the Purchasing Agent and CFO, with the City Manager approving purchase orders between \$10,000 and \$25,000.

- Purchasing cards have been issued to many City staff for small purchases. Employees who receive a purchasing card are required to sign off on a Credit Card User Agreement. When monthly purchase card statements are received by departments, all substantiating documentation is attached and the employee and department head, at a minimum, sign off on the statement. The statements are then routed to the Finance Department where they are reviewed by the Accounting Technician II and then reviewed/approved by the CFO.
- Invoices under the \$4,000 threshold may also be stamped for payment and coded by department staff, approved by the department head and routed to Finance for check processing. An Accounting Technician II reviews the invoices and then routes them to the CFO for review and approval prior to processing.
- Purchase order invoices are checked against purchase orders by department staff, coded for department head approval and sent to City Hall for payment as soon as possible.
- Purchase order invoices are reviewed by the Accounting Technician II in the Finance Department, who matches them to each purchase order. Invoices are posted to the front of the PO, and accounts are checked for blanket purchase orders to ensure that the authorized PO amount is not exceeded without appropriate review and approval.
- The Finance Department uses accounts payable software Local Government Corporation.
- The Accounting Technician II enters and processes invoices no less than every two (2) weeks. Accounts payable checks are processed and distributed no less than every two (2) weeks.
- The Accounting Technician II is responsible for entering invoices and processing accounts payable checks.
- All checks require three signatures. Signatures are printed on laser checks using a MICR toner that is removed when not printing payable checks.
- All checks have documentation attached at the time of signing.
- The Accounting Technician II prints checks and a second Accounting Technician II prepares envelopes and distributes checks.
- CFO and City Manager review and sign off on accounts payable check registers.
- The CFO reviews monthly expenditure reports to ensure departments are working within their established budget parameters (see [Operating Budget Policies](#)).

3.3.2.1 *Payroll disbursements and payroll liabilities*

Objectives

1. Disbursements are for a valid City purpose and necessary.
2. Disbursements are timely.
3. Disbursements are accurately coded and recorded in the accounting system.
4. Disbursements are legally appropriated.

Policies

1. Each employee has a personnel file that includes required information.
2. Changes in employee status should be supported by appropriate documentation.
3. Supporting documentation in the form of timesheets is used to substantiate disbursements.
4. Payroll is processed through a separate checking account which is reconciled monthly by someone different than the employee who processes payroll.
5. Additions and deletions to payroll are handled separately from timekeeping functions.
6. Payroll is processed biweekly.
7. Prior to payroll processing, the check register is reviewed by someone other than the employee processing payroll.
8. Unclaimed checks are investigated routinely.

Procedures

1. Each employee has a personnel file that includes: hiring authorization, salary history, federal withholding forms, hospital and retirement deduction information, authorization for payroll deductions and direct deposit information.
2. Personnel action forms substantiate rates of pay and accounting information so that pay may be charged to the appropriate department account.
3. The City has an automated time keeping system to report employee time for payroll processing. The Assistant Finance Director/Purchasing Agent sets up employees in the timekeeping system, which additions and changes follow from signed Personnel Action Forms from the City's Personnel Department.

4. Various levels of authority have been assigned and the department head signs off on biweekly departmental payroll.
5. Time is imported into the Payroll system by the Purchasing Agent. The Accounting Technician II receives the timesheets from the Purchasing Agent and balances hours to ensure that imported time matches the summary timesheets. Payroll edits are made by the Accounting Technician II and all hours/additional dollar amounts are balanced. The payroll register is also reviewed by the CFO and Purchasing Agent prior to submission.
6. Checks are processed by the payroll vendor and prepared for distribution by a different Accounting Technician II.
7. Unclaimed/uncashed checks are investigated promptly.

3.3.3 Investments

Objectives

1. All municipal investments must accord with an [Investment Policy](#) adopted by the Council, which shall be reviewed and updated as needed.
2. Maintaining safety of investment principal is the foremost objective of the investment program. The investments shall be undertaken in a manner that seeks to ensure the preservation of capital.
3. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
4. The investment portfolio shall be designed with the objective of attaining a reasonable rate of return, taking into account the investment risk constraints of safety and liquidity needs.

Policies

1. The investment program shall be operated in conformance with federal, state requirements, state law requiring the development of an Investment Policy.
2. This policy covers investing the financial assets of all funds with the exception of the retirement fund and the insurance fund, which are managed by the Trustees.
3. The CFO will serve as the City's Investment Officer.
4. The investment officer will determine the amount of funds available to be invested.
5. The investment officer will determine the funds to leave in the City's checking accounts based investments approved by state law and the City's policy.
6. An investment advisor may be selected.
7. A periodic review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer.
8. The investment officer will collaborate with the selected investment advisor to select the most appropriate investments while maintaining safety and liquidity at the forefront.
9. Investments shall only be made in investment vehicles that have a minimum credit rating or equivalent of a AA rating or higher or are collateralized by pledged securities at a financial institution.

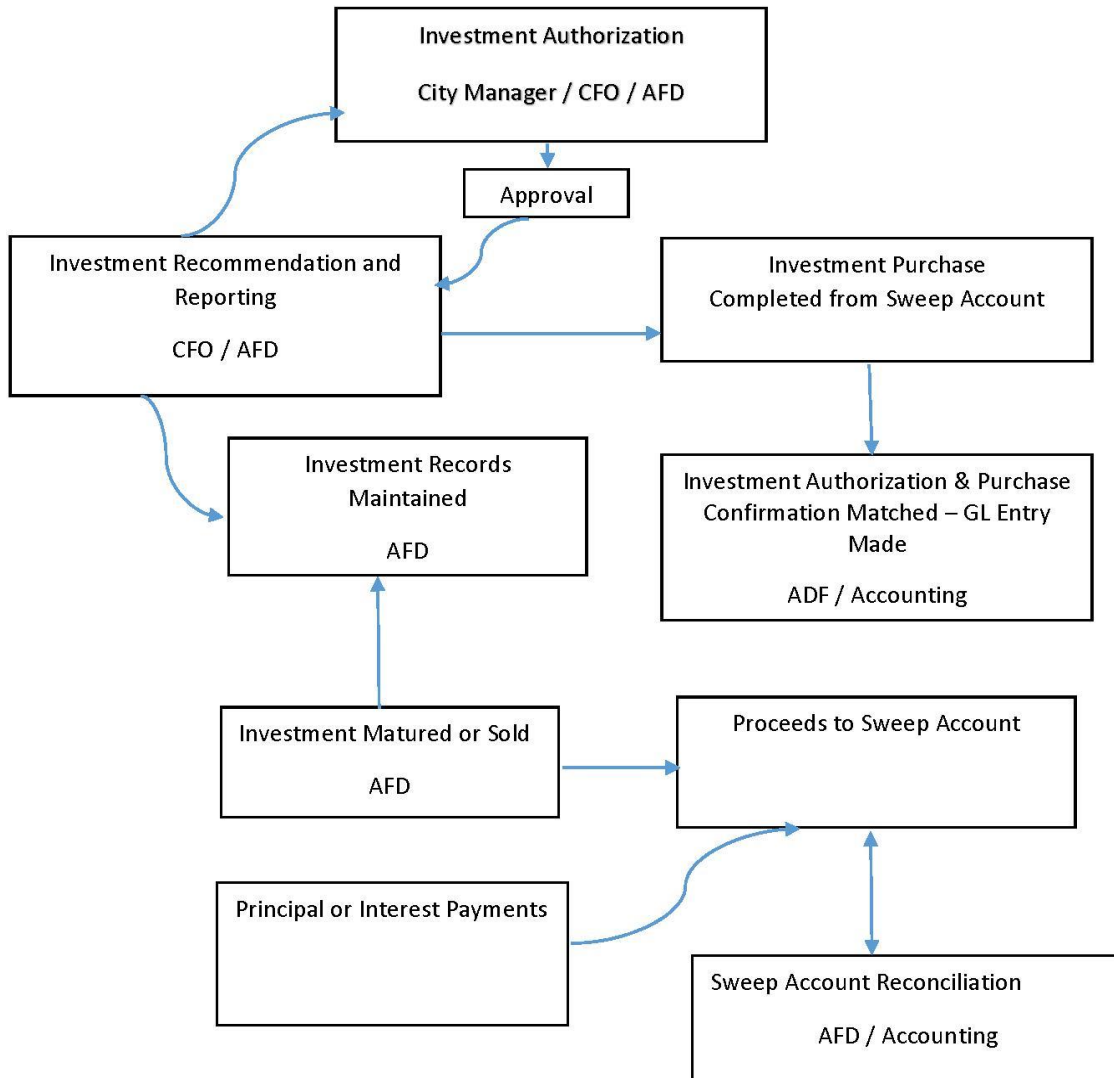
3.3.3 Investments (continued)

Procedures

Procedures for policies 1-9

- An [Investment Policy](#) has been adopted by the Council.
- Fidelity Bonds shall be required in the amount of \$1,000,000.00. The Investment Officer, Assistant Finance Director (AFD) or other personnel with the ability to initiate wire transfers on behalf of the City.
- Cash Flow Schedule: An annual cash flow schedule shall be prepared as part of the City's annual budget process and shall project anticipated inflows and outflows of cash on a month basis for the upcoming fiscal year.
- The cash flow schedule shall be reviewed by the Investment Officer on a monthly basis and amended as may be required.
- Daily Cash Reporting: Cash receipts shall be deposited on a daily basis into the demand account of the appropriate fund.
- The City Recorder shall prepare and deliver a daily report all cash receipts by fund to the Investment Officer and AFD.
- Investment authorizations shall be evidenced and approved in advance by the Investment Officer.
- Authorization will at a minimum detail amount, type, maturity, interest rate, and broker/institution.
- The Investment Officer must authorize any investment with a maturity exceeding six (6) months and/or exceeding \$1,000,000.00.
- Investments exceeding one (1) year in maturity and/or \$5,000,000.00 requires written authorization by Investment Officer and City Manager.
- Recommendations for investment shall initiate with the AFD.
- All investment transactions shall be evidenced in writing using the appropriate and approved forms on file with the Finance Department.
- The Assistant Finance Director shall maintain a list of authorized Financial Institutions, Brokers and Dealers.
- Authorized institutions and brokers shall submit a signed acknowledgement that they have read and understand the investment policy of the City of Columbia.
- Banks and Financial Institutions shall make available on an annual basis audited financial statements, FDIC call report and list of depository contacts.
- Brokers/Dealers shall make available on an annual basis audited financial statements and documentation as a member in good standing with a national security exchange.
- The Assistant Finance Director shall prepare and deliver a written report of all investments and related activity on a calendar quarter basis to the Investment Officer.
- The Investment Officer shall make quarterly reports to City Council on all investment activity for the preceding quarter and current list of investments.
- Custodial Safekeeping: All investments shall be held in the name of the City of Columbia.
- Settlements: All trades shall be on a delivery vs payment method.

Flowchart of Investment Activities



Notes:

Assistant Finance Director (AFD)
Chief Financial Officer (CFO)

3.3.4 Safeguarding Assets

Objectives

1. Ensure City assets are properly valued and protected.
2. Ensure Cash, Accounts Receivable and other asset accounts are reconciled.
3. Ensure investments are safe and in accordance with adopted investment policy.
4. Ensure City assets are protected against loss, misappropriation or theft.
5. Ensure inventory items are available when needed for use.

Policies

1. All bank account statements (checking, savings, investments, etc.) are reconciled to the municipal general ledger accounts within 15 days of the date of the statement.
2. All bank accounts are appropriately collateralized. Any bank account balance that exceeds the FDIC coverage limit will be covered at 105% of the balance as per state statute. All bank accounts are held in financial institutions under the municipality's name.
3. All checks from any bank account requires three authorized signatures.
4. All City investments may only be made by authorized signers approved by the City Council and in accordance with *Investment Controls* on file in the City Manager's Office pursuant to the Investment Policy approved by the Council.
5. Inventory records contain enough information to readily identify corresponding capital assets. Capital assets are tagged or otherwise identified during a physical inventory that is performed annually.
6. Proper safeguards are in place to prevent theft or loss of assets.

Procedures

Procedures for policies 1-6

- City Recorder's Office personnel posts interest monthly using online banking printouts.
- Bank statements are received by the Assistant Finance Director for monthly reconciliation.
- Any questions are addressed with the City Recorder/CFO.
- Bank accounts are collateralized in compliance with State of Tennessee requirements.

- Bank accounts are held in financial institutions under the City's name with the exception of construction escrow accounts, which are established under the contractor's Tax ID number and named jointly with the contractor/City name.
- Withdrawals from any bank account require at least two signatures (purchasing card bank debit via journal entry is prepared by the Assistant Finance Director or Purchasing Agent and signed by the CFO). Payroll transfers are initiated by the Assistant Finance Director or Purchasing Agent and approved by the CFO.
- Checks require three authorized signatures.
- Investments are only made pursuant to the City's Investment Policy, which investment direction can only be signed by authorized signatories pursuant to the City's Investment Controls on file in the City Manager's Office.
- Monthly investment statements should be reviewed and signed by the CFO and Assistant Finance Director.
- Quarterly investment reports by the CFO/Investment Officer shall be made to the City Council.
- The Purchasing Agent maintains a fixed asset database with information to readily identify corresponding assets. Capital assets are tagged or otherwise identified and departments conduct biannual inventories on a staggered schedule. Items which are not located are researched and a list of assets to be removed is submitted to Council on a periodic basis in accordance with the City's purchasing policy.
- Asset disposal must be handled through the Purchasing Agent and requires Council approval per policy.

3.3.5 Compliance

Objectives

1. Ensure that state law regarding the issuance of debt is followed.
2. Ensure that state and federal grant regulations are understood and followed.

Policies

1. The City must adopt a debt management policy in accordance with state requirements.
2. The CFO is well versed on the state requirements for issuing debt.
3. Grant applications require approved of the legislative body and matching funds must be certified.
4. Ensure compliance with grant financial terms and conditions.

Procedures

Objective 1

- The City has adopted a [Debt Management Policy](#) in accordance with state requirements as well as [Tax Compliance Policies for Tax Exempt Bonds](#).
- These policies are reviewed annually in conjunction with the budget process.
- Any changes to the policies are proposed for adoption by the City Council.
- The City has retained a financial advisor via a selection process to assist with educating and providing guidance on debt-related issues.
- The CFO attends continuing education workshops which include sessions on debt.

Objective 2

1. Receipt of grant awards must be approved by Council either upon submission or prior to entering into a contract.
2. All grants with matching requirements must be approved by the City Manager prior to submission of application.
3. At the time of acceptance, matching funds are certified by the CFO.
5. Once awarded, the CFO is to be notified of the project budget and detailed expenditure requirements of the grantor agency.
6. The CFO must be provided with the grant contract information, grant or contract numbers and whether the grant is state or federal funds.
7. Copies of any grant billings not prepared by the Finance Department must be routed to the CFO for retention.

3.4 INFORMATION AND COMMUNICATION

Overview

Management has the responsibility to adequately communicate and provide information to both internal and external parties. It is important that employees know the objectives, policies and procedures management has established and what the expectations are for internal controls. External stakeholders also seek information regarding objectives and reliable financial information.

Objectives

1. Necessary quality information for achieving the City's objectives is available and used.
2. Necessary quality information for achieving the City's objectives is internally communicated by management.
3. Necessary quality information for achieving the City's objectives is externally communicated by management.

Policies

1. Information maintained in a format should be communicated in that same format. For example, if the general ledger is maintained on computer, the monthly budget to actual reports should be provided through a computer generated report from that software package.
2. Reliable and accurate quality information from municipal internal sources must be communicated to the people who need it in a timely and useful format.
3. Because of credibility of the municipality, its governing body and its public officials are at stake whenever information is released to outside parties. Management should be confident the information being released is accurate and the release is in compliance with policies and procedures.

Procedures

Procedures for policy 1

- Review and document the information requirements to achieve key objectives and address the risks of the government.
- Review and document changes that occur in the local government's objectives and the related changes in information requirements.
- Identify and evaluate the reliability and timeliness of relevant data from both internal and external sources.
- Review and evaluate whether data has been processed into quality information that allows management to make informed decisions and evaluate whether the local government is achieving its objectives

Procedures for policy 2

- Management clearly defines the lines of communication through policy manuals and organizational charts.
- Management has communicated the types of information required to achieve objectives and address risks.
- All internal control documents and related reports will be available to all staff in an appropriate method based on confidentiality and relevance to job responsibilities.
- The appropriate information delivery system has been determined (e.g. email, written memo, staff meetings, etc.) for changes and updates.
- Reports containing personally identifiable information or other protected or confidential information will be made available through communication methods that restrict internal and external access.
- Annual staff training meetings and new employee orientation, with relevant handouts and manuals, will be used to reinforce memo, email, intranet and restricted communications.

Procedures for policy 3

- A [Records Policy](#) has been developed and approved by the Council that addresses the following.
- Management should develop policies and procedures for communicating with external parties.
- Management should develop policies and procedures for evaluating the reliability of information provided to and received from external parties.
- Management should develop policies and procedures for ensuring that only authorized individuals provide information to external parties.
- Management should develop policies and procedures for ensuring that restricted information is provided only to authorized external parties.
- Management should develop policies and procedures for the redacting of information when requested under the open records statutes.

3.5 MONITORING

Overview

The internal control system changes as technology, staff, objectives and policies change. Management is charged with continually monitoring the internal control system to determine if it is operating as it was designed to do and to insure the controls are being followed.

Objectives

1. To practice activities to monitor the internal control system and evaluate the results.
2. To address deficiencies noted in the internal control system in a timely manner.

Policies

1. To ensure that internal controls do not deteriorate and continue to work as designed over time, risks will be assessed on an ongoing bases and testing conducted by management and the CFO.
2. To establish more efficient and effective operations over time.
3. To ensure accurate and reliable financial information is used in decision-making.

Procedures

Procedures for policies 1 and 2

- Evaluate and document the current state of the internal control system and document the differences between the criteria of the design and the current condition of internal control, for purposes of establishing a baseline.
- Determine whether to change the design of internal control or implement corrective actions to improve the operating effectiveness of internal control for differences that exist.
- Monitor internal control through built in monitoring activities and periodic separate evaluations and document the results.
- Evaluate differences to determine if 1) changes in internal control have occurred but have not been documented, 2) internal control has not been properly implemented, or 3) internal control design changes are needed.

SUMMARY

The framework of this Internal Controls Policy Manual complies with State requirements and was created using the Green Book as guidance. City of Columbia Management has considered each section of this manual and will review annually to consider the addition of other objectives, policies and procedures as the City Council approves new policies or modifies existing policies, making changes to the City's Internal Control System necessary. Risk assessments will be conducted periodically and any findings germane to this manual proposed for consideration by the Council.