



CITY OF FRANKLIN, TENNESSEE

DOCUMENTATION OF INTERNAL CONTROLS

Section 9-18-102(a) of the Tennessee Code Annotated was amended to expressly require each county, municipal, and metropolitan government to establish and maintain internal controls.

The U.S. Office of Management and Budget (OMB) has established internal control guidance for all entities that receive federal awards at Code of Federal Regulations (CFR) 200.303. This guidance requires all entities to establish and maintain an effective system of internal control over federal awards. The OMB guidance further recommends implementing a system of internal control in accordance with internal control standards published in September 2014 by the U.S. Government Accountability Office (GAO) in *Standards for Internal Control in the Federal Government* (Green Book), as one method of complying with CFR 200.303.

The *Internal Control Manual for Local Governmental Entities and Other Audited Entities in Tennessee* (the "Internal Control Manual") should be used by all local governments.

This documentation follows the layout of the State's Internal Control Manual. (The Tennessee Code Annotated section and the OMB guidance referenced above is included in this documentation as Appendices A and B).

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INTRODUCTION

OVERVIEW OF INTERNAL CONTROL

The U.S. Government Accountability Office (GAO) has established a common definition of internal controls, standards, internal control components, principles and attributes. The document that contains this information is often referred to as the Green Book. Because this GAO Green Book framework is widely accepted, it will be used as the basis for all internal control matters related to entities covered by this internal control manual as outlined in the preface.

Definition of Internal Control

Internal control is a process that is developed by the municipality to provide reasonable assurance that the following categories of objectives will be achieved:

Reporting	financial reporting will be reliable;
Operations	effectiveness and efficiency of operations; and
Compliance	compliance with applicable laws, regulations, contracts and grant agreements.

The above definition "reflects certain fundamental concepts." Those concepts are:

- Internal control is geared to the achievement of objectives in one or more separate but overlapping categories.
- Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity.
- Internal control is an integral part of the organization not a separate system within the organization.
- Internal control is a process. It is a means to an end, not an end in itself.
- Internal control is affected by people. It is not merely policy manuals and forms, but people at every level of an organization.
- Internal control increases the likelihood that an entity will achieve its objectives. However it can only be expected to provide reasonable assurance, not absolute assurance, that all of the organization's objectives will be met.

While each organization may identify its mission, strategic plan, objectives, and plans for achieving its objectives in different ways, the Green Book approaches internal control through a hierarchical structure of five (5) components and seventeen (17) principles. The Green Book also contains additional information in the form of attributes. Attributes are presented under the heading title: "This Involves." These attributes provide further explanation of the principles and documentation requirements.

Components of Internal Control

The five (5) main components of internal control are:

- | | | |
|----|--------------------------------------|---|
| 1. | Control environment | the foundation for an internal control system |
| 2. | Risk assessment | assesses the risks facing the organization as it seeks to achieve its objectives |
| 3. | Control activities | the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system |
| 4. | Information and communication | the quality information management and personnel communicate and use to support the internal control system |
| 5. | Monitoring | activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews |

There is a direct relationship between the organization's objectives, the five components of internal control and the organizational structure of the organization. The five components apply to all three categories of objectives and all levels of the organizational structure. The seventeen (17) principles support the components of internal control.

Summary

A good internal control framework is essential to providing reasonable assurance that organizations are achieving their objectives. Such objectives include, but are not limited to, utilizing public resources in compliance with laws, regulations and budgetary limitations. An adequate control framework will provide information that helps detect errors and fraud, and provides reasonable assurance that financial reports are accurate. It will limit the opportunity for theft or unauthorized use of assets, including cash, inventory, and capital assets.

COMPONENT 1

CONTROL ENVIRONMENT

GAO Green Book Principles 1 through 5

The control environment is the foundation for any internal control system. There are five (5) principles related to the control environment

- 1. *The oversight body and management should demonstrate a commitment to integrity and ethical values.*** The governing body or other oversight body and management's directives, attitudes, and behaviors should reflect the integrity and ethical values expected throughout the entity.

The City's Board of Mayor and Aldermen and management demonstrate this commitment to integrity and ethical values as follows:

- The Board of Mayor and Aldermen have approved the Human Resources Manual which specifies expectations, discipline, and reporting of acts.
- The Board of Mayor and Aldermen have approved a Code of Ethics. This Code of Ethics is included in the municipal code.
- As part of its annual audit, the City's Board and Management complete a conflict of interest statement.
- The Board of Mayor and Aldermen emphasizes best financial management practices. The City maintains a AAA bond rating from both Moody's and Standard & Poor's.
- The City strives to have no audit findings in its annual audit.
- The City performs a risk assessment annually for its insurance coverages.
- The City plans to implement an office of internal audit sometime in the future. Currently, the Finance Department performs this function.

- 2. *The oversight body should oversee the entity's internal control system.*** The governing body should oversee the design, implementation, and operation of the organization's internal control system as well as take appropriate action to resolve deficiencies. The governing body may appoint a separate oversight body (such as an audit committee) that has the independence and qualifications needed to impartially evaluate, scrutinize, question activities, and oversee the design, implementation, and operation of the organization's internal control system as well as take appropriate action to resolve

deficiencies. Management should be directly involved in developing the internal control system and is responsible for implementing and monitoring the system for compliance.

The City's Board oversees the entity's internal control system as follows:

- The Board will approve by resolution the City's internal control documentation by June 30, 2016. It will be reviewed and updated, if necessary, prior to the audit.
- The Budget and Finance Committee receives quarterly reports. Monthly reports are available upon request.
- The Budget and Finance Committee is designated by the Board as the City's Audit Committee, which reviews the annual audit for internal controls issues.
- The City's Board receives the annual audit for its acceptance.

3. *Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.* This includes:

- Establishing, documenting, and regularly reviewing and updating a simple and flexible organizational plan that clearly addresses the assignment of authority and responsibility
- Develop a manual that provides sufficient documentation of internal control to communicate to personnel their responsibilities as well as to monitor and evaluate the controls.

The City has established an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.

- The City's organizational chart is maintained by the Human Resources Department and issued in both the annual budget and annual audit report. It provides an overview of the lines of authority and responsibility. The City's Organization Chart is included as Appendix C.
- This internal control documentation includes individual responsibilities within areas of functional responsibility (e.g. receipting, payroll, accounts payable, and purchasing).

4. *Management should demonstrate a commitment to recruit, develop, and retain competent individuals.* This includes:

Developing and regularly reviewing and updating a manual that addresses:

- Job skills requirements (job descriptions, certifications, continuing professional education, education in new accounting standards, education in new laws, education in federal grant requirements, computer software education, and other general education and training requirements, etc.)
- Employee benefits (leave, flex plans, health insurance, 401k, pension, other postemployment benefits, etc.)
- The business continuity plan for succession and emergencies

The City's Management demonstrates a commitment to recruit, develop, and retain competent individuals as follows:

- The City continually maintains and reviews job descriptions to ensure quality candidates apply, are hired, and perform their responsibilities during their employment.
- Under the City's pay plan, pay is market based and reviewed periodically.

- MTAS and other external and internal training is provided to ensure that those responsible and performing internal controls are well informed about changes in accounting and reporting, changes in laws that affect payroll and payroll related activities, changes in laws that affect purchasing, grants administration and emergency management training.
- As software is updated, training is provided to ensure continued proficiency in computer skills.
- Employees are encouraged to obtain certifications such as CPA and CMFO and the entity agrees to pay for continuing professional education requirements.
- Background checks are performed for all employees involved in financial transactions such as collecting and disbursing funds.

5. Management should evaluate performance and hold individuals accountable for the internal control responsibilities. This includes:

- Developing and regularly reviewing and updating a manual that addresses:
- Periodic job evaluations and corrective action(s) to be taken when there are deficiencies
- Periodic evaluation of employee workload pressure and methods for communicating and implementing required changes to alleviate excessive workload pressures (whether created by management goals, time constraints, budgetary factors, cyclical demands, or increased workload buildup over time)

The City's Management evaluates performance and hold individuals accountable for the internal control responsibilities as follows:

- The City continually reviews job descriptions to ensure quality candidates apply, are hired, and perform their responsibilities during their employment.
- Under the City's new evaluation methodology, accountability for internal controls is a key component of performance.
- The Human Resources Manual requires an annual job evaluation for each employee. New employees have a probationary period. During that time, a corrective action plan will be developed for any deficiency noted as a result of an evaluation.

COMPONENT 2

RISK ASSESSMENT

GAO Green Book Principles 6 through 9

Having established an effective control environment, management assesses the risks facing the entity as it seeks to achieve its objectives. Generally speaking, risk assessment means asking questions about what could go wrong. There are four (4) principles related to risk assessment.

1. Management should define objectives clearly to enable the identification of risks and define risk tolerances. This includes:

Developing and regularly reviewing and updating a document that addresses:

- The organization's mission
- The organization's goals and objectives in sufficient detail to allow for performance risk assessments in a reasonably consistent manner
- The organization's risk tolerances or risk threshold for each objective in sufficient detail to allow for the appropriate design of an internal control system. Risk tolerances or thresholds should be assessed considering laws, regulations, generally accepted accounting principles, other standards, grant management, internal standards of conduct, oversight structure, organizational structure, and expectations of competence, etc.
- The organization's judgments about materiality, both qualitatively and quantitatively (i.e. risk threshold)

The City's Management has defined objectives clearly to enable the identification of risks and define risk tolerances as follows:

- The City's mission is found in the annual budget document as well as on its open government platform: www.performance.franklinton.gov
- The City has developed a strategic plan approved by the City's Board.
- The City mitigates risk through insurance coverages as found in Appendix D.
- The City has implemented strong internal controls, emphasizing separation of duties.
- The City's internal controls provide reasonable assurance that unlawful acts are not occurring.

- Surety bonds and/or employee dishonesty insurance is purchased to mitigate the risk of loss of funds due to errors, irregularities, or fraud.

2. Management should identify, analyze, and respond to risks related to achieving the defined objectives. This includes:

Developing and regularly reviewing and updating a document that addresses:

- The risks associated with the organization's objectives
- The methodology for determining if the risk identified is material to the organization
- The action(s) to be taken to mitigate the risk

The City's Management identifies, analyzes, and responds to risks related to achieving the defined objectives as follows:

- Performs risk assessments in connection with its insurance coverages.
- Performs internal control assessments (as shown in Attachment E).

3. Management should consider the potential for fraud when identifying, analyzing, and responding to risks. This includes:

Reviewing and attending training to identify types of fraud that can occur. Fraud types include fraudulent financial reporting, theft of assets, and corruption (i.e. bribery and other illegal acts). Fraud risk factors include incentive or pressure, opportunity, and attitude or rationalization. Internal controls specifically relate to opportunity. Review organization operations to determine if and how a fraud could occur. Consider the loss potential and determine the acceptable level of risk that the organization is willing to accept. Develop controls to limit the risk of fraud.

The City's Management considers the potential for fraud when identifying, analyzing, and responding to risks as follows:

- Emphasizing fraud training
- Understanding elements of fraud risk (incentive/pressure, opportunity, and rationalism)
- Implementing separation of duties wherever possible
- Evaluating risk in its entity-wide objectives of Operations, Reporting, and Compliance:
Operations Objectives
 - Ensure that the entity's resources are adequately safeguarded
 - Provide taxpayer services efficiently and effectively
 - Limit the need for tax increases
 - Provide for the long-term stability of the municipality
 - Provide a stable and rewarding work environment for employees

Reporting Objectives

- Provide timely interim financial reports and schedules for evaluating the results of operations
- Issue timely financial reports that comply with generally accepted accounting principles, the additional requirements of the Tennessee Comptroller of the Treasury, and federal grant requirements

Compliance Objectives

- Comply with all relevant laws, regulations, contracts, and grant agreements

- 4. Management should identify, analyze, and respond to significant changes that could impact the internal control system.** This includes identifying risks during the planning process for all new grant programs, projects, and activities. Then, review the controls to determine what changes need to be made to ensure that objectives are met.

The City's Management identifies, analyzes, and responds to significant changes that could impact the internal control system as follows:

- Creating and updating City policies and procedures.
- Awareness of accounting standards changes.
- Awareness of state law or regulation changes.
- Awareness of federal law or regulation changes.
- Management reviews all new grant applications and agreements.
- Management reviews all new contracts.
- Management reviews all debt issuance documents.
- The City has implemented a debt capacity model in assessing the issuance of debt.
- Management will, at least annually, consider technological developments, employee turnover, new programs, new accounting standards, new laws and regulations, and economic growth or decline to determine whether or not changes in internal controls need to be implemented. Recommendations for changes will be reviewed and implemented as necessary. The implementation will include training for all personnel involved in the processes that require change.

COMPONENT 3

CONTROL ACTIVITIES

GAO Green Book Principles 10 through 12

Control Activities are the actions management establishes through internal control policies and procedures to achieve objectives and manage risks. There are three (3) principles related to control activities.

- 1. Management should design control activities to achieve objectives and respond to risks.** This includes:

Developing and periodically reviewing and updating a procedures manual that documents:

- The specific actions designed to address entity objectives and risks. These have been identified during the process of defining responsibilities, delegating authority, and assessing risks.
- The specific actions designed to address entity objectives and risk at various levels in the organization
- The division (i.e. segregation) of duties and/or implementing compensating controls designed to mitigate risks related to assigning duties and responsibilities among employees

The City's Management has designed control activities to achieve objectives and respond to risks.

- The City has identified objectives, risks, and relevant policies and procedures for activities shown in Appendix F.

- 2. Management should design the entity's computerized information system and related control activities to achieve objectives and respond to risks.** This includes:

Develop and periodically review and update guidelines for information technology documenting:

- The types of computerized information required to be compiled to meet the government's objectives
- The computer application controls necessary to ensure that information is valid, complete, and accurate
- The general computer controls addressing security management procedures,

contingency plans, configuration, logical and physical access

- Information technology infrastructure needs and the controls needed to ensure that adequate resources are available to meet the reporting needs (e.g. storage capacity)
- The external and internal security risks and the controls necessary to limit exposure to unauthorized access, corruption of data, or other misappropriation of information (e.g. personally identifiable information)
- Controls necessary to ensure that technology acquisition, development and maintenance activities are authorized, necessary, and properly integrated throughout the organization

The City's Management designed the entity's computerized information system and related control activities to achieve objectives and respond to risks.

- The City strives to improve the quality and level of services by upgrading information systems, including time and attendance, receipting, and utility billing. The IT director and assistant director review any reporting requirements or changes to programs that might impact the software and hardware maintenance schedule
- Assess and prioritize enhancements to meet any changes or additional needs in reporting requirements
- Assess the adequacy of general computer processes and controls

3. *Management should implement control activities through policies.* This includes:

Management will develop and periodically review and update a policies manual that documents:

- The overall general policies for the local entity that address the broad expectations (objectives and related risks, control activity design, implementation and operating effectiveness) of management and the responsibilities for each unit (office, division, department or other organizational segment) of the local entity
- Management's plan for monitoring departmental policies, procedures, and control activities developed by each unit to implement the general policies
- The means by which policies, procedures and control activities will be communicated to staff
- Management will ensure that each unit document policies, day-to-day procedures, and control activities to implement management's policies

The City's Management has implemented control activities through policies as follows:

- In addition to complying with federal and state laws and regulations, the City has adopted financial policies for investments, debt, fund balance reserves, pension funding, and cash receipting,
- The City periodically updates its Human Resources Manual.
- The Finance Department annually reviews financial policies for possible updating.

COMPONENT 4

INFORMATION AND COMMUNICATION

GAO Green Book Principles 13 through 15

Management is responsible for developing and providing internal and external information. This information supports the internal control system and validates its existence. There are three (3) principles related to information and communication.

1. **Management should use quality information to achieve the entity's objectives.** This includes:

Management should, on a regular basis:

- 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

The City's Management uses quality information to achieve the entity's objectives.

- The City has a standardized format for information to be presented to the Board.
- The City Administrator, Assistant City Administrators, and Law Department review information being presented to the City's Board.
- Financial information needed from departments including receivables, inventory, donated assets, etc. is accumulated each quarter. It is reviewed by the Finance Department for accuracy.

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- Financial information is obtained from outside entities such as Transit and non-profit agencies and reviewed by the Finance Department.
- Financial statements and budget amendments are reviewed by the City's Chief Financial Officer and City Administrator prior to release.

2. Management should internally communicate the necessary quality information to achieve the entity's objectives. This includes:

- Management clearly defines the lines of communication through policy manuals and organization 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

The City's Management internally communicates the necessary quality information to achieve the entity's objectives.

- The City's Board and the City Administrator communicate regularly about agenda items. The City's Management communicates with the Board and departments on upcoming changes in federal and state requirements.
- The City Administrator communicates regularly with other members of City Management in scheduled weekly meetings.
- City's Management has regular meetings on projects and information technology.

3. Management should externally communicate the necessary quality information to achieve the entity's objectives. This includes:

Management should develop policies and procedures for:

- Communicating with external parties, including.
 - Auditors
 - Federal grant agencies,

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- SEC through the Electronic Municipal Market Access system (EMMA)
- Bond rating companies, prospective bond purchasers, and underwriters
- Vendors and contractors
- Insurance companies
- Law enforcement officials
- News media
- Individuals or public interest groups based on public information requests
- Evaluating the reliability of information provided to and received from external parties
- Ensuring that only authorized individuals provide information to external parties
- Ensuring that restricted information is provided only to authorized external parties
- Redacting of information when requested under the open records statutes

In summary, it is vitally important that information communicated to outside parties be accurate. This involves many different layers of internal controls including the control environment, the risk assessment process, and control activities. Before information is released to an outside party, management should be confident based on its internal policies and procedures, the information is accurate. The credibility of the entity, its governing body, and public officials is at stake whenever information is released to outside parties.

The City's Management externally communicates the necessary quality information to achieve the entity's objectives as follows:

- Management has identified specific departments and individuals in the organization to be responsible for external communications. For example, the Chief Financial Officer and Comptroller communicate with the auditors and ensure continuing debt disclosure.

COMPONENT 5

MONITORING

GAO Green Book Principles 16 and 17

Things change - the Operating Environment, Laws, Accounting Principles, Technology, Resources, and People, etc. For this reason, internal control policies and procedures must constantly be monitored and improved or updated. There are two (2) principles related to monitoring.

1. ***Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.*** This includes:

Management should:

- 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

The City's Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.

- The City's Chief Financial Officer and City's Comptroller, review the financial reports and expenditures to ensure that they comply with those requirements. A review of all relevant compliance issues would include, but not be limited to:

- federal and state grant requirements
- internal revenue service requirements
- budgeting and expenditures requirements
- financial reporting requirements
- state and federal laws and regulations
- debt issues
- The City's Comptroller periodically reviews
 - the cash receipts journal, cash disbursements journal, general ledger, and subsidiary ledgers to ensure that they are in balance
 - bank statements and the related reconciliations to determine that they are accurate and all activity is authorized and properly recorded, and
 - journal entries to determine that they are appropriate.
- The City's Assistant City Recorder/Records periodically reviews:
 - The minutes of actions taken by the governing body to determine that they are kept together and are complete and that actions taken are implemented and/or being accounted for as applicable and
 - Codified ordinances to ensure that they are up-to-date.
- The City's IT Director periodically reviews relevant computer programs to determine whether they need to be updated, upgraded or modified.
- The City's Budget and Finance Committee serves as the City's audit committee. The audit committee reviews financial reporting practices, internal control, compliance with laws, regulations, contracts and grant agreements, and ethics.

2. ***Management should remediate identified internal control deficiencies on a timely basis.*** This includes:

Management should:

- Adopt policies regarding ongoing monitoring processes and the method and timing of reporting issues and deficiencies to a designated individual
- Document the evaluation of issues noted during ongoing and periodic monitoring
- Propose a corrective action plan and implement the corrective action on a timely basis

The City's Management remediates identified internal control deficiencies on a timely basis as follows:

- A good internal control structure will only provide reasonable assurance that unlawful conduct does not occur or is detected on a timely basis. Though it is common to assume "it will never happen to us" it can happen. In fact, monitoring may be the means by which some unlawful conduct or fraud is detected. Unlawful conduct or fraud may be discovered because of tips from other employees, as a result of internal or external audits, because of internal control that has been established, and even by accident. Regardless of the method of discovery, the amount of

money involved, or the frequency of occurrence, all discoveries are be reported in writing to the Comptroller. Unlawful conduct or fraud must be reported whether money is repaid and/or whether the employee is terminated. Simply because you do not believe that the person could ever have participated in unlawful activities or fraud or believe that they will not participate again, is not a basis for failing to report what has been discovered.

- Reporting when a public official believes unlawful conduct has occurred:
Tennessee Code Annotated, Section 8-4-501, defines unlawful conduct as ".theft, forgery, credit card fraud, or any other act of unlawful taking of public money, property, or services."
Tennessee Code Annotated, Section 8-4-503 states:

A public official with knowledge based upon available information that reasonably causes the public official to believe that a theft, forgery, credit card fraud, or any other act of unlawful taking of public money, property, or services has occurred shall report the information in a reasonable amount of time [i.e., five (5) working days] to the office of the comptroller of the treasury.

The form for reporting can be found on the web at:

<http://www.tn.gov/comptroller/ca/fraudreport.htm>

Append x A: Sect on 9-18-102

Title 9 Public Finances
Chapter 18 Financial Integrity Act of 1983

Tenn. Code Ann. § 9-18-102 (2015)

First of 2 versions of this section

9-18-102. Internal controls -- Management assessment of risk. [Effective until June 30, 2016. See the version effective on June 30, 2016.]

(a) Each agency of state government and institution of higher education shall establish and maintain internal controls, which shall provide reasonable assurance that:

(1) Obligations and costs are in compliance with applicable law;

(2) Funds, property and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; and

(3) Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

(b) To document compliance with the requirements set forth in subsection (a), each agency of state government and institution of higher education shall annually perform a management assessment of risk. The internal controls discussed in subsection (a) should be incorporated into this assessment. The objectives of the annual risk assessment are to provide reasonable assurance of the following:

(1) Accountability for meeting program objectives;

(2) Promoting operational efficiency and effectiveness;

(3) Improving reliability of financial statements;

(4) Strengthening compliance with laws, regulations, rules, and contracts and grant agreements; and

(5) Reducing the risk of financial or other asset losses due to fraud, waste and abuse.

TENNESSEE CODE ANNOTATED
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*** Current through the 2015 Regular Session ***

Title 9 Public Finances
Chapter 18 Financial Integrity Act of 1983

Tenn. Code Ann. § 9-18-102 (2015)

Second of 2 versions of this section

9-18-102. Internal controls -- Management assessment of risk. [Effective on June 30, 2016. See the version effective until June 30, 2016.]

(a) Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls, which shall provide reasonable assurance that:

(1) Obligations and costs are in compliance with applicable law;

(2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

(3) Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

(b) To document compliance with the requirements set forth in subsection (a), each agency of state government and institution of higher education shall annually perform a management assessment of risk. The internal controls discussed in subsection (a) should be incorporated into this assessment. The objectives of the annual risk assessment are to provide reasonable assurance of the following:

(1) Accountability for meeting program objectives;

(2) Promoting operational efficiency and effectiveness;

(3) Improving reliability of financial statements;

(4) Strengthening compliance with laws, regulations, rules, and contracts and grant agreements; and

(5) Reducing the risk of financial or other asset losses due to fraud, waste and abuse.



What is the Green Book?

Important facts and concepts related to the Green Book and internal control

 RELATED TO GAO-14-704G

What is internal control?

Internal control is a process that helps an entity achieve its objectives. It is the first line of defense in safeguarding public resources.



Standards for Internal Control in the Federal Government, known as the Green Book, is the document that sets internal control standards for federal entities.




How does internal control work?

Internal control helps an entity



Who would use the Green Book?

Here are some of the people who use it

-  Someone who manages programs for federal, state, or local government
-  Someone conducting a performance audit or a financial audit
-  Someone responsible for making sure that personnel follow policies and procedures related to any and all job responsibilities

How is internal control organized?

Standards for Internal Control in the Federal Government (the Green Book) is organized by the five components of internal control, and apply to staff at all organizational levels and to an entity's operations, reporting, and compliance objectives.



What makes up the 5 components?



Principles

Each of the five components contains several principles. Principles are the requirements of each component.

Attributes

Each principle has important characteristics, called attributes, which explain principles in greater detail.

Appendix C: City of Franklin Organization Chart



Append x D: City of Franklin Insurance Coverages

Coverage	Coverage Limits	Deductible	FY 2016 Cost
Property			\$234,831
Buildings and contents	\$221,729,542 Blanket		
Business Interruption/Extra Expense	\$8,000,000 Limit		
Flood Coverage	\$5,000,000 Limit	\$25,000	
Earthquake Coverage	\$5,000,000 Limit	\$50,000	
Governmental Crime	\$500,000 Occurrence	\$1,000	
Inland Marine & Mobile Equipment	\$500,000 Occurrence	\$1,000	\$88,013
	\$6,000,000 Aggregate		
General & Professional Liability			\$442,234
Bodily Injury/Property Damage	\$1,000,000 Occurrence		
General Aggregate	\$2,000,000 Aggregate		
Products-Completed Operations	\$2,000,000 Aggregate		
Personal and Advertising Injury Limit	\$1,000,000 Aggregate		
Each Occurrent Limit	\$1,000,000 Aggregate		
Employee Benefits Limit	\$3,000,000 Aggregate		
Law Enforcement Liability	\$2,000,000 Aggregate		
Public Entity Management Liability	\$2,000,000 Aggregate		
Related Practices Liability	\$2,000,000 Aggregate		
Automobile Liability & Physical Damage	\$1,000,000 Aggregate	\$25,000	\$258,397
Umbrella	\$9,000,000 Aggregate		\$49,904
Cyber Liability	\$500,000 Aggregate	\$25,000	\$3,830
Workers Compensation	\$1,000,000 Statutory Limit		\$367,774
			<u>\$1,444,983</u>

Append x E: Internal Control Risk Assessment

INTERNAL CONTROL RISK ASSESSMENT

As of March 31, 2016

ACTIVITY 1: ADMINISTRATION AND RECORDS

General Administration

1. Is there an organization chart that clearly defines lines of authority and responsibility for the City?
Yes
2. If not, are such lines clearly established and understood by all employees?
Yes
3. Are all transactions of major importance approved in minutes of the governing body?
Yes
4. Are all minutes of the governing body (in final form) in the permanent records of the governmental unit and properly signed?
Yes
5. Do the minutes adequately reflect the action of the governing body?
Yes
6. Are they clear as to intent and substance?
Yes

Charter, Municipal Code, and Ordinance

1. What kind of charter does the city have?
 - a. General law mayor aldermanic?
 - b. General law manager-commission?
 - c. General law modified council-manager?
 - d. Private act? (Private Acts, chapter)
 - e. Home rule?
 - f. Metro?

Although incorporated in 1799, Priv. Acts 1967, Ch. 126, is the current basic charter act for the City of Franklin, Tennessee.
2. If you have a private act or home rule charter, does the City have a current charter compilation that includes all the amendments to the charter?

Yes

3. Is the charter readily available and accessible to city officers, employees and the public?

Yes

4. If you have a private act or home rule charter, is the charter reviewed on a frequent regular schedule for the purpose of removing obsolete provisions and inserting needed provisions?

Yes

5. Is the charter clear and unambiguous relative to:

- a. Elections of officers?

Yes

- b. Filling of vacancies in elective office?

Yes

- c. Quorum and voting requirements on ordinances, resolutions and motions?

Yes

- d. Which city personnel are officers and which are employees?

Yes

- e. The relative powers and duties of the mayor (or city manager) and the board or commission?

Yes

- f. Salary and/or other compensation of officers?

Yes

- g. Recall or method of removal, if any, of officers?

Yes

- h. The property rights, if any, of employees in their jobs?

Yes

- i. The procedural "hoops," if any, for the discipline, including termination, of employees?

Yes

- j. The due and delinquency dates for property taxes?

Yes

- k. The procedure for the collection of property taxes?

City has contracted with Williamson County to collect.

6. Does the City have a current municipal code?

Yes

7. Was the municipal code properly adopted?
Yes
8. Is the municipal code readily available to city officials, employees and the public?
Yes
9. Is the municipal code reviewed on a frequent, regular basis for the purpose of removing obsolete provisions and inserting needed ones?
Yes
10. Is a certain officer or employee assigned the definite responsibility of insuring that ordinance adoption procedures are rigorously followed?
Yes
11. Is a certain officer or employee assigned the responsibility of preserving a record of such ordinances?
Yes
12. Is that person, if any, thoroughly familiar with ordinance adoption procedures?
Yes
13. Is there a definite prescribed place in the City's offices for the City's ordinances to be kept?
Yes
14. Are ordinances filed and preserved by some systematic method, such as by number, date, subject, etc.?
Yes

Municipal Records in General

1. Does the City have a definite prescribed place in City offices for the City's records to be filed and preserved?
Yes
2. Is a certain officer or employee assigned the definite responsibility for City records filing and preservation?
Yes
3. Does the City have a systematic filing system that is understandable to City officers, employees and the public?
Yes

4. Are the City's records easily and readily accessible to City officers, employees, and the public?
Yes
5. Is the person responsible for records filing and preservation familiar with, and does he or she, follow the Open Records Law?
Yes

Municipal Meetings

1. Are regular meetings of the City governing body held at the times and places prescribed by the City charter, code or ordinances?
Yes
2. Are special meetings called and held in accordance with the City charter?
Yes
3. Is adequate notice of both regular and special meetings given to the public?
Yes
4. Is the person who is responsible for general supervision of the City familiar with the Open Meetings Law?
Yes
5. Are minutes clearly reflecting the votes and other important actions of the governing body?
Yes

Insurance

1. Does the city purchase insurance?
Yes
2. Does the city understand the coverage conditions, definitions, and exclusions?
Yes
3. Does the city track losses, whether they are covered by insurance or not?
Yes
4. Does the city review and record all deductibles as they occur?
Yes
5. Does the city monitor the associate risk management costs?
Yes
6. Does the city investigate losses and develop loss control plans?
Yes

ACTIVITY 2: HUMAN RESOURCES AND PAYROLL

City Personnel

1. Are City employees responsible for handling money bonded in a sufficient amount?
Yes
2. Are vacation and sick leave policies definite and certain?
Yes
3. If employees retire, quit, or are terminated, is it clear whether or not they are entitled to pay for unused vacation and sick leave?
Yes
4. Does the City have written personnel regulations and policies?
Yes
5. Whether or not the City has written personnel regulations, is the chain of command well-understood by both City officials and employees?
Yes
6. Is it clear in such policies to which classes of employees and/or officers they apply?
Yes
7. Do such personnel policies conform to the City charter?
Yes
8. Are such policies followed with respect to all employees and officers to which the policies apply?
Yes
9. Is the person responsible for personnel administration generally well-versed in the:
 - a. Fair Labor Standards Act?
Yes
 - i. General City employees?
Yes
 - ii. Fire and police employees?
Yes
 - b. Americans with Disabilities Act?
Yes
 - c. State and federal laws governing employment discrimination?

Yes

10. Does the City impose limitations upon the political activities of its employees?

Yes

11. Do such limitations with respect to police officers and firemen apply only to on-duty activities?

Yes

ACTIVITY 3: ACCOUNTING AND FINANCIAL REPORTING

Financial Matters

1. Are financial records maintained in sufficient detail to adequately describe the operations of the municipality?

Yes

2. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?

None identified

Financial Reporting

1. Does the board receive monthly financial reports?

The Finance Committee receives quarterly financial reports. Monthly reports are issued upon request.

2. Are the reports explained to the board?

Yes

3. Does the finance officer reconcile the bank accounts monthly?

Yes

4. Is the board notified when cash is running dangerously low?

Yes

ACTIVITY 4: FISCAL YEAR END CLOSING

1. Are personnel aware of the 60-day closing requirement for 2016?

Yes

2. Does the City keep its accounting records current within 60 days after each month-

end?
Yes

ACTIVITY 5: AUDIT

1. Does the City acquire audit services through an RFP process?
Yes
2. Does the City enter the audit contract approval in the CARS system?
Yes

ACTIVITY 6: CASH ON HAND

1. Are cash on hand accounts reconciled daily to the amount of monies on hand?
Tracked by departments daily. Monthly by Finance.
2. Does the municipality use petty cash funds?
Yes
3. Are actual receipts required and retained for reimbursements of petty cash monies?
Yes
4. Is the person receiving reimbursement required to sign a receipt?
Yes
5. Is all cash maintained on hand and collections not yet deposited kept in secure locations?
Yes

ACTIVITY 7: CASH IN BANK

Reconciliation of Accounts

1. Are bank accounts reconciled to the general ledger on a monthly basis?
Yes
2. Is this reconciliation performed by someone who isn't involved with making deposits or writing checks?
Yes
3. Are reconciling items noted in the bank account reconciliation addressed and remedied within 2 monthly cycles?

Yes Outstanding checks (with 90 day expiration date) may require 3 monthly cycles.

6. Has the municipality ensured that all accounts are appropriately collateralized with the financial institutions?

Yes

7. Has the municipality ensured that all accounts in banks collateralizing with the State Collateral Pool have classified the city's accounts as "public" in the banks records.

Yes

8. Are all persons handling cash and other assets bonded?

Yes

9. Have all bank accounts been approved by the city council?

Yes

ACTIVITY 8: INVESTMENTS

Investments

1. Who has access to the city's investments?

Investment Trustee

2. Are all bank accounts and investments maintained in the city's name?

Yes

3. Do withdrawals or liquidations of city investments require two signatures?

Yes

ACTIVITY 9: RECEIPTING

Collections/ACHs - General Controls

1. Are pre-numbered receipts issued for each collection at the time the funds are received?

Yes

2. What types of payment are accepted? Cash, Checks, Money Orders, Credit Cards?

Cash, Checks, Money Orders, Debit/Credit Cards

3. Do the receipts note an appropriate revenue source or revenue account from the chart of accounts?

Yes

4. Are checks received restrictively endorsed (stamped "For Deposit Only") immediately upon receipt?
Yes
5. Are all receipts accounted for including voided receipts?
Yes
6. Are collections deposited in 3 working days from the time they were received?
Yes
7. Is the deposit made in the same amounts as it was collected (intact with the same amount of cash vs checks as collected)?
Yes
8. Are duties properly segregated in the following areas:
 - b. Collecting
 - c. Depositing
 - j. Recording**Yes**
9. Does someone other than the cashier make deposits?
Yes
10. Are actual deposits checked against records by someone other than cashier or depositor?
Yes
11. Are proper controls in place to prohibit cashing any checks payable to the municipality?
Yes
12. Are proper controls in place to prohibit employees cashing checks in the office?
Yes
13. Are checks identified on the deposit slip by maker and amount?
Yes
14. Are state funds deposited directly to the municipal's bank accounts by ACH?
Yes
15. Is the receiving function centralized to the maximum extent possible?
Receiving is performed by a few select department. Deposits are made by one department, Revenue Management.
16. Is there a reconciliation between the daily check out reports and the deposits made by someone independent of the process?
Yes
17. Do all transfers between bank accounts require the approval of a second person?

Yes

18. Are licenses and permits pre-numbered and properly accounted for?

Yes

19. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?

None identified.

Collections/ACHs - Utility Billings and Collections

1. Are pre-numbered receipts issued for each collection at the time the funds are received?

Yes

2. Is the utility system of billing and collections integrated with the city general ledger operations?

No

3. If not, how does the city ensure that all collections made are entered into the city's general ledger system? This is particularly critical if pre-numbered receipts are not issued in sequential order for #1 above.

Posting to general ledger does not occur until verified with data from utility billing system

4. Are rates set to cover the full cost of the services provided, including depreciation?

Yes

5. Are the utility operations in sound financial condition?

Yes

6. Does the city provide any free utility services?

No

7. Are appropriate late charges collected?

Yes

8. Does the city require separate meters for each customer?

Yes

9. Does the city have strict cut-off policies in place and in writing that are acted upon?

Yes

10. Does someone reconcile the utility accounts receivable control account in the general ledger system with the utility accounts receivable subsidiary ledger?

Yes

11. Does the finance department have a write-off policy in place for the removal of receivables from the financial records?

Yes

12. When adjustments to accounts are required, are they approved by the governing body or their designee? *Person collecting payment or creating bills should be prohibited from adjusting bills without a second approval.*

Yes

13. Does the municipality charge a deposit or non-refundable fee to turn utilities on for new customers?

Yes

14. Who receives and records deposits for services?

Cashiers in Revenue Management

15. Who opens the mail with customer payments?

Pinnacle Bank's lockbox services (not opened by City personnel)

16. Who serves as the back-up if the person referred to in #15 above is not available?

Not applicable

17. Does someone create a mail log of all collections through the mail or drop box?

Not applicable

18. Are duties properly segregated in the following areas:

- a. Collecting
- b. Billing
- c. Receivables

Yes

19. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?

None identified

Collections/ACHs - State Shared Revenues

1. Has your city considered conducting a census?

Yes

2. Does/Should your city receive any corporate excise tax if any banks or related entities are located within your corporate boundaries?

Yes

3. Is your city entitled to a mixed drink or alcoholic beverage tax?

Yes

4. Is mixed drink tax being remitted to the school system if required by law?

Yes

5. Does your city operate a city school system?

No

6. If so, are all local school taxes shared as required by law?

Not applicable

7. Are state street aid monies being transferred to the fund in a timely manner?

Deposited directly to City's Street Aid Fund

8. Is a situs report requested from the Department of Revenue at least annually?

Yes

9. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?

None identified

ACTIVITY 10: PURCHASING

1. Does the City have a purchasing policy?

Yes, for City procurements not pertaining to the design and/or construction of new infrastructure and facilities.

2. Does the City have a purchasing card policy?

Yes, a provision of the City's purchasing policy addresses the City's purchasing card program.

ACTIVITY 11: DISBURSEMENTS

Disbursements/Drafts

1. Are pre-numbered checks issued for all disbursements?

Yes

2. Are all voided checks accounted for and properly defaced?

- Yes**
3. Is the practice of signing blank checks prohibited?
Yes
 4. Is the supply of unused checks safely stored to protect against unauthorized use?
Yes
 5. Do all checks require two signatures?
Yes
 6. Do drafts posted to bank accounts require two signatures as well?
Yes
 7. Does the office use signature stamps or electronic signors?
Electronic signors
 8. If so, is access restricted to these items?
Yes
 9. Is the practice of making checks payable to "CASH" prohibited?
Yes
 10. Are invoices approved for payment by someone other than the check preparer prior to processing payments?
Yes
 11. Are transfers between funds approved by the city council?
Yes
 12. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment of disbursements?
None identified

ACTIVITY 12: EMPLOYEE TRAVEL AND REIMBURSEMENTS

1. Does the City have written policies governing the use of City vehicles by City employees?
Yes
2. Does the City have a travel expense reimbursement policy for employees and officials?
Yes

ACTIVITY 13: CAPITAL ASSETS AND INVENTORY

Safeguarding Capital Assets/Inventory

1. Is all seized property, including cash, inventoried and kept in a secure location?
Yes
2. Has someone been assigned the responsibility of accounting for the various inventories of the municipality?
Yes
3. Are detailed inventory records maintained?
Yes
4. Is a physical inventory conducted annually?
Yes
5. Do the inventory records include property and equipment of a sensitive nature in addition to capital assets?
Yes
6. Are proper safeguards in place to prevent theft or loss of assets?
Yes
7. Are sales of surplus property in accordance with state law?
Yes
8. Does the city have procedures in place for disposing of property in compliance with state law?
Yes
9. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment of Assets?
None identified

ACTIVITY 14: DEBT

Obligations/Debt Management

1. Is adequate planning performed and projections made to ensure incurring debt is necessary and affordable for the municipality?
Yes

2. Has the governing board approved debt issues and is that approval documented in the minutes?
Yes
3. Is the municipality in compliance with debt covenants, if any?
Yes
4. Are efforts made to obtain the best borrowing rates on debt?
Yes
5. Are checks and balances in place to ensure bond and note proceeds are used for their intended purpose?
Yes
6. Are adequate reserves maintained to make principal and interest payments on debt?
Yes
7. Does the municipality make debt payments on time?
Yes
8. Has the municipality been at financial risk for not making principal and interest payments?
No
9. Are interfund loans pre-approved by the State Comptroller's Office?
Not applicable
10. Were repayment plans of interfund loans established?
Not applicable
11. Were all debt issuances made in compliance with state law?
Yes
12. Do the minutes of the governing body reflect adequate information on bond issues?
Yes
13. Are separate bank accounts and accounting records maintained for each bond issue if required by the bond resolution?
Yes
14. Are the investment and disbursement practices for bond issues in compliance with arbitrage laws and/or regulations?
Yes
15. Did the city receive prior approval from the Director of State and Local Finance before the issuance of notes?
Yes

16. Does the city maintain a master list of debt payment requirements by month and fiscal year the payments are due?
Yes
17. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?
None identified

ACTIVITY 15: GRANTS

Grants Management

1. Has the municipality checked with state and federal agencies, development districts, and other sources, etc., to see what federal and state grants might be available?
Yes
2. Does the city make a practice of considering the matching costs as well as any long-term cost commitments that will be required when soliciting grant funds?
Yes
3. Does the city make a practice of considering the need for the service and calculating operating costs associated with the grants, including depreciation on utility facilities funded with grant monies?
Yes
4. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?
None identified

ACTIVITY 16: CONTRACTS

1. Does the City have construction-related contracts?
Yes
2. Does the City have non-construction-related contracts?
Yes

ACTIVITY 17: BUDGET

Budget

1. Does the City perform budget amendments prior to June 30 each year?
Yes
2. Is budgetary information included in reports to the Board?
Yes

ACTIVITY 18: INFORMATION SYSTEMS

1. Is the accounting system used by the municipality in compliance with minimum standards of the Comptroller's Office including: the use of fund accounting?
Yes
2. The use of a double-entry system?
Yes

Appendix F: Activities, Objectives, Risks, Policies, and Procedures

Activity 1: Administration and Records

Objective 1: Meet legal and organizational responsibilities

Objective 2: Transparency

Risks:

1. Incomplete or inadequate information is available or provided to users.
2. Records are discarded improperly or before all audit, contractual and legal retention limits are met

Policies:

1. TCA 8-44-101 Sunshine Law
2. TCA 8-44-102 Open Meetings
3. TCA 8-44-103 Notice of Public Meetings
4. TCA 8-44-104 Minutes Required
5. TCA 10-7-503 Records Open to Public Inspection
6. TCA 10-7-702 MTAS Records Retention Schedule
7. TCA 12-4-101 Conflict of Interest
8. TCA 39-14-130 Destruction of Valuable Papers with Intent to Defraud
9. TCA 39-16-504 Destruction of and Tampering with Governmental Records

Procedures:

1. Complete minutes of actions taken by the governing body are maintained in the City's Administration Department. The official minutes are signed and kept together in date order and is easily accessible. The minutes include the following:
 - a. copies of all ordinances and resolutions adopted (including utility rates and cut-off policy, tax rates, permit fees, etc.)
 - b. copies of the budget and any supplemental appropriations
 - c. schedules of personnel appointments and salary rates and changes (In larger municipalities where such information may not be practicably included in the minutes, the minutes include documentation of (1) all appointments and wage rates that must be set by the board; (2) across

the board wage increases; and, (3) the amount of funds allocated to departments to be allocated to employees by the department heads or other designated individual(s). Adequate policies governing authorization of pay increases are be developed and maintained by the City. Wage and salary rates increases delegated by the board are be adequately documented in the personnel records.)

- d. copies of bond and revenue anticipation resolutions
 - e. authorizations of loans and transfers between funds
 - f. notices of public hearings and resulting decisions
 - g. copies of federal and state grant applications (whether a final award was received or not)
 - h. summaries of action taken on competitive bids
 - i. copies of contracts entered into by officials. The City must obtain a written contract for all agreements with other entities or individuals for services received or provided, regardless of whether payment is involved, including the following:
 - (1) contract labor and consultant agreements, including computer services, day labor, and similar work
 - (2) leases
 - (3) rentals
 - (4) management agreements
 - (5) mutual aid agreements
 - (6) franchise agreements
 - j. purchasing policy
 - k. expense reimbursement policy
2. The City's Assistant City Recorder/Records reviews legal requirements and retention guides published by Municipal Technical Advisory Service (MTAS) and the Comptroller's office, at least annually, to determine if there have been any changes with regard to records management requirements.
3. With department assistance, the City's Assistant City Administrator/Recorder prepares, at least annually, a detailed list of records that are ready for destruction. The list are be

reviewed by management and approved for destruction. The means of destruction, date, items destroyed, individuals involved, and approval are be adequately documented.

4. The City ensures that, at least annually, a detailed review is made of all known compliance requirements. In addition, a search are be made to identify all new requirements relevant to the City's operations.
5. The City's Assistant City Administrator/Records reviews codified ordinances to ensure that they are up-to-date.

Act v ty 2: Human Resources and Payroll

Objective 1: Ensure that the City is in compliance with applicable laws, regulations and policies and maintain adequate documentation of same

Objective 2: Ensure that sufficient qualified personnel are hired

Objective 3: Employee benefits are properly administered

Objective 4: Information is adequately communicated to employees

Objective 5: Ensure that all payroll disbursements are accurately recorded

Objective 6: Ensure that all payroll disbursements are authorized and proper

Objective 7: Information is adequately communicated to employees

Risks:

1. Officials are unaware of legal requirements
2. Documentation is not maintained to demonstrate compliance

3. Records are discarded improperly or before all audit, contractual and legal retention limits are met
4. Employees are unable to perform basic required duties
5. Segregation of duties cannot be achieved
6. Group insurance is not adequately overseen resulting in excessive or additional costs
7. Employees are unaware of requirements or important changes
8. Controls do not prevent or detect errors, thefts, or abuse in a timely manner
9. Employees do not monitor expenditures to ensure that they are allowable resulting in loss, theft and/or penalties
10. Payroll reports for federal reporting are inaccurate resulting in penalties
11. Payroll amounts are improper
12. Compensation of officials is improper

Policies:

1. Federal Labor Standards Act (FLSA)
2. Americans with Disabilities Act
3. City of Franklin Human Resources Manual

Procedures:

1. Minutes of actions taken by the Board include schedules of personnel appointments and salary rates and changes (In larger municipalities where such information may not be practicably included in the minutes, the minutes are include documentation of (1) all appointments and wage rates that must be set by the board; (2) across the board wage increases; and, (3) the amount of funds allocated to departments to be allocated to employees by the department heads or other designated individual(s). Adequate policies governing authorization of pay increases are be developed and maintained by the City. Wage and salary rates increases delegated by the board are be adequately documented in the personnel records.)
2. The City ensures that qualified individuals are hired and that appropriate training is provided.
3. The City ensures that prospective employees prepare an employee application form listing the applicant's experience, job qualifications, and references.
4. Current information is maintained for each employee. The information, whether maintained in a paper or electronic format, are include the following:
 - a. name
 - b. mailing address
 - c. telephone number

- d. social security number
 - e. number of exemptions claimed (from W-4 or W-4E)
 - f. marital status and spouse's name, if applicable
 - g. date of birth
 - h. authorized rate of pay (referenced to the statutory and budgetary authorization)
5. A cumulative employee leave record is maintained for each employee including salaried employees who earn any kind of leave. The record are clearly show all leave of any type earned and taken for each pay period, all paid and unpaid absences, and the current leave balance.
6. Each newly hired employee files a current employment eligibility verification (Form I-9).
7. Adequate provision has been made for the administration of group insurance and other employee benefits.
8. The City ensures that employees are adequately trained and aware of all relevant compliance issues.
9. The City provides policies and procedures for updating files to include the most current requirements as employees become aware of changes.
10. In accordance with Sections 6-54-901 through 6-54-907, Tennessee Code Annotated, the Board has adopted an ordinance to reimburse officials and employees whose salary is set by charter or general law for expenses incidental to holding office. The law requires that a written travel policy be enacted setting forth what expenses are reimbursable and how they are be reimbursed. Expenses for reimbursement must be reported on a standardized form in sufficient detail to determine allowability. In addition, adequate documentation must be required and maintained to support the expense report.
11. Precise maintenance and centralized control of payroll records is essential, even in the smallest City, because of social and labor legislation and the complex accounting and reporting problems involved.

12. Each employee has a current Internal Revenue Service Form W-4 withholding exemption certificate on file.

13. The City's separation of duties for payroll consists of the following:

Payroll	HR	Employee	Dept. Approver	Payroll Technician	Financial Manager	Financial Analyst	Financial Analyst	Admin Asst.
Enters Employee Data	X							
Employee Time Entries		X						
Employee Time Approvals			X					
Update Direct Deposits/W-4 changes				X				
Process Garnishments				X				
Prepares payroll file for processing				X				
Approves payroll file					X			
Generates Payroll Checks				X				
Initiates direct deposits				X				
ACH processing/Bank file				X	X			
Reviews and approves final payroll report					X			
Provide Reports to Administration & HR					X			
Process Payroll Tax Payments				X				
Approve Payroll Tax Deposit					X			
Process Payroll Vendor Payments				X				
Approve Payroll Vendor Deposit					X			
Posts Payroll to GL						X		
Reconciles Payroll Liability Accounts							X	
Scan Payroll Documents for Records Retention								X

Act v ty 3: Account ng and F nanc al Report ng

Objective 1: Prepare accurate and timely internal reports necessary to meet legal and organizational responsibilities

Objective 2: Prepare accurate and timely external reports necessary to meet legal and organizational responsibilities

Risks:

1. Incomplete or inadequate information is available or provided to users.

2. Records are discarded improperly or before all audit, contractual and legal retention limits are met
3. Annual report does not include all required statements, schedules, and disclosures

Policies:

1. TCA 6-56-401-408 Certified Municipal Finance Officer
2. TCA 9-2-102 Uniform Accounting System
3. TCA 54-4-204 Street Aid Fund
4. TCA 68-211-874 Sanitation Fund
5. TCA 53-11-415 Drug Fund
6. TCA 7-34-115 Water & Sewer Fund
7. TCA 7-36-401 Water & Sewer Authorized
8. TCA 68-221-1012 Unaccounted for Water
9. City of Franklin Fund Balance Policy

Procedures:

1. The City maintains a complete, self-balancing group of accounts for each fund. The City's accounting includes a general ledger, cash receipts journal, and cash disbursements journal for each fund, as well as subsidiary account records necessary to comply with legal provisions and generally accepted accounting principles and to present the financial position and changes in financial position.
2. The accounting records maintained by the City are consistent with the financial reporting of the City. That is, if the City reports a fund, the accounting records must include a separate fund in which activity is posted throughout the year. Likewise, if the accounting records include a fund in which activity is posted throughout the year, the financial report reflects that fund.
3. Subsidiary ledgers, such as utility accounts receivable listings, are used to maintain individual account transaction details to support the total in the general ledger control (summary) account.
4. The City issues a financial report that conforms to the requirements of the Governmental Accounting Standards Board (GASB) related to a comprehensive annual financial report (CAFR). However, audit reports for municipalities shall, at a minimum, conform to the general report outline as shown below and include the following supplemental information. The schedules required are significantly less than what would be required in a CAFR. Additional requirements and/or clarifications regarding the financial statements and required schedules are identified below.

5. Although GASB permits budgetary information for the general fund and each major special revenue fund to be included as Required Supplementary Information or as basic financial statements, the Comptroller's office requires detailed legally adopted budgetary information for the general fund and each major special revenue fund to be included in the basic financial statements. The auditor's opinion are cover this information. Budgetary information for other major funds would be included in supplemental information.
6. In addition to revenues being presented by source (e.g., taxes, intergovernmental revenues, licenses and permits, fines and forfeitures, etc.) as required by generally accepted accounting principles, taxes and intergovernmental revenues are be further detailed by specific source (e.g., property tax, TVA-in lieu of tax, beer tax, gasoline and motor fuel tax, etc.).
7. In addition to being classified by function (or program) and character (e.g., current, capital outlay, debt service and intergovernmental expenditures) as required by generally accepted accounting principles, expenditures are be further detailed by object classes. The detail presented for expenditures must be sufficient to exhibit legal and budgetary requirements (e.g., detail of state street aid fund expenditures: paving, street lighting, mowing, debt service, etc.).
8. The additional detail of revenues by specific source and expenditures by object classes are be either in the financial and/or budgetary statements or schedules of the major and nonmajor funds or, as additional supplemental schedules. Excessively detailed object classifications for expenditures are be avoided.
9. General Report Outline
 - a. Introductory Section
 - i. Table of Contents
 - ii. Letter of Transmittal
 - iii. Roster of Board Members
 - iv. Roster of Management Officials
 - b. Financial Section
 - i. Management's Discussion and Analysis
 - ii. Financial Statements including Notes to the Financial Statements
 - iii. Required Supplementary Information (GASB)
 - iv. Supplemental Information
 - v. Schedule of Expenditures of Federal Awards and State Financial Assistance
 - c. Statistical Tables
10. Supplemental Information:
 - a. Combining statements for nonmajor governmental and proprietary funds.
 - b. Combining statements for internal service funds.

- c. Combining statements for fiduciary funds (trust funds and agency funds).
- d. Individual budgetary schedules for all governmental funds with annual appropriated budgets that were not included as basic financial statements. (The schedule are include three (3) columns, one for the original budgetary amounts, one for the final budgetary amounts, and one for actual expenditures. An additional column is recommended, though not required, to display variances.)
- e. Fund information for discretely presented component units that do not issue a separate audit report.

11. Schedules.

- (1) A Schedule of Expenditures of Federal Awards and State Financial Assistance. (This schedule is required if the organization has expended any subrecipient funds, regardless of the amount expended. For additional guidelines governing reporting on separate audits of departments, divisions or funds, please refer to the Topical Index on the Division of Municipal Audit's web site <http://tn.gov/comptroller/ma/reference.htm>)
- (2) The following schedules are required, if applicable, whether the City issues a CAFR or not (except as otherwise noted). Certain schedules may exceed GASB's minimum requirements; however, the information provided is used by other state departments.
 - (a) Schedule of Transfers (may be omitted if transfer disclosure in the notes to the financial statements is adequate, i.e., transfers disclosed by individual fund for all major and nonmajor funds).
 - (b) Schedule(s) of Long-Term Debt, Principal, and Interest Requirements (e.g., bonds, notes, and other long-term debt by individual issue) by Fiscal Year All Funds. Schedules are also be included for interfund and intrafund (i.e., between divisions within a utility fund) receivables and payables related to telecommunications, cable, etc.
 - (c) Uncollected Delinquent Taxes Filed in accordance with applicable laws
 - (d) Utility Rate Structure and Number of Customers
 - (e) Unaccounted for Water.
 - (f) Schedule of Changes in Property Taxes Receivable By Levy Year (which are tie to the financial statements and may be omitted if a CAFR is issued)
 - (g) Property Tax Rates and Assessments Last 10 Years
 - (h) Additional schedule(s), if necessary, of taxes and intergovernmental revenue by specific source and expenditures by object.

12. In accordance with Section 54-4-204, Tennessee Code Annotated, the City keeps all funds received from the state gasoline tax allocation in a separate fund designated as "State Street Aid Fund". (Although not utilized, the City has received approval from the Comptroller of the Treasury of the State of Tennessee to account for such funds in the general fund).
13. In accordance with Section 53-11-415, Tennessee Code Annotated, the City of Franklin maintains a special revenue fund (not necessarily a separate bank account) for drug funds.
14. In accordance with Section 68-211-874, Tennessee Code Annotated, the City of Franklin maintains a special revenue fund for its sanitation fund.
15. Municipal utilities are established, operated and reported in many ways. Regardless of these differences, there are certain accounting and reporting requirements which are consistent. Municipal utilities must be accounted for and reported in such a manner that: the accounting and reporting demonstrates compliance with the requirement to be self-supporting. If each utility is reported in a separate fund, the activities of the utility will be adequately segregated to demonstrate whether the utility is charging rates sufficient to cover all costs of operation. If there is a single utility board and each type of utility service is reported as a division of a fund rather than as individual funds, the basic financial statements must generally be accompanied by additional supplemental schedules. These schedules are present sufficient detail for each of the divisions so that the utility board can demonstrate that each division is self- supporting.
16. The accounting and reporting demonstrates compliance with bond requirements. If revenue bonds are issued, the revenue stream that may be used to secure the debt is generally an individual division.
17. All shared costs are equitably divided among each of the individual divisions or funds.
18. The City ensures that, at least annually, a detailed review is made of all known compliance requirements. In addition, a search are be made to identify all new requirements relevant to the City's operations. A review of all relevant compliance issues would include financial reporting requirements.
19. The City ensures the City's Comptroller periodically reviews:
 - a. the cash receipts journal, cash disbursements journal, general ledger, and subsidiary ledgers to ensure that they are in balance.
 - b. bank statements and the related reconciliations to determine that they are accurate and all activity is authorized and properly recorded.

c. journal entries to determine that they are appropriate.

20. The Finance Department compiles, reviews and summarizes grant information throughout the year to ensure that the schedule of expenditures of federal awards and state financial assistance is complete and accurate.

Act v ty 4: Fiscal Year End Clos ng

Objective 1: Timely closing of fiscal year end

Risks:

1. Cash and investments may not be recorded or valued properly.
2. Material year-end receivables/revenues may not be recorded.
3. Material year-end payables/expenses/expenditures may not be recorded.
4. Estimates such as allowance accounts may be inaccurate. What documentation exists to prove the estimate?
5. Capital asset and depreciation accounts may not include material additions and disposals to capital assets.
6. Material debt activity may not be recorded. Have debt proceeds been recorded gross or net of issuance costs?
7. Material payroll activity, including pension liabilities, deferrals, and expense, may not be recorded.
8. Net position may not be properly classified.
9. Significant difficulties (complex new accounting standards, litigation, etc.), delays (grants, construction conflicts, pension data not available, etc.) or problems (computer system problems, key personnel leave, etc.) may be encountered causing data to be unavailable or to otherwise impede closing the books.
10. Who is assigned to gather this information?
11. Who is assigned to review the posting of year-end entries and conversion of balances from modified accrual basis to full accrual basis?
12. Who is responsible for determining compliance with generally accepted accounting principles (GAAP)?
13. What prior-year audit adjustments were considered necessary by auditors?
14. Other related risks.

Policies:

1. TCA 9-2-102 Close Accounting Records Within 60 Days

Procedures:

1. At the beginning of every fiscal year, immediately following the closing of the prior- year books of account, the Finance Department, in coordination with all other departments, will:
 - Review the prior year closing process and identify any difficulties, weaknesses or additional risks that were encountered.
 - Review any matters identified with management to determine whether any changes are required and, if so, oversee the development and design of those changes.
 - Review any new accounting standards and any accounting standards that are being developed that may be issued that will impact the upcoming year end closing.
 - Consider the effects of new laws such as for new taxes.
 - Set a tentative timeline for the upcoming year-end closing.
 - Communicate the plan to all department heads for dissemination to employees whose work will be impacted by the plan.
 - Revisit the plan with all departments near the end of the year.

Act v ty 5: Aud t

Objective 1: Ensure that annual audit is performed

Objective 2: Ensure that annual audit is performed timely

Risks:

1. Not in compliance with state requirements
2. Not in compliance with federal requirements
3. Not in compliance with debt requirements

Policies:

1. TCA 6-56-105 & 8-4-109 Audits Required
2. TCA 9-3-212 Duty to Order and Pay for Audits
3. TCA 9-3-405 Audit Committee
4. TCA 47-10-101-103 Electronic Audit Contract and Audit Report

Procedures:

1. The City ensures that a contract to audit accounts is executed before the end of the fiscal year, to accommodate a timely audit. To facilitate this, an individual are be assigned to either begin the contracting process or notify the board when it is time to begin the contracting process, generally at least 3 months prior to the end of the fiscal year. A sample copy of the contract can be found on the web at: <http://tn.gov/comptroller/ma/contract.htm>
2. The audit contract is expected to be executed through the Comptroller's Contract and Report System (CARS), which can be accessed on the web at: https://www.comptroller1.state.tn.us/RA_Upload/.
3. The City utilizes a request for proposal to evaluate independent audit firms. A sample request for proposal can be accessed on the web at: <http://tn.gov/comptroller/ma/auditmanual.htm>
4. The City performs year-end closing activities necessary to produce financial reports for audit purposes are be concluded as soon after the fiscal year end as is practicable.
5. The City's management takes responsibility for the annual financial report. Auditors for the City cannot maintain their independence under current standards if The City can't take responsibility for the annual financial report.
6. The annual financial report are be submitted through CARS by the audit firm in an electronic format. The format are be user friendly, which includes the use of bookmarks, internal document links, or other similar features.

Act v ty 6: Cash on Hand

Objective 1: Ensure that petty cash is secure and properly accounted for

Objective 2: Change funds are secure and properly accounted for

Risks:

1. Petty cash could be used for unauthorized purposes
2. Petty cash transactions are not properly recorded
3. Petty cash is not maintained at a fixed amount or is commingled with other receipts
4. Responsibility for petty cash is not clearly established

5. Change funds are not monitored resulting in loss of money, inappropriate use of money, excessive or inadequate cash on hand

Procedures:

1. The City ensures that petty cash accounts are authorized by the governing body and checks are written to the petty cash custodian to establish the petty cash fund. Each such "account" consists of an authorized, fixed sum of money set aside as an asset for the purpose of making miscellaneous purchases and making advances for emergency travel needs.
2. Petty cash disbursements are made only as needed and that an invoice/receipt accompanied by a petty cash voucher, prepared in ink, showing the items purchased, and signed by the person receiving the cash, is required in each case. The amount of cash on hand and petty cash vouchers and related invoices/receipts written must total to the originally authorized amount of the funds.
3. When the available cash has been reduced to an amount insufficient to meet routine requirements, a check is written to replenish the cash. The check, made payable to the petty cash custodian, are be delivered to the petty cash fund cashier to be cashed at the bank. The total amount reimbursed will be separated into amounts to be charged to each of the applicable expenditure accounts.
4. Someone other than the person responsible for handling the petty cash fund inspects, approves, dates, initials, and marks each voucher "PAID" to prevent reuse. The City are enforce the following restrictions:
 - a. The petty cash fund are be maintained at the lowest amount possible and are be replenished only after the strictest scrutiny of all supporting documentation for the petty cash disbursements.
 - b. Under no condition are the petty cash fund be commingled with personal funds of a city official or employee or used to cash personal checks or to make advances to employees.
 - c. Since checks to replenish the petty cash fund are charged to the expense accounts represented by the petty cash vouchers, the only entries to the petty cash fund asset account would be to establish the fund, increase or decrease the fund, or to close the fund.
 - d. Receipts from vending machines and other miscellaneous services are be recorded and deposited like other revenue and not maintained as a petty cash fund or used for miscellaneous purposes.
5. An established amount is maintained for change. Collections are be reconciled each day and amounts over or short, if any, are be accounted for in the accounting records and deposited if

applicable (in the accounting records as a revenue for over and as an expense/expenditure for short). Established change funds are never be used to absorb amounts over or short.

Act v ty 7: Cash n Bank

Objective 1: Ensure that all cash balances are adequately insured or collateralized

Objective 2: Cash flow forecasts are accurate so that investment returns can be maximized and cash shortfalls can be avoided

Risks:

1. Cash balances exceed insured limits and are not properly collateralized, which could result in loss of funds
2. Adequate information is not available to forecast cash flows or inaccurate information is used resulting in incorrect forecasts

Policies:

1. TCA 6-56-110 Deposits to be Secured by Collateral
2. TCA 9-1-107 Deposits Exceeding Insurance Limits
3. TCA 9-4-101 Collateral

Procedures:

1. Bank statements are reconciled with the cash balances presented in the accounting records (general ledger). Bank reconciliations are prepared within 30 days after the bank statements are received from the bank. Canceled checks must be retained on file with the applicable bank statements for future reference and audit purposes and are not be filed with paid invoices or purchase authorizations.
2. NOTE: Although by state law canceled checks must be maintained, because of current national legislation canceled checks may not be available. If imaged statements are issued, the City are require the bank to include both the front and back of each check and deposit slip, and require that the images be of such quality and size that they are clearly legible.
3. If a City wishes to use on-line banking, they will need to confirm with the bank that they

have a method in place that requires transactions to be authorized by two individuals before they can be processed. If the bank does not have a method that effectively requires two individuals' authorizations to execute a transaction, the City are not use on- line banking for payments.

4. When imaged copies are not included with the bank statement, the City are either request the bank to send the copies to the City, download copies from the bank's website, or determine an alternative way to obtain adequate supporting documentation for canceled checks and deposit slips.
5. Any alternative must meet the following criteria: (1) be cost effective; and (2) provide timely access to the documentation. Additionally, front and back copies are required regardless of the method used to obtain the copies or the format of the copies (paper or electronic).
6. The City ensures that bank accounts are classified as "public" accounts. If any other classification is used, the accounts will not be considered eligible for collateralization. If the depository is a part of the Bank Collateral Pool, accounts not identified as "public" will not be included in calculating collateral requirements of the Pool and money may not be adequately secured.
7. The City complies with state statutes governing collateralization of municipal deposits. These statutes generally require collateralization of 105 percent (105%) on all deposits above the FDIC/FSLIC insured amounts. Personnel in depository institutions and the City's attorney are be consulted to determine that collateral agreements, trustee custodian agreements, and the type of security being held is in accordance with all applicable legal provisions.
8. In 1995, the State of Tennessee Treasury Department implemented the Bank Collateral Pool as an efficient, cost effective, and safe alternative for securing public funds. Participation in the Collateral Pool relieves the City of most of the responsibility for ensuring collateral compliance since the collateral function is centralized in the State Treasurer's Office. For additional information regarding collateral requirements and the State of Tennessee Bank Collateral Pool, municipalities may contact the State Treasurer's Office, Division of Cash Management, (615) 532-1168 or visit their website at <http://www.tn.gov/treasury/> .
9. Check cashing for checks drawn on accounts other than those owned by the City, salary advances and similar activities are not in the best interest of the City and require the City to accept a certain level of risk of nonpayment. To avoid taking additional unnecessary risks, municipalities are not engage in such practices.

Act v ty 8: Investments

Objective 1: Investments are authorized, provide maximum returns with minimum risks and comply with legal requirements

Objective 2: Ensure that all investments are accurately recorded

Objective 3: Ensure that all investments are authorized and comply with all internal and external restrictions

Objective 4: Investments are adequately safeguarded

Risks:

1. Investments are not in compliance with state and local laws or are not as profitable or the risk of loss of funds is excessive
2. Investments are not properly timed or monitored resulting in lost revenue or early withdrawal fees
3. Negotiable investments are not adequately safeguarded
4. Investments are not recorded properly, or in inaccurate amounts
5. Investments are not authorized in accordance with applicable restrictions
6. Investments have not been properly approved by the Comptroller
7. Investments exceed risk thresholds set by the Board
8. Investments are not maximizing earnings
9. Penalties are incurred due to early withdrawal to meet cash flow demands
10. Investments are misappropriated

Policies:

1. TCA 6-56-106 Authorized Investments
2. City of Franklin Investment Policy

Procedures:

1. The City ensures that investments of municipal money maximize earnings and comply with state statutes and municipal investment policies. Investment options include savings accounts, certificates of deposit, short-term treasury bills and certificates, deposits in the Tennessee Local Government Investment Pool, etc. Additional guidance regarding investments can be found at <http://tn.gov/comptroller/lf/> .

2. The City's investment policy addresses the City's strategies, goals and procedures. The policies and procedures include, but are not limited to:
 - authorizing individuals (purchasing, selling, roll-over, physical security)

 - investment types

 - requirement to annually review laws and regulations to determine if there are changes that affect the City

 - cash forecasting requirements in determining investment options

 - requirement to deposit investment proceeds, including cash received from matured certificates of deposit, into municipal accounts.

 - investments that must be approved by the Comptroller (repurchase agreements), including Comptroller approved forms.

3. Personnel maintain an investment record card or a similar record listing the essential features of each investment, including the following:
 - a. date of purchase

 - b. description (or bank name) and identification number of each security

 - c. interest rate

 - d. original cost

 - e. fund or funds providing the excess cash for investment

 - f. maturity date of the investment

 - g. date of and amount at termination (cashing) of investment and use of proceeds (reinvestment, deposit into municipal bank accounts, etc.)

Act v ty 9: Rece pt ng

Objective 1: Ensure that all cash receipts are accurately recorded and adequately safeguarded

Risks:

1. Cash could be misappropriated, lost or stolen
2. Cash collections could be manipulated to cover shortages
3. Cash collections are not accurately posted to the accounting records

Policies:

1. TCA 4-4-108 Blanket Surety Bond Required
2. TCA 6-56-111 Deposit Within 3 Working Days
3. TCA 9-2-103-104 Consecutively Pre-Numbered Receipts Required
4. TCA 9-2-106 Violation of Receipt Requirements is a Class C Misdemeanor
5. City of Franklin Receiving and Depositing Cash Policy

Procedures:

1. Adequate supporting documentation, such as pre-numbered receipts, billing stubs, etc., is required to document all transactions.
2. The City ensures that qualified individuals are hired and that appropriate training is provided.
3. The City has adequate surety bond coverage for all officials and employees.
4. Collections are deposited daily, if possible, but no more than three business days after the initial collection, as required by state law. Municipal collections are never be taken home by any municipal employee or official.
5. Collections are deposited intact. Intact means that collections are deposited in the form and amount in which they are collected. All money collected must be deposited in the next deposit. No collections are be withheld from the deposit for any reason.
6. All cash maintained on hand and collections not yet deposited are kept in a secure location.

7. Deposit slips are completed in duplicate at a minimum. All checks are be listed individually on the deposit slip or an attached list, itemizing the name of the payer and the amount. The receipt numbers comprising the deposit are be written on the deposit slip. The validated duplicate deposit slip or the duplicate deposit slip with deposit receipt attached must be retained.
8. Personnel safeguard all securities by depositing them in a safe-deposit box with access restricted to dual control by two responsible officials.
9. The City ensures that responsibility for each step of cash handling and recording is clearly established. If possible, the employees who receive cash collections (cashiers) are be different from those who maintain the books and records (bookkeepers).
10. Pre-numbered receipts for each revenue source are issued as required by Sections 9-2-103 and 104, Tennessee Code Annotated, and all unused or voided receipts are accounted for. Pre-numbered receipts issued are be detailed to adequately identify and/or document the payment source, payment date, method of payment (cash or check), purpose of payment, if needed, etc. Collections from customers evidenced by stubs from utility bills and property tax bills do not require an additional receipt. However, if the bill is not presented with payment, the cashier are prepare a duplicate bill to be retained as the receipt. Each bill stub are be stamped or marked "PAID," dated by the cashier, and marked to identify whether the form of remittance is cash or check. The stubs are be organized by date of payment/deposit (See Section 11 of this Chapter) and retained.
11. Anytime custody of money changes from one employee to another, the money are be counted by both employees.
12. The payment date and amount is recorded for each individual account in the utility billing register on a timely basis.
13. The City uses a lockbox service with its primary bank for receipts by mail.
14. At the end of the day, the cashier counts the cash and checks on hand, leaving only the predetermined amount for change. The change are be kept in a secure location.
15. Each day the cashier summarizes all cash collections by source and fund on a daily collection report, clearly indicating the amount to be deposited, the amount retained for change, and the amount of cash over or short. Each report are be dated, and the date are be recorded on the

corresponding deposit slip. The total on the corresponding deposit slip as well as the total of all applicable pre-numbered receipts are agree with the total collections recorded on the daily collection report. The cashier are write the receipt numbers applicable to each collection source on the daily collection report and sign the report. Each cashier are be assigned a separate cash drawer that is accessible only to that cashier. A daily collection report are be prepared by each cashier which is then consolidated for the daily report to be sent to accounting for recording the activity.

16. Deposit slips are completed in duplicate (at least). Regardless of whether the remittance is received by mail or paid directly to the cashier, each check are be listed individually on the deposit slip or an attached list, itemizing the name of the payer and amount.
17. Collections are deposited daily, if possible, but no more than three business days after the initial collection, as required by state law. The bank's night depository are be used, if necessary, to avoid large accumulations of currency overnight.
18. Collections are deposited intact and only in designated depositories. Intact means that collections are deposited in the form and amount in which they are collected. Employee and third party checks must not be cashed through the cash drawers. No collections are be withheld from the deposit for any reason.
19. At the end of each day, all pre-numbered receipts, billing stubs, tax receipts, and other evidence of collection are turned over to the bookkeeper for posting.
20. Duplicate, pre-numbered receipts are marked and property tax receipts and billing stubs are filed according to the deposit to which they correspond.
21. All appropriate filings have been made, in accordance with TCA 47-10-119, if taxes, fees, fines, etc. are collected by accepting credit or debit cards.
22. Fees are assessed which are sufficient to cover the fees charged to the City when credit or debit cards are accepted for payment of taxes, fees, fines, etc.
23. The City are separate duties of employees so that no one person has control over a complete transaction from beginning to end. Work flow are be established so that one employee's work is automatically verified by another employee working independently. When possible, different persons are be responsible for the authorization, recordkeeping (posting), custodial (cash and materials handling), and review procedures, to prevent manipulation of records and

minimize the possibility of collusion. When adequate segregation of duties is not possible, management/board oversight are be increased to provide reasonable assurance that errors, irregularities or fraud are prevented or detected and corrected in a timely manner.

25. The City's separation of duties for receipting is as follows:

Receipting	Cashier	Office Manager	Financial Technician
Maintain Separate Cash Drawer	X		
Stamp over-the-counter Checks and Money Orders "For Deposit Only"	X		
Issue sequentially numbered Receipts for Over-the-counter receipts.	X		
Combine checks, money orders, and credit card receipts from all drawers. Make a list of the receipts and total.		X	
Verify deposit amount with Check Out Sheets		X	
Revenue Management Makes Deposit Intact			X
Attach the Deposit Receipt from Bank to Lists and file for audit.			X

Act v ty 10: Purchasing not pertaining to the design and/or construction of new infrastructure and facilities

Objective: Ensure that all purchases are authorized and proper

Risks:

1. Purchases are not authorized or exceed available budgeted amounts or are not for a municipal purpose
2. Bids are not solicited for purchases exceeding bid limits which can result in the best price/product not being obtained

Policies:

1. T.C.A. § 6-56-301 *et seq.* (Municipal Purchasing Law of 1983)
2. T.C.A. § 12-3-1201 *et seq.* (Public Purchases - Local Governments)
3. T.C.A. § 62-6-101 *et seq.* (Contractors Licensing Act of 1994)
4. T.C.A. § 12-4-101 Personal Interest of Officers Prohibited
5. City ordinance on "Public advertisement and competitive bidding" (F.M.C. § 5-502)

6. City ordinance on "Debarment and Suspension" (F.M.C. § 5-1001 *et seq.*)
7. City ordinance on "Disposal of surplus personal property" (F.M.C. § 5-801 *et seq.*)
8. City ordinance on code of ethics (F.M.C. § 1-801 *et seq.*)
9. City of Franklin Purchasing Policy as most recently adopted by resolution of the Board of Mayor and Aldermen

Procedures:

1. Minutes of actions taken by the Board are to include summaries of action taken on competitive bids.
2. Minutes of actions taken by the Board are to include summaries of action taken on purchasing policy.
3. The Board, by resolution, has established a purchasing policy. The policy complies with the requirements of the Municipal Purchasing Law of 1983, Sections 6-56-301 through 6-56-306, Tennessee Code Annotated, or applicable charter provisions or private act requirements governing competitive bidding and purchasing. The procedures enumerated in this chapter are the minimum that are to be included in the policy.
4. The City's purchasing policy designates persons authorized to make purchases who have the authority to determine that (1) the item/service is necessary, (2) the quantity/times requested is appropriate, (3) the expenditure is authorized by the budget (when applicable), (4) does not exceed budgeted amounts for the respective fund, and (5), when related to grant contracts, meets the requirements of the grant contract.
5. The policy requires use of pre-numbered purchase authorizations/orders for purchases over a predetermined amount.
6. The policy outlines alternate procedures for emergency and small-item purchases, if needed (i.e., purchases authorized to be made without approval).
7. The policy requires approval of pre-numbered purchase authorizations/orders by the finance officer or his designee to indicate that the expenditure is appropriate and authorized under the budget appropriation.
8. The policy designates individuals who are authorized to make purchases with municipal purchasing cards. The City clearly defines the types of purchases permitted to be made using the purchasing cards. Such purchases must be approved in the same manner as any other purchase. The number of cards maintained are to be kept to a minimum and are to be properly accounted for. A record of the current holder(s)/user(s) are to be maintained in the City's files. Personal charges are to be strictly prohibited.

9. The policy requires competitive bids for purchases over a stated amount.
10. The policy requires that personnel retain sufficient documentation to substantiate that required competitive bids were requested. When a contract is not awarded to the lowest bidder, the reasons are also to be documented in the minutes.
11. The policy requires Board approval of any lease-purchase contracts which would extend beyond the current fiscal year.
12. The policy requires that when competitive bids are necessary, personnel do the following:
 - a. write the specifications and advertise for bids
 - b. release the specifications and bid requests to prospective bidders
 - c. maintain complete records of any bid deposits received
 - d. advertise the bid opening in a local newspaper at least one week prior to opening
 - e. hold a public bid opening at the time and place announced
13. The policy requires that the appropriate municipal official(s) and the successful bidder sign a written agreement after the contract is awarded. A copy of the signed contract is to be maintained in the City's files.
14. The policy requires for those purchases not subject to a competitive bid that the person authorized to make purchases obtain price quotations and avoid any purchase contracts which may involve a potential conflict of interest on the part of a public official. The municipal purchasing policy requires that a written record be retained when quotations are obtained.
15. Personnel of the City's various departments who are authorized to make City purchases must become, prior to or as soon as practicable upon being so authorized, and remain while so authorized, familiar with the City's purchasing policies and procedures. The Purchasing Manager shall regularly update departmental representatives designated by the City's various department heads so that that the designated departmental representatives may be informed, in a timely manner, of recent legislation, changes to purchasing policy and procedure, and other matters that affect how, when, what, where, and from whom City purchases may be made.
16. Separation of duties in the Purchasing function consist of the following:

Duty	City Administrator	Assistant City Administrator	Purchasing Manager	Purchasing Analyst	Purchasing Technician	Department Head or Designee
Receive Requisition from Departments for Purchase			x	x	x	
Approve the Requisition	x	x	x			
Issue the Purchase Order for Goods/Services Based on Approved Requisition			x	x	x	
Record Purchase Orders Against Departmental Budget			x	x	x	
Authorize Personnel to Make Purchases and/or Be Issued a City Purchasing Card						x
Receive Ordered Goods/Services						x
Sign and Code Invoice indicating the Goods/Services Were Received and Submit Receiving Ticket to Purchasing Office						x
Match Receiving Ticket and Invoice to Purchase Order and Change Status of PO in Accounting System			x	x	x	
Submit Payment-ready Paperwork to A/P			x	x	x	x
Determine the Disposition of Any Outstanding Purchase Orders			x	x		

17. Approximately every six months, the Purchasing Manager shall solicit confirmation by the City's respective department heads or designees of the accuracy of the current list of City employees who have been issued active fleet fuel driver identification numbers (a.k.a. fleet fuel driver PINs) with which to purchase fuel for the City's fleet.

18. Approximately every twelve months, the Purchasing Manager shall solicit confirmation by the City's respective department heads or designees of the accuracy of the current list of active City fleet fuel vehicle cards with which to purchase fuel for the City's fleet.

19. Approximately every six months, the Purchasing Manager shall solicit confirmation by the City's respective department heads or designees of the accuracy of the current list of active City purchasing cards.

Act v ty 11: D sbursements

Objective 1: Ensure that all disbursements are for municipal purposes

Objective 2: Ensure that all disbursements are accurately recorded

Objective 3: Ensure that all disbursements are authorized and proper

Objective 4: Ensure that payments are timely

Risks:

1. Disbursements are not for a municipal purpose and inappropriate or unauthorized disbursements could be made
2. Disbursements are recorded to the wrong accounts or for the wrong amounts
3. Disbursements are not authorized or exceed available budgeted amounts or are not for a municipal purpose
4. Disbursements are unnecessary
5. Disbursements are for goods that were never received
6. Disbursements do not comply with legal or contractual restrictions, and may be required to be returned to the grantor
7. Duplicate payments occur
8. Penalties have to be paid

Policies:

1. TCA 6-56-111(c) Consecutive Pre-numbered Checks
2. TCA 6-56-112 Expenditures for a Lawful Municipal Purpose
3. In Progress: City of Franklin Disbursement Policy

Procedures:

1. The City ensures that personnel or officials receiving goods or services purchased by the City sign delivery receipts, invoices, or other supporting documentation to verify that items and services for which the City has been billed have actually been received and accepted. The documentation are be sufficient to determine that the expenditure was for a municipal purpose. Expenditures for food, mileage, etc., generally will require additional notations to

indicate the purpose, date and any other pertinent information regarding expenditures for such items.

2. Adequate supporting documentation, such as invoices, etc., is required to document all transactions.
3. The City ensures that the request for payment (statement) from the vendor is compared to the individual invoices on file. Payment are never be based on a statement only. The testing of prices, extension of amounts, and addition of the total invoice are be required. In addition, timely payment are be made to avoid penalties.
4. The City cancels each page of supporting documentation, including purchase authorizations/orders before the checks and documentation are submitted for approval and signing. Supporting documents are be canceled by writing the check number, amount, payment date, and account to be charged on the first page of documentation and stamping "PAID" on all other pages.
5. The City files supporting documentation by date paid and also electronically in scanning software utilizing key fields such as vendor or invoice number.
6. The Finance Department's Financial Manager reviews all checks prior to being signed to establish the propriety of each disbursement and to be certain the purchase has not previously been paid. The Financial Manager documents on the invoice the review and approval.
7. The use of consecutively pre-numbered checks on protected paper to avoid erasures. Both the checks and attached documentation are be submitted to the designated officials for examination and signature. The City are require two signatures on all checks and are never sign checks in advance of their preparation and issuance. Checks must not be made payable to "Cash."
8. NOTE: All disbursements, regardless of the accounting procedures, must be supported by invoices, cash tickets, or other adequate supporting documentation. The documentation are be sufficient to determine that the expenditure was for a municipal purpose. (Statements are not adequate supporting documentation.) The supporting documents are be signed by the person receiving the goods or services to verify that the City received and accepted the goods/services for which it was charged.
9. Depending on the purchase, purchasing card payments are either approved by departmental management or in the same manner as any other purchases. Purchasing card receipts are provided to the City's Purchasing Office.

10. All money is disbursed by pre-numbered checks. Checks must not be signed in advance of their preparation and issuance. Checks must not be made payable to "Cash" or "Bank" if intended for cash.
11. Two authorized signatures are required for all checks. Authorized signature cards at the bank must be current. Before signing checks, each signatory are review adequate supporting documentation (such as vendor invoices, purchase authorizations, etc.).
12. Signature stamps are safeguarded by the Finance Department. Signature stamps intended for administrative purposes only, such as for letters, etc. must also be safeguarded.
13. A federal Form 1099 is prepared and sent to the Internal Revenue Service for each noncorporate recipient of the City's money during a calendar year. (Contact the IRS for the current reporting limit.) This requirement applies to service providers and consultants under contract, as well as to any other nonpayroll, noncorporate recipients.
14. The City separates duties of employees so that no one person has control over a complete transaction from beginning to end. Work flow are be established so that one employee's work is automatically verified by another employee working independently. When possible, different persons are be responsible for the authorization, recordkeeping (posting), custodial (cash and materials handling), and review procedures, to prevent manipulation of records and minimize the possibility of collusion. When adequate segregation of duties is not possible, management/board oversight are be increased to provide reasonable assurance that errors, irregularities or fraud are prevented or detected and corrected in a timely manner.
15. The City's separation of duties for disbursements is as follows:

	Department Approver	Financial Technician or Analyst	AP Technician	Financial Manager	Financial Analyst	Financial Analyst	Administrative Assistant
Disbursements							
Invoice Approval	X						
G/L Code/Budget	X						
Submits New Vendor Form/W-9	X						
Submits Invoices to Finance for payment	X						
New Vendor Set-up		X					
Input Invoices batches			X				
Prepares AP Report for review			X				
Reviews & Approves final AP report				X			
Creates EFT Payment			X				
Approves EFT Payment				X			
Prints Checks			X				
Checks/EFT Distribution		X	X				
Scans AP documents for record retention							X
Posts Disbursements to GL					X		
Reconciles AP Liability Account						X	

Act v ty 12: Employee Travel and Re mbursements

Objective 1: Ensure that travel disbursements are authorized and proper

Risks:

1. Travel payments are improper

Policies:

1. TCA 6-54-901 Expense Reimbursements Incident to Holding Office
2. TCA 6-54-903 Filing of Travel Policy
3. City of Franklin Travel Policy

Procedures:

1. Most travel is paid by purchasing card. When a travel advance is given, the amount of advance are be posted to a special subsidiary ledger as an amount due the City from the recipient of the advance. When the travel is completed, the advance are be reconciled to the travel claim and supporting documents. The difference are be either paid to the employee (in cases where the approved travel claim amount exceeds the advance) or collected from the employee (in cases where the advance exceeds the approved travel claim amount).
2. The reconciliation of the travel expenses is to be completed no more than 10 days after the travel is completed. Even for accountable plans, there are payroll tax consequences for travel claims that are not submitted within a reasonable period of time after the travel.
3. Sections 6-54-901 through 6-54-907, Tennessee Code Annotated, the Board has adopted an ordinance to reimburse officials and employees whose salary is set by charter or general law for expenses incidental to holding office. The law requires that a written travel policy be enacted setting forth what expenses are reimbursable and how they are be reimbursed. Expenses for reimbursement must be reported on a standardized form in sufficient detail to determine allowability. In addition, adequate documentation must be required and maintained to support the expense report.
4. Minutes of actions taken by the Board include the expense reimbursement policy

Act v ty 13: Cap tal Assets and Inventory

Objective 1: Ensure that all assets are properly recorded

Objective 2: Ensure that all assets are adequately safeguarded

Objective 3: Ensure that inventory is necessary and reasonable

Risks:

1. Inventory and capital assets are not recorded or are valued incorrectly
2. Obsolete inventory or retired capital assets are still recorded
3. Inventory, capital assets and moveable, high-risk, sensitive property are misappropriated or lost

4. Inadequate insurance is maintained and the City is susceptible to losses beyond its ability to pay
5. Inventory levels are excessive
6. Inventory items are not available when needed

Policies:

Procedures:

1. The City requires that all capital assets be identified (tagged or marked), and recorded immediately following the purchase of such items. Vehicles and equipment (backhoes, mowers, etc.) are have the City's name or seal clearly displayed. The asset record are be retained at the City and are include up-to-date purchase and disposal information. An annual physical inventory are be performed, documented, and reconciled to the property records. Capital assets acquired with grant funds are identified to ensure that they are maintained, accounted for and disposed of in accordance with the terms of the grant.

2. The City requires that a record of moveable, high-risk, sensitive property, such as TVs, cameras, chainsaws, tools, lawn mowers, and small office machines, as well as furnishings and works of art, be established and maintained. An annual physical inventory are be performed and documented in the City's records. All such items are be tagged or marked to identify them as municipal property immediately following the purchase of such items.

3. The City has established useful lives of water and wastewater systems. The Tennessee Wastewater Financing Board has adopted the following guidelines for evaluating the useful lives of assets of water and wastewater systems. The useful lives of assets do not exceed the appropriate guidelines listed below.

<u>Asset Account</u>	<u>Years</u>
Office Furniture and Fixtures	10
Office Building	40
Equipment and Tools	10
Transportation Equipment	5
Pumps and Treatment Equipment	10
Well/Dam	Engineer's Estimate
Plant Buildings	40

Lines and Storage 40-50

Sewer System 40-50

4. City departments provide the Risk Management office of Human Resources with capital asset information to ensure it is adequately insured. The Risk Management office annually analyzes risk exposure, assesses the City's ability to absorb losses and structure the City's insurance purchases accordingly.
5. The City has procedures that provide safeguards for inventories of materials and supplies. These procedures include the following:
 - a. a requirement to inspect and count each incoming materials and supplies delivery, with the receiver signing each invoice as received and accepted
 - b. a requirement that all materials and supplies are stored in designated areas that are protected against unauthorized withdrawals and other losses
 - c. a requirement that scrap materials that have a known salvage value are safeguarded until sold and that the proceeds from the sale of scrap are handled in the same manner as other cash receipts
 - d. inventory levels to be maintained
 - e. a requirement that work orders be used to support usage (reduction) of inventory balances (e.g., utility pipe, meters, etc.).

Act v ty 14: Debt

Objective 1: Ensure that information for debt is in compliance with legal requirements.

Objective 2: Ensure that debt disbursements are authorized and proper

Risks:

1. Debt payments are improper

Policies:

1. TCA 9-21-408 Interfund Loans
2. 9-21-601 Capital Outlay Notes
3. 9-21-903 Refunding Bond Issues
4. 9-21-130 Debt Management Policy required by State Funding Board
5. City of Franklin Debt Management Policy

Procedures:

1. The City ensures that its credit is not given or loaned to or in aid of any person, company, association or corporation except upon an election to be first held by the qualified voters of such county, city, or town and the assent of three- fourths of the votes cast at said election. An example of such credit is loans to private corporations.
2. The City ensures all debt instruments are maintained in a secure location and are available for inspection, audit, and planning purposes.
3. Before entering into a debt agreement, the Board (as documented in the minutes) and the Comptroller (Division of Local Finance) have approved or reported on the issuance of the loan or bond.
4. The City ensures any interfund or interdivisional loans are approved by the Comptroller's office.
5. The City ensures reserve accounts are established as required by the loan agreement.
6. The City ensures debt payments are made on a timely basis.

7. If the debt involves federal loan funds, the City includes such funding on its schedule of federal and state assistance and informs the audit firm of such funding.
8. The City's Chief Financial Officer and City's Comptroller are assigned to review, at least annually, contracts, bond covenants, laws and regulations regarding debt to ensure that the City is in compliance with all current debt provisions and that new provisions have been identified to ensure on-going compliance.
9. The City's Chief Financial Officer and City's Comptroller maintain information regarding debt issues and the related amortization schedules to ensure that information necessary for note disclosure and supplemental schedules is readily available, complete and accurate.
10. Minutes of actions taken by the governing body include copies of bond and revenue anticipation resolutions
11. Minutes of actions taken by the governing body are include authorizations of loans and transfers between funds
12. The City's Chief Financial Officer and City's Comptroller maintain information regarding debt issues and the related amortization schedules to ensure that information necessary for note disclosure and supplemental schedules is readily available, complete and accurate.
13. The City ensures that continuing debt disclosure occurs each year. This includes material events during the year and the filing of the annual report within 6 months of fiscal year end.

Act v ty 15: Grants

Objective 1: Ensure that information for federal grants is in compliance with Federal statutes, regulations, and terms and conditions of the Federal award.

Objective 2: Ensure that debt disbursements are authorized and proper

Risks:

1. Information is incomplete, inaccurate, and/or unavailable
2. Information is not able to be audited

Policies:

1. CFR 200.303 Internal Controls for Recipients of Federal Awards
2. Standards for Internal Control in the Federal Government (Comptroller General of U.S.)
3. Internal Control Integrated Framework (COSO)
4. OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards

Procedures:

1. Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
2. Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
3. Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
4. Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.
5. The Finance Department compiles, reviews and summarizes grant information throughout the year to ensure that the schedule of expenditures of federal awards and state financial assistance is complete and accurate.
6. One of the most significant activities of any City is purchasing. There are many laws and regulations, federal, state, and local, that govern how a City may make purchases and the

purposes for which money may be expended. Additional constraints are imposed by grant agreements.

7. The City ensures that the City's purchasing policy designates persons authorized to make purchases who have the authority to determine that when related to grant contracts, meets the requirements of the grant contract.
8. Minutes of actions taken by the governing body are include copies of federal and state grant applications (whether a final award was received or not)
9. The City are ensure that, at least annually, a detailed review is made of all known compliance requirements. In addition, a search are be made to identify all new requirements relevant to the City's operations. A review of all relevant compliance issues would include federal and state grant requirements

Act v ty 16: Contracts

Objective 1: Ensure that information for contracts is in compliance with Federal statutes, regulations, and terms and conditions of the Federal award.

Objective 2: Ensure that contract disbursements are authorized and proper

Risks:

1. Information is incomplete, inaccurate, and/or unavailable
2. Information is not able to be audited

Policies:

1. TCA 6-54-107 Officers Interest in Municipal Contracts Prohibited
2. TCA 12-4-106 Contracts for Professional Services

Procedures:

1. Minutes of actions taken by the Board include copies of contracts entered into by officials. The City obtains a written contract for all agreements with other entities or individuals for services received or provided, regardless of whether payment is involved, including the following:
 - contract labor and consultant agreements, including computer services, day labor, and similar work
 - leases
 - rentals
 - management agreements
 - mutual aid agreements
 - cable or other franchise agreements

Act v ty 17: Budget

Objective 1: Ensure that information for budget is in compliance with Federal statutes, regulations, and terms and conditions of the Federal award.

Risks:

1. Information is incomplete, inaccurate, and/or unavailable
2. Information is not able to be audited

Policies:

1. TCA 6-56-201 Municipal Budget Law of 1982

Procedures:

1. One of the most significant activities of any City is purchasing. There are many laws and regulations, federal, state, and local, that govern how a City may make purchases and the purposes for which money may be expended. Additional constraints are imposed by budgets.
2. Minutes of actions taken by the governing body include copies of the budget and any supplemental appropriations
3. The City ensures that, at least annually, a detailed review is made of all known compliance requirements. In addition, a search are be made to identify all new requirements relevant to

the City's operations. A review of all relevant compliance issues would include budgeting and expenditures requirements.

4. Detailed pay rate listings by employee classification are included as supplementary schedules to support salary appropriations in the budget.

Act v ty 18: Informat on Systems

Objective 1: Ensure that information is complete, accurate, and available to only authorized individuals

Risks:

1. Information is incomplete, inaccurate, and/or unavailable
2. Unauthorized access occurs, resulting in distribution of confidential information and or data being corrupted
3. Information is not able to be audited

Policies:

1. City of Franklin Computer Use Policy

Procedures:

1. For software to be adequate for use by a City, the following minimum controls must be present.
 - a. The software must produce an unalterable audit trail.
 - b. The software must generate a new receipt number when a transaction is voided (no reuse or renumbering of receipts are be permitted)
2. Controls must be in place to reasonably ensure that developers have not left "back doors" that can be used to alter code, output, etc.
3. The City ensures that:
 - a. controls are in place to ensure that only authorized individuals have access to electronic data and municipal computers (this would include passwords, access limitations, procedures to revoke authorization when employment is terminated, etc.).

- b. backups are made of all data on a regular basis and are securely stored off-site.
-
- 4. When acquiring and utilizing computer programs for accounting, billing and other activities the City are ensure that proper evaluation and testing on the software is performed. Without proper evaluation and testing this creates unknown risks to the City. When evaluating applications that are nationally recognized this will often require less additional testing than those that are internally developed, contracted for development, or are less widely used. That is not to imply that nationally recognized applications are more reliable than others, they have just been subjected to broader testing. The broader testing of a nationally recognized application may be considered by municipalities in determining if additional testing is necessary. Municipalities are not assume that a computer application is functioning properly without proper evaluation; therefore documentation are be maintained on file to document the City's evaluation of the application. For applications that are modified at a later date, additional testing and evaluation will be necessary at that time.
 - 5. The City's IT Director and Assistant Director review relevant computer programs to determine whether they need to be updated, upgraded or modified.

Act v ty 19: B ll ng

Objective: **Ensure that billings are complete and accurate**

Risks:

- 1. Billings do not include all customers
- 2. Billings have bills with calculation errors

Policies:

- 1. City of Franklin Title 18 (Water and Sewers)
- 2. City of Franklin Title 17 (Refuse and Trash Disposal)
- 3. City of Franklin Title 23 (Stormwater Management)
- 4. City of Franklin Title 24 (Special Assessment Districts)

Procedures:

The Billing Department is responsible for the management of the City's utility billing customer file and the preparation and delivery of all bills. Beyond the established procedures and experienced staff, there are notable internal control reviews that are performed with each billing cycle; each month; and, on an as needed basis (at least annually).

Billing Cycle Review

Review and edit procedures exist for each billing Cycle, include:

Reading Review at Account Level (Raw input review prior to bill run)

- Monthly consumption volume changes are reviewed for variances:
 - o High and Higher
 - o Low and Lower
 - o Acceptable
 - o Missing Readings
 - o Zero Consumption Readings
 - o Negative Consumption
 - o Consumption on Inactive Accounts

Review at Bill Run

- Identify system exceptions (accounts unable to bill), correct exceptions, rerun and re-review.

Bill Run Edit Reports -

- An output review reports of:
 - o Top 100 Accounts
 - o New Accounts
 - o Final (Terminated) Accounts
 - o Billed Prior Month Not This Month

Monthly Reviews

- Cycle billing register totals and counts are recorded by month and compared to prior months.
- Review all accounts with three months of consecutive zero consumption.

Annual Reviews

At least annually, Revenue Management will:

- Obtain a list of all City addresses from City records and reconcile it to the billing

system to determine that all service addresses are being billed.

- Obtain billing registers from Water Districts (3) for whom we provide sewer service and compare their dollar amounts billed for water to our amounts billed for sewer for billing computation verification.