

**TOWN OF JEROME
FINANCIAL OPERATIONS MANUAL**

August 2023

TABLE OF CONTENTS

| Section | Page |
|---|------|
| INTRODUCTION | 3 |
| I. PAYROLL | 4 |
| II. TRAVEL AND TRAINING | 7 |
| III. CASH RECEIPTS..... | 10 |
| IV. DEBT COLLECTION AND WRITE OFF OF UNCOLLECTIBLE ACCOUNTS | 11 |
| V. PROCUREMENT | 14 |
| VI. RECEIVING GOODS | 16 |
| VII. CASH DISBURSEMENTS | 17 |
| VIII. CREDIT CARDS | 18 |
| IX. FUND BALANCE | 21 |
| X. INVESTMENTS..... | 22 |
| XI. CAPITAL ASSETS | 23 |
| XII. FRAUD..... | 26 |
| XI. EXHIBITS: | |
| CREDIT CARD USER AGREEMENT | 34 |
| STATEMENT OF MISSING DOCUMENTATION FOR CREDIT CARD..... | 35 |
| AFFIDAVIT OF ASSET DESTRUCTION/DISPOSITION..... | 36 |
| PURCHASE REQUISITION/PAYMENT APPROVAL FORM | 37 |

INTRODUCTION

PURPOSE: The purpose of this manual is to set forth those policies and procedures established to govern and to implement fiscal policy and financial management related to the Town of Jerome. The general purpose of this document is to provide a working guide for established financial policies and procedures.

I. RESPONSIBILITIES

Jerome's Town Code charges the Town Clerk and/or the Town Manager with implementing the financial policies of the Town Council. All matters discussed in this operations manual shall be carried out within applicable laws and regulations, and with generally recognized principles of good financial management and accounting.

Town employees not following the policies and procedures set forth in this manual may be subject to discipline as set forth in the Town's adopted Personnel Policies.

II. AMENDMENTS

This manual is written in sections, by subject, allowing flexibility for revision. The revision number and the effective date of the revision will be noted at the top right-hand corner of each page.

III. COMMENTS/CLARIFICATION OF POLICY

All comments and requests for clarification of this manual should be addressed to the Finance Department.

IV. OTHER TOWN POLICIES

For additional policy information, see the Town's separate policies as follows:

1. Jerome Town Code
2. Town of Jerome Personnel Policies

SECTION ONE PAYROLL

PURPOSE: To establish standard procedures for the disbursement of funds to employees of the Town of Jerome for work performed for the Town and to ensure that all financial accounting practices are authorized and accounted for properly.

I. INITIATION, STATUS CHANGES and PAYROLL WITHHOLDINGS

Original authority for placing an employee on the payroll, authority to execute any change of employee status, or authority to remove an employee from the payroll will be provided in writing by the Town Manager. Authority for initial federal and state income tax withholdings and subsequent changes will be recorded on a properly executed Federal W-4 and Arizona A-4 form. The original authority for court ordered withholdings shall be by copy of the court order. The Payroll Clerk shall enter the initial or change in status and the initial or change in withholding information into the computer payroll program and mark each document as entered. The documents shall then be placed on file in the Finance Office, **and in the employee's personnel file.**

II. RECORDS

A. Payroll/Financial Files

The Payroll Clerk maintains the following documents in the Finance Office **and in the employee's personnel file:**

- Employee timesheets
- Copies of paychecks or direct deposit stubs
- Miscellaneous payroll/status change forms
- Federal Withholding Form (W-4)
- Arizona Withholding Form (A-4)
- Employment Verification Form (I-9)
- Court Orders
- Health Insurance Enrollment
- Any miscellaneous authorized deductions or financial documents

B. Personnel Files

The Town Manager maintains a Personnel File for each employee, **which may be kept securely in the Finance Office and contain at a minimum:**

- Application for employment
- Basic employee information
- Medical and Workers Comp forms **(In a separate confidential file)**
- Annual reviews and disciplinary records
- Miscellaneous other records and correspondence

III. PAY PERIODS

All Town of Jerome employees have a bi-weekly pay period running from 12:01 a.m. Sunday of one week through midnight Saturday of the following week.

IV. TIME CARDS

A Timecard shall be completed according to department policy and entered in the Town's electronic time keeping service.

V. LEAVE TIME

For policies regarding Holidays, Paid Time Off (PTO), and other leave time, refer to the Town of Jerome Personnel Policies Manual.

VI. POLICY FOR ON CALL PAY

'On Call' pay is a specific class of automatic pay for non-exempt employees who may be assigned On Call duty in order to respond to critical situations that might arise outside of scheduled work hours. This is intended to address the need to provide 24/7 readiness including emergency response capabilities to the citizens of Jerome. On Call assignments will be made at the discretion of the Town Manager, Department Head or his or her designee. These provisions and guidelines do not apply to exempt classifications.

Guidelines for On Call:

- Employee must be easily reachable by telephone or other acceptable and previously agreed upon means of communication;
- Employee must be able to effectively respond by phone to all emergency calls within ten (10) minutes and capable of reaching any emergency site within thirty (30) minutes;
- During the period that Employee is "on call," Employee must not consume substances (including but not limited to alcohol and drugs), which may impair the ability to promptly, effectively and safely carry out duties;
- If a call out event lasts until the beginning of a scheduled workday, the call out time will cease and the regular workday will begin;
- Employee may otherwise use On Call time as their own.

Failure to respond to calls as described above or reporting to work unfit for duty will result in disciplinary actions up to and including termination.

A call out is considered to be the act by the On Call person of physically travelling to respond to an issue or emergency.

For On Call time other than scheduled work time or time spent responding to an emergency, a fixed amount of On Call pay will be paid to non-exempt employees. A public works employee On Call will be compensated one hundred dollars (\$100.00) for each full week spent On Call.

Employees are paid at their regular rate of pay for regularly scheduled work time and/or time spent responding to an emergency while On Call. An employee who receives a call out will be compensated a minimum of two (2) hours regular pay for each call out event. After forty (40) hours worked in any one (1) workweek, regular overtime is paid at time and one half (1.5) of employee's regular rate of pay.

On Call pay is a separate compensation class and, as such, is to be designated on a separate line of the employee's time sheet as it is not combined with regular workweek hours for purposes of calculating overtime. On Call time cannot be converted to regular work time or compensatory time. On Call time will be calculated and paid on a separate line of the employee's regular pay stub.

VII. CHECK RUN, SIGNING AND DISBURSEMENT

The Payroll Clerk generates the payroll checks and/or direct deposit stubs. The direct deposit stubs and checks are forwarded to the Town Manager for review, along with copies of the Timecards.

After distribution to employees, the Timecards are attached to copies of the direct deposit stub or check and filed in the Finance Department.

VIII. FISCAL YEAR END PROCEDURES

When the final fiscal year end payroll crosses both fiscal years, the applicable expenditures are reported in accrued payroll and recorded in the adjusting entries.

IX. QUARTERLY REPORTS AND YEAR END W-2 PROCEDURES

Quarterly reports are prepared by the Payroll Clerk. Once the fourth quarter reports have been prepared and balanced, the Payroll Clerk reconciles final W-2 amounts to the quarterly reports and then prints the W-2s for distribution to employees and the IRS.

X. PAYROLL LIABILITY ACCOUNTS

The Payroll Clerk reconciles the payroll liability accounts and prepares any necessary adjustments at least quarterly. The Finance Director reviews these reconciliations and approves any required adjustments.

SECTION TWO TRAVEL & TRAINING

PURPOSE: The policy of the Town of Jerome is to encourage training opportunities for employees and supervisors so that their services rendered to the Town shall be made more effective, and that employees may become, at the same time, qualified for promotion to higher level positions. The Department Heads and Town Manager, consistent with the budget and this policy, shall authorize attendance at conferences, seminars, meetings and conventions that directly benefit the Town of Jerome.

I. Eligible Individuals

- A. Town employees
- B. Others - Members of Town Council and Town boards, commissions, and committees.

II. General Travel Principles - The Town shall authorize employee travel in accordance to the following principles:

- A. Employees may attend educational or training seminars if funds for that purpose are available, **department staffing allows**, and such training is directly job related.
- B. The most economical method of transportation shall be selected in terms of expense to the Town and the employee's time away from the office.
- C. Travel shall be approved prior to departure by the Department Head and Town Manager.
- D. Any travel claims shall be submitted to the Finance Department within five (5) working days after the end of the trip.

III. Travel Compensation Guidelines

- A. Lodging shall be compensated on the basis of actual expenses incurred. Meals shall be compensated for food and non-alcoholic beverages only, to include gratuities therefore. Detailed receipts must be provided in order for compensation to be granted.
- B. The Town shall compensate expenses only when the expenses are incurred during the performance of official duties of the Town employee and for the Town's benefit.
- C. Expenses will not be compensated when the training received is for the direct benefit of the employee and not required by the job.
- D. An employee who extends the travel for his own convenience or enjoyment, when such is not required by the Town, will not be entitled to reimbursement for that meal or, if applicable, lodging.

IV. Transportation

A. Requirements for using Town owned vehicle

1. Authorization - by the Town Manager prior to use.
2. Driver's license - a valid Arizona driver's license is required if the employee is driving a Town vehicle or rental vehicle on Town business.
3. Vehicle reservation – to assure availability, reserve a vehicle with the Front Desk at least 48 hours before it is needed.
4. Reporting - All pertinent information must be provided in the vehicle log, including name of user, beginning and ending mileage, total miles traveled, and fuel level.
5. Returning of vehicle - fuel level must be full upon return from an out of town trip and any problems or incidents with the vehicle must be reported to the Town Manager or his/her designee. The vehicle shall be returned in a clean state (all soda cans, paper & trash shall be removed).
6. NO SMOKING in Town vehicles.

B. Requirements for using personal vehicle

1. Driver's license - a valid Arizona driver's license is required if the employee is driving a personal vehicle on Town business.
2. Current Vehicle Insurance - liability insurance coverage with a minimum coverage of \$15,000 per person and \$30,000 per accident.
 - a. If a traveler using a privately owned vehicle is involved in an accident and found to be at fault, his/her liability insurance carrier is responsible to the limits of the policy. If the amount exceeds that coverage, the Town's insurance will, at the time, cover the amount over the policy limits if the traveler was acting within the course and scope of their employment.
 - b. If a traveler driving a privately owned vehicle on Town business is involved in an accident, regardless of fault, the Town will not reimburse for any physical damage to the motor vehicle.
3. Compensation Basis
 - a. Compensation is based on "Map Mileage" using official state highway maps or mapping programs.
 - b. Beginning address and ending location address must be submitted for compensation.

- c. Compensation will be calculated using the most direct route. Mileage from the employee's home to the employee's designated work space within the Town shall be deducted unless travel is on a non-working day.
- d. Mileage compensation shall be at the Federal rate per map mile. This rate includes all travel and maintenance expenses of the vehicle.

V. Miscellaneous Travel Issues

A. Communication Expenses

1. Business communication charges, including faxes, WiFi charges and copies, are reimbursable if documented by receipts.
2. Business calls are reimbursable and should be noted as such on the hotel receipt. The number called should be visible.
3. No personal calls will be reimbursed.

B. Extending Business Trips with Leave Time

1. With the Department Head's approval, traveler may extend a business trip using leave time.
2. The Town will cover the lodging, map mileage and meals for the period the traveler is conducting Town business.
3. Additional costs will be borne by the traveler.

C. Local Transportation, Tolls and Parking

Local transportation fares, tolls and parking fees are reimbursable to the extent that receipts are provided.

SECTION THREE CASH RECEIPTS

PURPOSE: To describe the procedure for obtaining and receipting all revenues received by the Town of Jerome.

I. PROCEDURES

- A. All Town revenues will be receipted daily through the front desk.
- B. Water, Trash, Sewer, and rental payments will be recorded in the Utility Billing software system and balanced at the end of each business day. The Utility Department cash drawer will open daily with a \$250.00 change fund.
- C. Police Department-related revenue will be turned in to the front desk weekly and as needed.
- D. Court-related revenue will be received by the Court and paid to the Town monthly.
- E. Funds deposited directly to Town bank accounts will be recorded as received and entered into the General Ledger.
- F. All other payments received will be receipted through the Front Desk and those not assigned an account will be entered as "Miscellaneous Revenue." The receipts will be balanced daily and all supporting documents will be placed in a locked cabinet in the Finance Department.
- G. Revenue received through the Bill Master program at the Front Desk will be transferred to CYMA once a week and a weekly bank deposit will be made from the transfer by the Finance office. Each import/export, transfer and bank deposit is reconciled and verified by the Deputy Clerk.
- H. The Finance Department will perform a weekly bank deposit of all revenues and each import / export, transfer and bank deposit will be reconciled and verified by the Deputy Clerk or Accounting Clerk.
- I. All bank accounts will be reconciled monthly by the Deputy Clerk or Accounting Clerk, reviewed by the Town Manager, and filed according to the Town's Record Retention Schedule.

II. CASH HANDLING

- A. The cash drawer will open each day with a change fund of \$250.00.
- B. The front desk clerk will, or other employee in his / her absence, will receive cash payments throughout the day and create supporting documents to record the purpose of the payment if documentation is not provided by the payee.

- C. At the end of the business day, all cash payments received will be recorded in the financial billing software and transferred to a locked cabinet in the Finance Department with the daily payments and all supporting documentation.
- D. The cash drawer will be counted and must maintain the \$250.00 change fund balance. If any discrepancy is found, the daily cash payments received must be reconciled in an attempt to remedy the discrepancy. The Finance Director and Town Manager must be notified immediately of any discrepancies.
- E. At least once monthly the Finance Director will audit the cash drawer to ensure it has maintained the \$250.00 change balance. The Finance Director will count the cash by denomination and note the total of each. The audit record will be filed and maintained in the Finance Department.
- F. The Police Department will turn coins collected throughout the month into the Finance Department monthly, or more frequently if needed. The coins will be secured in the Finance Department until they can be deposited into the Town bank account. The Finance Director or designee will deposit the coins with the bank and then submit the receipt to the Front Desk Clerk who will record appropriately in the financial billing software. The Finance Department will make a journal entry of any fee applied and file the journal entry with the monthly bank record.
- G. A petty cash fund will be kept and maintained on an imprest basis for the purpose of receiving miscellaneous cash payments for non-utilities (copies and faxes, etc.) and making small change when applicable. The balance of the petty cash fund will be maintained at \$50.00 including cash on hand and logbook entries. If the cash on hand falls below \$25.00, the Finance Director will make a journal entry and bring the cash on hand back to \$50.00. A log is to be kept of all incoming and outgoing cash.
- H. At least once monthly, the Finance Director will audit the petty cash box and ensure there are no discrepancies. Any discrepancies will be reported to the Town Manager without delay. The audit record will be kept on file in the Finance Department.

SECTION FOUR

DEBT COLLECTION AND WRITE OFF OF UNCOLLECTIBLE ACCOUNTS

I. PURPOSE

- A. To ensure that all service fees, rentals and other accounts receivable are collected in a timely, humane and cost efficient manner.
- B. To provide authorization and guidelines for write-off of uncollectible revenues.

II. SCOPE

- A. Receivables include utility billings, fines, fees, rental payments and other miscellaneous accounts receivable, and any related penalties and interest.
- B. Under the Model City Tax Code, sales tax receivables may not be written off.
- C. On occasion, after all reasonable effort is expended, certain accounts receivable will be deemed as uncollectible.

III. BILLING AND COLLECTION EFFORTS

- A. The Finance Department, along with the originating department, must ensure that due diligence has been exercised in the collection process.
- B. Rental accounts will be handled in accordance with the lease agreement on file.
- C. Utility accounts will be handled in accordance with the provisions of the Jerome Town Code.
- D. For all other (non-utility) receivables:
 - 1. An invoice with all pertinent information, such as customer name, address, service provided, date provided and fee, should be provided to the customer on a timely basis.
 - 2. If payment of an invoice is not received within 30 days, a past due notice should be mailed requesting immediate payment.
 - 3. If an invoice remains unpaid, staff should make every effort to contact the customer to arrange payment.
 - 4. After 120 days outstanding, an uncollected receivable should be referred to a third party collection agency, if economically feasible to do so.
 - 5. All collection efforts should be documented.
- E. Settlement Arrangements
 - 1. Customers wishing to arrange for the settling of their accounts will be handled by the Town Manager on a case by case basis. The Manager, at his or her own discretion,

may enter into a written agreement with the debtor for repayment of the debt via a payment plan.

2. If a payment plan is implemented, additional late fees will be suspended during the period covered by the plan.
3. If a payment plan is implemented, and the debtor fails to make any payment by the agreed upon date, then further action may be taken without additional notice to the debtor.

F. Criteria for Write-off

1. The Town may consider receivables unrecoverable and recommend the amounts for write-off based on the following criteria:
 - a. Cost of further recovery actions will exceed estimated recovery amounts.
 - b. Inability to locate debtors after a minimum of two years.
 - c. Forgiveness of debts as approved by Council.
 - d. Amounts less than \$500.00 (Five Hundred Dollars) which have been delinquent for over one year.
 - e. Accounts that have been with an outside collection agency for at least one year where the likelihood of collections is very low or for which no other collection remedies are possible or prudent.
 - f. Debtors have declared a Chapter 7 bankruptcy.
 - g. Accounts owed by companies no longer in business and for which collection efforts have failed.
 - h. Accounts of deceased persons where there is no estate.
 - i. Other reasons to be considered on a case-by-case basis.

G. Write-off Procedure

1. Periodically, the Finance Office will identify accounts receivable which may be deemed unrecoverable and qualified for write-off based on the criteria set forth in paragraph D above. The scope of these efforts should reflect the relative size and importance of the asset recommended for write-off.
2. The Finance Office will submit an Accounts Receivable Write-Off Request Form to the Town Manager. The request must include an itemized list of the uncollectible accounts to be written off, the justification for the write-off including documentation of collection efforts, and the account names and numbers.
3. The Town Manager will review the request and supporting information to ensure that adequate documentation is provided or cited to demonstrate due diligence efforts and that the rationale for the write-off is sound. If the Town Manager

determines that the amounts are uncollectible or that further collection efforts would not be in the best interest of the Town, he or she will submit a request for write off of those accounts to the Town Council. If approved by Council, the Finance Office will adjust the appropriate system accounts.

H. Denial of Write-off Requests

1. Accounts Receivable write-off requests may be denied by the Town Manager or the Town Council based on the criteria listed below.
 - a. Insufficient collection efforts have been made or demonstrated.
 - b. Existence of a lien where future collection is possible.
 - c. Knowledge that the debt will be collected in the future.

SECTION FIVE PROCUREMENT

PURPOSE: To establish standard procedures for the procurement of supplies, materials, equipment and services and to ensure that all expenditures relating thereto, which are authorized in the Town's budget, are properly encumbered and accounted for, and that a complete history of each expenditure transaction is established. The Jerome Town Code provides that the Town Manager shall be the Purchasing Officer for the Town. No purchase or contract for services of any kind or description, payment for which is to be made from funds of the Town, shall be made by the Purchasing Officer, or any employee or agent of the Town, except in the manner set forth below, and unless said purchase is in accordance with the adopted Town budget.

I. PROCEDURE

A. Purchasing - The Town of Jerome shall procure all supplies, materials, equipment and services, deemed necessary for the delivery of quality services to its citizens, using competitive bids, vendor quotations or direct purchase. Every effort will be made to obtain all supplies, materials, equipment and services at the most economical prices available, utilizing local vendors whenever possible.

B. Purchasing Standards - All Town employees authorized to incur a debt for the Town of Jerome through the purchase of goods, such as supplies, materials, equipment or services, shall comply with the following purchasing standards:

1. The authority to incur a debt on behalf of the Town of Jerome is a public trust and each purchase shall be treated in a manner that will not in any way be adverse to the interest of the Town.
2. Each purchase shall be made impartially, fairly and without benefit, hint of benefit, or financial interest to the Town representative who is making the purchase.
3. No employee of the Town shall demand or accept a gratuity of any kind in return for making a purchase for the Town.
4. All vendors shall be dealt with in a fair, courteous and honest manner.
5. Under no circumstance will the acquisition of supplies, materials, equipment, or services be knowingly divided to circumvent the purchasing procedures.

C. Purchasing Procedure - All purchases shall be made in accordance with the provisions of Article 3-3, "Purchasing System," of the Jerome Town Code.

III. CHANGE ORDERS

This policy is applicable to contracts requiring Council approval (over \$25,000).

1. Change orders to the original contract cumulatively totaling up to 5% of the original price and not to exceed \$25,000 may be approved by the Town Manager.

2. Additional authority may be granted by the Council as they feel warranted depending on the project.

IV. PURCHASE REQUISITIONS

A "Purchase Requisition" shall be written for all purchases. Department Heads shall prepare the requisition and forward it to the Town Manager for approval **when over \$500.00 or when making the necessary purchase would place the particular line-item account over budget.**

V. EXPENDITURE OF CONTINGENCY REVENUES

No contingency revenues shall be expended for any purpose until the Town Council has specifically authorized their expenditure.

SECTION SIX

RECEIVING GOODS

PURPOSE: To establish standard procedures for the accurate receipting of all purchases or services received by the Town of Jerome.

I. PROCEDURES

- A. All items purchased by the Town shall require a written receipt of the items at the time of delivery.
- B. A title or deed shall act as the receiving document for the purchase of vehicles, land or buildings. The sales contract shall act as the invoice.
- C. Items purchased with petty cash shall be documented by the purchaser as being received by the purchaser's signature and by describing the items purchased, on the cash register tape or written receipt. It shall then be placed in the petty cash drawer as proof of the use of funds and the petty cash drawer shall be reimbursed on an imprest basis when needed in accordance with Section 3 of this Financial Operations Guide.
- D. Items purchased and paid for at the time of receipt with a Town check or a Town credit card shall include an itemized receipt that shall be signed by the purchaser and forwarded to the Finance office.
- E. All other items received shall be documented on a packing slip, bill of lading or a vendor invoice.
 1. Items received will be signed for and dated by the Department Head or their designee upon inspection by that person that all items on the receiving document are indeed delivered to the Town in good condition.
 2. Receiving documents for items purchased with a Purchase Requisition shall include the Purchase Requisition number.
 3. Items received via a parcel shipping company shall be signed for at the time of receipt from the delivery company as receipt of a number of boxes or envelopes. Upon delivery of the parcel(s) to the appropriate department, the department head or his/her designate shall inspect the contents of the delivery, sign and date the accompanying packing slip or invoice and note the amount and the condition (if necessary) of the items received.
 4. All receiving documents shall be attached to the payment request / purchase requisition with an invoice and the proper line-item budget account numbers coded, and submitted to the Town Manager for payment approval when exceeding \$500.00 or when purchasing the item(s) will place a particular line-item budget account over budget.

SECTION SEVEN

CASH DISBURSEMENTS

PURPOSE: To establish standard procedures for the disbursement of funds to vendors for purchases by the Town of Jerome in accordance with the approved budget, to ensure that all services and items delivered were authorized and accounted for properly, and to maintain accurate vendor files.

I. PROCEDURES

- A. All invoices shall be reviewed by the Department Head to ensure compliance with the approved department budget. A payment request shall be signed by the Department Head and coded based upon the account numbers in the respective budget.
- B. All approved and coded invoices shall be forwarded to the Finance office the same week it was expended along with applicable receiving documents and purchase / payment requests. The Accounts Payable Clerk batches invoices for payment based on due date and date of items received. If an emergency check is required, the Town Manager may approve processing of a check outside the normal batch timelines.
- C. The Accounts Payable Clerk shall match all invoices with the receiving documents and payment requests.
- D. All vendors, other than corporations, must have a “Request for Taxpayer Identification Number and Certification Form” (W-9) on file with the Finance Department prior to payment of an invoice. If there is no W-9 form on file, a letter of request along with a copy of the W-9 form is sent by the Finance Office to the vendor for completion. Upon receipt of the completed W-9 form, the vendor is added to the vendor files and the payment process for the invoice is completed.
- E. The Accounts Payables Clerk shall enter all invoice information into the Accounts Payable module of the Town’s software. Checks will be processed and submitted to the Town Manager for review and signing.
- F. The Town Manager shall review the checks and check register, note any exceptions, and sign the register. The register and checks shall then be forwarded to the Mayor, Vice-Mayor, or other signatory approved by Council for the second approval. The checks and register shall then be forwarded to the Finance office for processing.
- G. The Accounting Clerk shall separate the signed checks from the supporting documentation and mail the original check to the payee. The Accounts Payables Clerk shall attach the invoices and any supporting documentation to a check copy and file

the documents in the appropriate vendor file. A second copy of the check shall be filed numerically.

- H. If a check has been outstanding for six months, an attempt will be made to contact the payee. All checks outstanding for 18 months or longer will, at the end of a fiscal year, be voided and the invoice deleted.
- I. Other checks shall be voided as needed when an error has occurred.

SECTION EIGHT CREDIT CARDS

PURPOSE: Credit card use is principally intended for the purchase of gasoline for Town vehicles, online purchases, training and business expenses or other purchases where the vendor requires such use. Credit card purchases are intended to be small in scope and of a 'non-capital' nature. Other methods of procurement (purchase orders or invoicing) are preferred and should be used whenever practicable.

I. Cardholders

- A. Town employees and officials may be Cardholders in accordance with this policy. All requests for Town credit cards will be made to and approved by the Town Manager.
- B. All purchases over \$500 must be pre-approved by the Town Manager in accordance with Section Five, "Procurement," of this Manual.

II. Use of Credit Card

- A. The credit card is to be used for Town purchases only.
- B. No person other than the Cardholder is authorized to use the card unless prior authorization is obtained from the Cardholder.
- C. Questions regarding credit card accounts and procedures should be directed to the Finance Director.
- D. Cardholder shall take all necessary precautions to keep the card and card number in secure location.

III. Telephone, Web, and Facsimile Orders

- A. When placing a telephone, web, or facsimile order, confirm that the vendor agrees to charge the card when shipment is made and not sooner. The receipt charge date should coincide with the shipping date.
- B. Print, or request that the Vendor send via facsimile or email, a copy of the invoice. The original invoice is still required by the Finance Department for reconciliation purposes.

IV. Documentation

- A. Documentation must be retained and attached to a purchase requisition form as a proof of purchase any time a purchase is made using the card. These documents are submitted to the Finance Department promptly to be used to verify the purchases on the Monthly Statement of Account.
- B. If, for any reason, the Cardholder does not have documentation for a transaction, the Cardholder must attach a Statement of Missing Documentation Form, which provides: a description of the item, Vendor's name, reason for missing documentation, and the action that will be taken to insure proper documentation in the future. In addition, the Cardholder and the Town Manager's signature are required on the form.

V. **Card Restrictions**

- A. The following uses of a Credit Card are **prohibited**:
 - 1. Cash Advances.
 - 2. Personal purchases. A Cardholder may not charge any personal items on the Town Credit Card.
 - 3. Vehicle repairs unless outside the service area and/or in an emergency. Documentation will be required.
 - 4. Alcoholic Beverage purchases.
- B. Cardholders shall comply with any applicable departmental restrictions on usage.
- C. A Cardholder may not violate any procurement requirements, where it pertains to obtaining quotes, when using the Town Credit Card.

VI. **Reconciliation and Payment**

- A. All receipts and approvals must be turned in to the Finance Office promptly. Attach any additional documentation necessary, complete all forms fully and ensure that all necessary signatures have been obtained.
- B. Receipts will be reconciled with the Monthly Statement of Account by the Finance Department.
- C. If a charge has been made for which you are unable to submit the required documentation, you must contact the Finance Department as soon as possible.
- E. Payment will be made promptly and before the due date to avoid any service or finance charges.
- F. Any department not responding promptly to the request for information from the Finance Department or in any way delaying the timely monthly payment of the Credit Card Account will be assessed the finance charges imposed by the issuing financial institution.

VII. Disputes

A disputed item could result from numerous circumstances, including defective purchases and unauthorized use. All disputed items and unauthorized charges should be reported to the Finance Director immediately.

VIII. Lost or Stolen Cards

Should any Cardholder lose, suspect having lost, or have their Credit Card stolen, it is their responsibility to immediately notify the Town Manager, who will report the loss immediately to the Credit Card issuer.

IX. Termination / Resigning Employees

- A. All efforts will be made by the Town to obtain the Credit Card, any receipts and other related forms when a Cardholder employee or official is terminated or resigns.
- B. The Town Manager will notify the card issuer of any changes.

X. Policy Violations

Failure to follow this policy may result in loss of Cardholder privileges and, for employees, may result in disciplinary action, including termination of employment.

SECTION NINE FUND BALANCE

The Town of Jerome recognizes the importance of maintaining an appropriate level of Unrestricted Fund Balance. After evaluating the Town's operating characteristics, diversity of tax base, reliability of non-property tax revenue sources, working capital needs, impact on bond rating, State and local economic outlooks, emergency and disaster risk, and other contingent issues, the Town establishes the following goals regarding the Unrestricted Fund Balance of the General Fund of the Town of Jerome, Arizona.

The level of fund balance the Town strives to maintain as unreserved is an amount equal to 25% of the Town's General Fund Budget, i.e. an amount equal to three month(s) operating expenses from the then current operating budget.

Once the Town achieves its goal of an appropriate level of Unrestricted Fund Balance, any excess funds may be utilized for other municipal fiscal purposes, including, without limitation, additional capital improvement needs or tax rate stabilization or reduction purposes. For example, by utilizing excess fund balances for capital improvements, the Town will reduce the need to incur long-term debt and will avoid creating an operating fund gap for subsequent fiscal years.

This policy has been adopted by the Town to recognize the financial importance of a stable and sufficient level of Unrestricted Fund Balance. However, the Town reserves the right to appropriate funds from the Unrestricted Fund Balance for emergencies and other requirements the Town believes to be in the best interest of the Town.

SECTION TEN INVESTMENTS

The Town shall use the Local Government Investment Pool to invest excess funds in conformance with Federal, State and other legal requirements, primarily outlined in A.R.S. §35-323. Excess funds will be determined by the Town Council on an annual basis.

SECTION ELEVEN

CAPITAL ASSETS

I. PURPOSE

This policy is established to provide guidelines to ensure adequate stewardship over Town resources through control and accountability of capital assets, and to collect and maintain complete and accurate capital assets information required for preparation of financial statements in accordance with generally accepted accounting principles.

II. DEFINITIONS

Fixed Assets

Fixed assets are tangible, non-consumable items including, but not limited to: land, buildings, machinery, equipment, and vehicles owned by the Town valued at \$5,000 or more with a life expectancy of over one year. The value of the fixed asset includes the purchase price plus sales tax, as well as costs to acquire (shipping and handling), install, secure, and prepare an item for its intended use. The original purchase of a software program is considered a fixed asset if it meets the \$5,000 threshold. Improvements to an existing asset that extends the life of the asset are capitalized and depreciated over the remaining useful life of the related asset. Projects with an aggregate of \$5,000 or over may be capitalized a single item and will be booked at the completion of the project.

Small & Attractive Assets

Assets valued at less than \$5,000 that are defined as high risk for theft. These assets are not normally consumed within one year. These assets may include items in one or more of the following categories:

- a. Portable and marketable, either alone or as a component unit, such as laptop computers, tablets, cell phones, GPS units, cameras, and specialized departmentally specific items.
- b. Assets that can be utilized for personal gain.
- c. Assets repeatedly reported as lost and/or stolen within the industry and society.

III. INVENTORIES

The purpose of the physical inventory is to verify the existence, location, and condition of Fixed Assets in order to validate the accuracy of the Town's accounting records. Physical inventories of Fixed Assets are conducted on an annual basis. Personnel conducting the inventory shall report any material unresolved differences to the department head for resolution. A final asset report for each fiscal year shall be required from the following departments: General Administration (which will include Town Hall, Jerome Magistrate Court, Library, Planning & Zoning and Properties), Police Department, Fire Department, and Public Works (which will include Parks, Water, Sewer, Trash and HURF), and should be submitted to the Finance office no later than August 31st of the subsequent fiscal year.

IV. CAPITALIZATION THRESHOLD

All assets with a cost of \$5,000 or more shall be capitalized. Although *Small & Attractive Assets* (assets costing less than \$5,000) do not meet the Town’s capitalization threshold, they are considered assets for purposes of marking and identification, recordkeeping, and tracking.

V. IMPROVEMENT/REPAIR/MAINTENANCE EXPENSES

Routine repair and maintenance costs will be expensed as they are incurred and will not be capitalized. Major repairs will be capitalized if they result in betterments/ improvements to the Town’s capital assets. To the extent that a project replaces the “old” part of a capital asset, outlays will not be capitalized; and to the extent that the project is betterment/improvement, outlays will be capitalized.

VI. DEPRECIATION METHOD AND EXPECTED USEFUL LIFE OF ASSETS

All assets are depreciated using the straight-line method of depreciation.

| Type of Asset | Estimated Useful Life (years) |
|-----------------------------|-------------------------------|
| Land | N/A |
| Building & Improvements | 05-30 |
| Machinery & Equipment | 03-20 |
| Computer Software | 03-05 |
| Vehicles | 05-10 |
| Water System & Improvements | 15-50 |
| Wastewater Treatment Plant | 15-50 |

VII. REVISION OF EXPECTED USEFUL LIFE

As the Town uses its capital assets, it may need to revise the expected useful life of some of them. Any such changes should be applied prospectively; that is, the rate should be recalculated based on the remaining useful life at the time of the revision, and the new rate should be applied in the present and future accounting periods. No changes should be made to financial records of previous years for revised estimates.

VIII. TAGGING NEW ASSETS

All assets fitting descriptions of a fixed asset or small and attractive asset (other than infrastructure, vehicles and small tools) shall be recorded on asset listings maintained by the Town Clerk and a numbered asset tag attached thereto.

All assets that are sold, traded in, or otherwise disposed of shall be removed from the fixed asset inventory and the tag listing.

IX. DISPOSAL OF SURPLUS ITEMS

Before an asset is sold or otherwise disposed of, it must first be determined if the asset had originally been purchased with grant monies. If this is the case, the Town must refer to the grant agreement and follow prescribed procedures for disposition.

The Town Council must first declare an asset surplus before it can be sold, or otherwise disposed of. If the asset is to be sold, it will then be sold in accordance with applicable state law. If the asset is no longer in working order and cannot reasonably be repaired for resale, the department head, along with one other member of the department, will properly dispose of the asset. The department head and witness will sign an Affidavit of Destruction/Disposition. The Town Clerk, who shall remove the asset from any listings, will notify the Finance office and retain the Affidavit of Destruction/Disposition.

X. LOST, STOLEN, OR MISSING PROPERTY

When suspected or known losses of capital assets or small and attractive items occur, staff should conduct a search for the missing property. If the missing property is not found:

- a. The individual deemed to be primarily responsible for the asset shall notify the Town Clerk.
- b. The individual deemed to be primarily responsible for the asset, as well as that individual's supervisor, shall complete and sign a statement to include a description of events surrounding the disappearance of the property, who was notified of the loss, and steps taken to locate the property.

SECTION TWELVE

FRAUD

PURPOSE: To establish policies and procedures to maintain an ethical environment as a top priority for the Town of Jerome (Town). The Town of Jerome recognizes the importance of protecting the organization, its taxpayers, its employees, and its assets against financial risks, operational breaches and unethical activities. The Town's Fraud Policy formalizes the expectations of personal honesty and integrity required of Town officials and employees. The Town of Jerome is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, sub-contractors, agents, intermediaries, or its own employees, to gain by deceit, financial or other benefits. This policy prohibits fraud or misuse of the Town of Jerome's assets and sets forth specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

- A. The impact of misconduct and dishonesty may include:
 - 1. The actual financial loss incurred
 - 2. Damage to the reputation of the Town and our employees
 - 3. Negative publicity
 - 4. The cost of investigation
 - 5. Loss of employees
 - 6. Loss of public confidence
 - 7. Damaged relationships with our contractors and suppliers
 - 8. Litigation
 - 9. Damaged employee morale
- C. The Town's goal is to establish and maintain an environment of fairness, ethics and honesty for our employees, our citizens, our suppliers and anyone else with whom we have a relationship. To maintain such an environment requires the active assistance of every employee and manager every day.
- D. The Town is committed to the deterrence, detection and correction of misconduct and dishonesty. The discovery, reporting and documentation of such acts provides a sound foundation for the protection of innocent parties, the taking of disciplinary action against offenders up to and including dismissal where appropriate, the referral to law enforcement agencies when warranted by the facts, and the recovery of assets.
- E. Definitions.

As used in this policy, the terms listed below shall have the following definitions:

1. Assets – the entire property of the Town of Jerome. Assets include, but are not limited to, all Town vehicles, building properties, office equipment, software, cash receivables, wages and benefits, equipment, and tools.
2. Corruption – the offering, giving, soliciting or accepting of an inducement or reward that may improperly influence the action of a person or entity.
3. Embezzlement – any loss resulting from the misappropriation of the Town’s assets.
4. Employee(s) – all Town employees, independent contractors, consultants, temporary workers, and volunteers.
5. Fraud – the intentional deception, misappropriation of resources, or the manipulation of data to the advantage or disadvantage of a person or entity.
6. Loss – the Town losing possession or control of any type of asset through fraudulent activities.
7. Misappropriate – to take or make use of any item without authority or right.
8. Misapplication – illegal or improper use of lawfully held funds or property.

F. ZERO TOLERANCE POLICY

1. The Town of Jerome has adopted a zero tolerance policy regarding fraud. No employee of the Town shall remove any Town asset from the property, misuse any Town asset for one’s personal gain, or willfully misappropriate any Town asset. Any evidence supporting fraud, theft, or embezzlement of Town assets and equipment may be subject to the following actions including, but not limited to: suspension, termination, restitution, and criminal charges. Any Town employee who is aware of fraud being committed against the Town by anyone shall report such activity to the Town Manager.

G. PROHIBITED ACTS

1. Fraud is defined as an intentional deception, misappropriation of resources, or the manipulation of data to the advantage or disadvantage of a person or entity. Some examples of fraud include:
 - a. Falsification of expenses and invoices.
 - b. Authorizing or receiving compensation for goods not received or services not performed.
 - c. Theft of cash or any assets.
 - d. Forgery, unauthorized alteration or falsification of records.
 - e. Improprieties in the handling or reporting of money transactions.
 - f. Knowingly providing false information on job applications.
 - g. Authorizing or receiving compensation for hours not worked.
 - h. Embezzlement, bribery or conspiracy.

- i. Misappropriation, misapplication, destruction, removal, or concealment of Town property.
- j. Misrepresentation of fact.
- k. Computer-related activity involving unauthorized alteration, destruction, forgery, or manipulation of data or misappropriation of Town-owned software.
- l. Any apparent violation of Federal, State, or Local laws related to dishonest activities or fraud.

H. DETERRING FRAUD AND CORRUPTION

1. The Town has established internal controls and policies and procedures in an effort to deter, prevent, and detect fraud and corruption. The Town may verify job applicants' employment history, education and personal references prior to making an offer of employment.
2. All vendors, contractors, and suppliers must be in good standing and be authorized to transact business in the Town. Vendors, contractors, and suppliers may be subject to screening, including verification of the individual or company's status as a debarred party.
3. When necessary, contractual agreements with the Town may contain a provision prohibiting fraudulent or corruptive acts and information about reporting fraud and corruption.
4. All Town employees will receive a copy of this policy. Annual fraud and corruption awareness training (ethics training) will be made available to employees if practicable.
5. Each department is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations, and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.

I. REPORTING OF FRAUD OR CORRUPTION

1. Allegations and concerns about fraudulent or corrupt activity may come from various sources including employees, vendors, members of the public, results of internal and external audit reviews, or from any other interested parties.
2. All employees and officers have a duty to report concerns they have or information provided to them about the possible fraudulent or corrupt activity of any officer, employee, vendor, or any other party with any association with the Town. Any person who has a reasonable basis for believing fraudulent or corrupt acts have occurred has a responsibility to report the suspected act immediately.
3. Employees will be granted whistle-blower protection when acting in accordance with this policy. When informed of a suspected impropriety, neither the Town nor any person acting on behalf of the Town shall, as a result of the reported activity:
 - a. Dismiss or threaten to dismiss the employee,
 - b. Discipline, suspend, or threaten to discipline or suspend the employee,

- c. Impose any penalty upon the employee, or
- d. Intimidate or coerce the employee.

Violations of the whistle-blower protection will result in discipline up to and including termination.

Misuse of the whistle-blower protection (i.e., false allegations of suspected fraud with the intent to disrupt or cause harm to another) will not be tolerated, and will result in discipline up to and including termination.

4. Concerns should be reported to the employee's immediate supervisor and/or the Town Manager.

5. Reporting Procedures

a. Mayor and Town Council Responsibilities

- 1) If the Mayor or a Town Councilmember has reason to suspect that a fraud has occurred, he or she shall immediately contact the Town Manager (or contact the Town Attorney if the Town Manager is involved).
- 2) The Mayor or Town Councilmember shall not attempt to investigate the suspected fraud or discuss the matter with anyone other than the Town Manager (Town Attorney if the Town Manager is involved).
- 3) The alleged fraud or audit investigation shall not be discussed with the media by any person other than through the Town Manager in consultation with the Town Attorney.

b. Middle Management Responsibilities

- 1) "Middle Management" or "Middle Manager" is defined as any employee, other than the Town Manager, acting in a supervisory capacity, whether on a permanent or temporary basis.
- 2) Middle management is responsible for being alert to, and reporting fraudulent or related dishonest activities in their areas of responsibility.
- 2) Each middle manager should be familiar with the types of improprieties that might occur in his or her area and be alert for any indication that improper activity, misappropriation, or dishonest activity is, or was, in existence in his or her area.
- 3) When an improper activity is detected or suspected, middle management should determine whether an error or mistake has occurred or if there may be dishonest or fraudulent activity.
- 4) If middle management determines a suspected activity may involve fraud or related dishonest activity, they should contact the Town Manager (or contact the Town Attorney if the Town Manager is involved).

- 6) Middle management should not attempt to conduct individual investigations, interviews, or interrogations. However, middle management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent reoccurrence of improper actions, provided that this prohibition shall not restrict the investigative duties of law enforcement personnel.
- 7) Middle management should support the Town's responsibilities and cooperate fully with the Town's administration, other involved departments, and law enforcement agencies in the detection, reporting, and investigation of criminal acts, including the prosecution of offenders.
- 8) Middle management must give full and unrestricted access to all necessary records and personnel. All Town furniture, equipment and contents, including desks, computers and cell phones, are open to inspection at any time. There is no assumption of privacy.
- 9) In dealing with suspected dishonest or fraudulent activities, great care must be taken. Therefore, middle management should avoid the following:
 - a) Incorrect accusations.
 - b) Alerting suspected individuals that an investigation is underway.
 - c) Treating employees unfairly.
 - d) Making statements that could lead to claims of false accusations or other offenses.
- 10) In handling dishonest or fraudulent activities, middle management has the responsibility to:
 - a) Make no contact (unless requested) with the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to "what you did", "the crime", "the fraud", "the misappropriation", etc., except that law enforcement personnel may conduct investigations in the course of their official duties.
 - b) Avoid discussing the case, facts, suspicions, or allegations with anyone outside the Town, unless specifically directed to do so by the Town Attorney or in connection with law enforcement investigations.
 - c) Avoid discussing the case with anyone inside the Town other than employees who have a need to know such as the Town Manager, Town Attorney, or law enforcement personnel.
 - d) Direct all inquiries from the suspected individual, or his or her representative, to the Town Manager or Town Attorney. All inquiries by an attorney of the suspected individual should be directed to the Town Attorney. All inquiries from the media should be directed to the Town Manager.

- e) The Town Manager or Town Council, as appropriate, shall take appropriate corrective and disciplinary action, up to and including dismissal, in conformance with the Town's Personnel Policies and the Jerome Town Code.

c. Employee Responsibilities

- 1) A suspected fraudulent incident or practice observed by, or made known to, an employee must be reported to the employee's supervisor for reporting to the proper management official.
- 2) When the employee believes the supervisor may be involved in the inappropriate activity, the employee shall make the report directly to the next higher level of management and/or the Town Manager (or contact the Town Attorney if the Town Manager is involved).
- 3) The reporting employees shall refrain from further investigation of the incident, confrontation with the alleged violator, or further discussion of the incident with anyone, unless requested by the Town Manager, Town Attorney, or law enforcement personnel.

d. Town Manager Responsibilities

- 1) The Town Manager will promptly investigate the purported fraud.
- 2) In all circumstances where there appears to be reasonable grounds for suspecting that a fraud has taken place, the Town Manager, in consultation with the Town Attorney, will contact the Police Department.
- 3) The Town Manager shall be available and receptive to receiving relevant, confidential information to the extent allowed by law.
- 4) If evidence is uncovered showing possible dishonest or fraudulent activities, the Town Manager will proceed as follows:
 - a) Discuss the findings with the appropriate management/supervisor and the department head.
 - b) Advise middle management, if the case involves staff members, to meet with the Town Manager to determine if disciplinary actions should be taken. Any disciplinary action taken will be in accordance with the Town's adopted Personnel Policies.
 - c) Report to the External Auditor such activities in order to assess the effect of the illegal activity on the Town's financial statements.
 - d) Coordinate with the Town's Risk Management insurer regarding notifications to insurers and filing of insurance claims.
 - e) Take immediate action, in consultation with the Town Attorney, to prevent the theft, alteration, or destruction of evidentiary records. Such action shall include, but is not limited to:

- i. Removing the records and placing them in a secure location, or limiting access to the location where the records currently exist.
 - ii. Preventing the individual suspected of committing the fraud from having access to the records.
- 5) In consultation with the Town Attorney and the Police Department, the Town Manager may disclose particulars of the investigation with potential witnesses if such disclosure would further the investigation.
 - 6) If the Town Manager is contacted by the media regarding an alleged fraud or audit investigation, the Town Manager will consult the Town Attorney, as appropriate, before responding to a media request for information or interview.
 - 7) At the conclusion of the investigation, the Town Manager will document the results in a confidential memorandum report to the Town Council and the Town Attorney. If the report concludes that the allegations are founded, the report will be forwarded to the Police Department for subsequent transfer to the County Attorney for disposition.
 - 8) Unless exceptional circumstances exist, a person under investigation for fraud is to be given notice in writing of essential particulars of the allegations following the conclusion of the audit. Where notice is given, the person against whom allegations are being made may submit a written explanation to the Town Manager no later than seven calendar days after notice is received.
 - 9) The Town Manager will be required to make recommendations to the appropriate department for assistance in the prevention of future similar occurrences.
 - 10) Upon completion of the investigation, including all legal and personnel actions, all records, documents, and other evidentiary material obtained from the department under investigation will be returned by the Town Manager to that department.

J. FALSE ALLEGATIONS

- a. Knowingly false allegations of suspected fraud may be subject to disciplinary action up to and including termination of employment.

K. CORRECTIVE ACTION AND DISCIPLINE

- a. Final determination regarding action against an employee, vendor, recipient or other person found to have committed fraud or corruption will be made by the Town Manager (or Town Council if the Town Manager is involved).
- b. Offenders at all levels of the Town will be treated equally regardless of their position or years of service with the Town. Determinations will be made based on a finding of facts in each case, actual or potential damage to the Town, cooperation by the offender and legal requirements.
- c. Appropriate and timely action will be taken against those proven to have committed fraudulent acts. These remedial actions may include, but are not limited to:
 - 1) Disciplinary action (up to and including immediate termination of employment).

- 2) Restitution for all losses, including investigation and legal expenses, to the fullest extent of the law.
- 3) Forwarding information to the appropriate authorities for criminal prosecution.
- 4) Institution of civil action to recover losses.
- 5) The Town may take corrective or disciplinary action without awaiting the resolution of criminal or civil proceedings arising from fraudulent conduct.

L. CONFIDENTIALITY

- a. All investigations will be conducted in confidence insofar as reasonably possible. The names of those communicating information about a fraudulent act or the names of those suspected of a fraudulent act will only be revealed when required by law in conjunction with the investigation or legal action.