

TOWN OF FAIRHAVEN FINANCIAL MANAGEMENT POLICIES AND GUIDELINES

INTRODUCTION

The following financial management policies and guidelines set forth the broad framework for overall planning and management of the Town of Fairhaven's financial resources. The policies are intended to be advisory in nature and serve as a point of reference for all policy-makers, administrators and advisors. It is fully understood that Town Meeting retains the full right to appropriate funds and incur debt at levels it deems appropriate, subject to statutory limits such as Proposition 2 ½.

The policies are designed to ensure the Town's sound financial condition now and in the future. Sound financial condition may be defined as:

- Cash Solvency: The ability to pay bills in a timely fashion
- Budgetary Solvency: The ability to annually balance the budget
- Long-Term Solvency: The ability to pay future costs
- Service Level Solvency: The ability to provide needed services

It is equally important that the Town maintain flexibility in its finances to ensure that the Town is positioned to react and respond to changes in the economy and new service challenges without measureable financial stress.

FISCAL RESERVES GUIDELINES

The Town's accumulation of prudent reserves is critically important to the fiscal health of the community for many reasons. Reserves are a resource to sustain a community during an economic downturn and may provide for cash flow needs until sufficient revenues are received, reducing or eliminating the need for short-term borrowing. Rating agencies and investors also view reserves favorably as evidence of the community's financial flexibility. The Town will endeavor to establish and maintain the following reserve levels:

- A. **Surplus Revenue (Free Cash)** – To maintain a certified Free Cash balance of at least three to five percent (3-5%) of the General Fund Operating Budget.

- B. **Stabilization Fund** – To provide long-term financial stability for the Town, while also improving the Town's credit worthiness and flexibility. The provisions for this fund are dictated by Chapter 40 Section 5B of Massachusetts General Law. This fund can be appropriated for any lawful purpose, including without limitation, an approved school project under Chapter 70B or any other purpose for which the City, Town or District may lawfully borrow money.

Fairhaven will utilize this fund for the "depreciation" or replacement of major pieces of rolling stock or operating equipment such as fire engines, rescue vehicles, backhoes,

graders, rollers, street sweepers, trucks and the like. Purchases should be made utilizing equipment replacement reserves and accumulated interest earnings without the necessity of relying on outside funding. Continued maintenance of this fund will benefit the Town in the long run.

The Town should maintain a Stabilization Fund balance of at least seven percent (7%) of General Fund operating budget with a minimum of five percent (5%) after appropriation for capital improvement or equipment. The Fund should be replenished within three (3) years to seven percent (7%).

Alternately, have two stabilization accounts: one that would be maintained at 5% (five percent) and a second stabilization account for equipment and improvements with 2-3% (two to three percent) replenished within three (3) years.

- C. **Employer Health Insurance Trust Fund** – It shall be the policy of the Town of Fairhaven to hold a reserve in the Health and Dental dedicated fund in an amount not to be less than three (3) months of average costs of Health and Dental assessments including all administrative fees. Additionally, at no time shall the fund hold less than one million, six hundred thousand dollars (\$1,600,000) in reserves at the close of any fiscal year. The Town Administrator shall report the status of the Trust Fund to the Board of Selectmen in February of each year and make the necessary adjustments in conjunction with the Town Finance Director. Should an additional appropriation be necessary to restore the fund to its minimum balance, the Town Administrator shall bring forth an article for a Special or Annual Town Meeting for approval by the Board of Selectmen.
- D. **Overlay Reserve** – To establish an annual Overlay Reserve for tax abatements and exemptions at an appropriate level based on an analysis of historical data and specific circumstances such as a property revaluation project. The Overlay Reserve is to be determined with the assistance of the Assessors.
- E. **Reserve Fund** – The Town currently has a Reserve Fund that is controlled by the Finance Committee. The Town has established and maintained an operating Reserve Fund, which provides for emergency expenditures. The amount of money to be held in this reserve should not be less than \$100,000. The actual reserve level will be determined as part of the budget adoption process.
- F. **Other Post-Employment Benefits Trust Fund (GASB 45)** – It shall be the policy of the Town to maintain a reserve in the Other Post-Employment Benefits (OPEB) trust fund and to budget and recommend appropriation of \$50,000 (minimum) per year to the trust fund.

Use of Reserves: To the maximum extent possible, the Town shall only appropriate reserves such as Unreserved or Unassigned Fund Balance (Free Cash), Stabilization Fund and Overlay Surplus for one-time, non-recurring expenses such as capital projects and equipment. It is understood that at times, reserves may have to be used to support the operating budget due to state aid reductions or other unexpected revenue and/or expenditure challenges. If such use of reserves is necessary in a fiscal year to maintain an adequate level of essential services, the Town

should strategically plan on reducing and then eliminating the use of reserves in the coming fiscal years and restoring the balance in its reserve accounts.

FINANCIAL PLANNING AND MONITORING GUIDELINES

Long-term financial forecasting and constant monitoring of current revenue and expenditure trends are vitally important to maintain quality service levels and fiscal discipline. As a result, it is the policy of the Town to undertake the following:

- A. **Multi-Year Financial Forecasting** – Establish and maintain an on-going financial planning model that projects revenues and expenses over the next five (5) years by using five (5) years of historical data and other fiscal trend analysis.
- B. **Monitor and Track Current Year Financial Activities** – Constantly monitor revenue and expenditure activities and publish periodic reports for policy-makers, administrators and department heads. To meet this objective, the Town should implement improved financial management systems and software to create the required revenue and expenditure reports, reduce duplication of effort, and maximize productivity of finance department staff.

CAPITAL PLANNING & DEBT SERVICE MANAGEMENT GUIDELINE

The Town's willingness and ability to address its capital needs (infrastructure, facilities, equipment, etc.) is very important to the community's quality of life and fiscal stability. At the same time, the Town must maintain a sound debt structure and debt ratio to ensure that all debt obligations will be satisfied without sacrificing the quality of on-going operations and/or burdening future generations with large debt obligations. To that end, it is the policy of the Town to undertake the following:

- A. **Capital Improvement Plan** – The Town shall establish and maintain a five (5) year capital improvements plan, updated annually, to develop capital financing strategies consistent with these policies, and to integrate any new operating costs associated with capital projects into the annual operating budget. The Town should capitalize expenditures of at least \$20,000 and having a useful life of more than five years.
- B. **Debt Service Guidelines** – The Town will strive to budget at least three percent (3%) of the general fund annual operating budget (excluding debt service) on debt service for capital maintenance and equipment costs. This amount does not include the debt for Community Preservation, Enterprise funds, debt exclusions and self-supported debt.
- C. **Debt Maturity Guidelines** – The Town will strive to limit the average maturity of its debt to five (5) to ten (10) years with a maximum of twenty (20) years. By adopting a conservative maturity schedule, the Town will not only reduce interest costs on its bonds but also recognize that capital needs will continue to be identified and recommended.

- D. **Alternative Financing Strategies** – The Town will continually pursue opportunities to acquire capital by means other than conventional borrowing, such as grants and low and no-interest loan programs such as MWPAT, Rural Development and other state and federal programs.
- E. **Cash Flow** – The Town will prepare and update cash flow statements for each bonded project to borrow only those funds necessary, and to schedule debt payments over the course of the fiscal year.
- F. **Reconciliation & Record Keeping** – The Town will periodically reconcile debt-related records of the Finance Director/Town Treasurer, and will annually determine if any unissued bond authorizations needed to be rescinded at Annual Town Meeting.
- G. **Internal Borrowing** – The Town will utilize the option of internal borrowing when fiscally prudent to do so.
- H. **Debt Issuance** – The Town will work closely with its Financial Advisor and Bond Counsel to ensure that all legal requirements are met and that the lowest possible interest rate can be obtained. To that end, the Town Administrator, Finance Director/Town Treasurer will prepare and present a financial presentation to rating agencies in advance of a permanent bond issue, and every effort will be made to secure as high a bond rating as possible.

REVENUE ENHANCEMENT GUIDELINES

To continue to maintain a reasonable level of services to its citizens and meet all future financial obligations, the Town will proactively seek new revenue sources in the following manners:

- A. **Property Valuations** – In addition to the mandated three (3) year property revaluation, the Town will perform interim valuation upgrades to keep pace with the real estate market and avoid wide swings in assessed values. In addition, the Town will regularly inspect properties to ensure up-to-date property data and identify additional sources of “new growth” revenue.
- B. **Receivables** – The Town will rapidly move all unpaid taxes into Tax Title when authorized by law, and will increase collection rates by increasing the use of a deputy collector and by attaching Town payments to vendors who also owe taxes to the Town.
- C. **Foreclosure Properties** – The Town will aggressively auction off foreclosed properties that are not reserved for Town use, conservation or affordable housing purposes.
- D. **Non-Tax Revenue** – The Town will annually review and analyze fees and charges to determine if they are appropriate and comparable. Each department will be required to review and submit recommendations to the Town Administrator by January 1st of the year.

BOARD OF SELECTMEN POLICY ON ONE-TIME REVENUES

To stabilize the budget, the Board of Selectmen recommends the following policies:

- A. One-time revenues should only be applied to: capital improvements, property acquisitions, contributions to the stabilization fund and single-year appropriations.
- B. Budgets established in the Annual Town Meeting should be considered to be “fully funded”. As a general rule, there should be no supplemental appropriations to departmental operating budgets in the Fall Town Meeting. (Exception negotiated or non-Union wage adjustments).
- C. Departmental turn-backs available in the Fall Town Meeting should be deposited in the stabilization fund or applied to single year payments of capital improvements or use as part of next year’s surplus revenue. These purchases should not take on debt schedules that require future appropriations beyond what can be funded from the recurring revenue stream.
- D. Encumbrances not expended within 90 days of the close of a fiscal year will become part of the next year’s Surplus Revenue.

It is in nobody’s best interest to grow budgets at an unsustainable rate. Failure to maintain this financial discipline will quickly lead to painful decisions. Even by adhering to these recommendations, the rate of increase in some expense categories will place strains on future budgets. By following this policy, the Town of Fairhaven will be in a better position to meet financial challenges if it maintains a disciplined approach to the budget process.

CAPITALIZATION POLICY

Consistent with GASB 34 and the guidelines and recommendations of the Massachusetts Department of Revenue, Division of Local Services, Bureau of Accounts the Town has established the following thresholds and depreciation:

<u>Asset Type</u>	<u>Estimated Useful Life</u>	<u>Capitalization Threshold</u>
Machinery, Equipment and Vehicles	3 to 15 years	\$25,000
Buildings and Facilities	30 years	\$100,000
Building Improvements	30 years	\$50,000
Land	30 years	\$25,000
Land Improvements	20 years	\$25,000
Infrastructures	5 to 40 years	\$150,000

Construction in progress will be capitalized only if total cost is anticipated to exceed capitalization threshold.

PROCUREMENT POLICY

Chapter 30B of the Massachusetts General Laws establishes different procedures for the purchase of supplies based on the values of the purchase. The “thresholds” are:

- Purchases for less than \$10,000
- Purchases for \$10,000 or more but less than \$25,000 (Goods and Services)
- Purchases for \$50,000 or more
- Sole Source Procurements

1. *Purchases under \$10,000*

For the purchase of goods or services less than \$10,000, Chapter 30B requires that you use “sound business practices”. This means you should make a reasonable effort to make sure you are getting your money’s worth.

2. *Purchases \$10,000 or over, but under \$50,000*

For purchases of **Goods and Services** \$10,000 or more, but less than \$50,000, you must solicit at least three oral or written quotes and award the **CONTRACT** to the responsible, responsive vendor who gives you the lowest quote that meets your purchase description.

3. *Contracts \$50,000 or more*

For purchases of \$50,000 or more, the Procurement Officer must solicit formal advertised bids or proposals and award a contract to the responsible, responsive bidder offering the lowest price.

4. *Sole Source Procurements*

The Department heads shall submit in writing justification for sole source procurement to the Town Administrator and obtain approval for such goods and services prior to the signing of any contract. A purchase form is then drafted and submitted to the Town Accountant to secure availability of funds and then to the Town Administrator for final approval.

INVESTMENT POLICY

Policy Statement – It is the intent of this policy statement for the Town of Fairhaven to invest funds in a manner which will provide for the maximum investment return while securing principal, mitigating investment risk (credit and interest rate), maintaining liquidity for the daily cash flow demands of the Town and conforming to all statutes governing the investment of the Town funds.

Scope – The investment policy applies to all financial assets associated with the General Fund, Special Revenue, Capital Projects Funds, Trust Funds and the Enterprise Funds, including all proceeds associated with bond issues and short-term financing.

Objective – The primary objectives, in priority order, of the investment activities shall be:

1. Safety: Safety of principal is the foremost objective of this investment policy statement. Investments of the Town of Fairhaven shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To attain this objective, the Town of Fairhaven will mitigate credit and interest rate risk as well as diversify where prudently possible.

Credit Risk: Credit Risk is the risk of loss due to the failure of the security issuer or backer. Credit risk may be mitigated by limiting investments to the safest types of securities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which an entity will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

Interest Rate Risk: Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities.

2. Liquidity: The investments portfolio will remain sufficiently liquid to enable the Town of Fairhaven to meet all operating requirements which might be reasonably anticipated using cash forecasting techniques.
3. Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Standards of Care –

1. Prudence: The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

2. Ethics and Conflicts of Interest: Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair the ability to make impartial decisions. Officers and employees shall refrain from undertaking personal investment transaction with the same individual with whom business is conducted on behalf of the Town of Fairhaven.
3. Delegation Authority: Authority to manage the investment program is granted by State Law to the Town Treasurer. The Treasurer shall carry out procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Town's Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Safekeeping and Custody –

1. Authorized Financial Institution: The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Massachusetts. No public deposit shall be made except in a qualified public depository as established by state laws.
2. Internal Controls: The Treasurer is responsible for establishing controls and procedures in writing to ensure adequate control of the assets of the Town of Fairhaven. The internal controls should protect the Town from loss, theft or misuse. An annual independent audit shall be performed by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following:
 - Control of Collusion: The separation of duties performed by staff who account and record the assets of the Town
 - Ensure written confirmations of all investment and wire transactions
 - Ensure wire transfer agreements are in place with financial institutions

Authorized Investments – The authorized investments allowable for the Town of Fairhaven within statutory limits are those in the list of legal investments pursuant to Massachusetts General Laws Chapter 167, Section 15A.

The Town's investments shall be diversified with maturities not to exceed cash flow requirements.

Financial Reporting – On a quarterly basis, the Treasurer shall provide a financial report detailing all holdings to the Board of Selectmen.

Performance Standards – The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The performance should be compared to appropriate benchmarks on a regular basis.

CASH MANAGEMENT POLICY

Consistent with Massachusetts General Laws, all money belonging to the Town is turned over to the Treasurer who receives and takes charge of all money. Departments turn over all money collected to the Treasurer daily. Mindful of the principals of security, liquidity and yield described in the Town's Investment Policy, the Treasurer shall keep safe that amount of cash necessary for routine transactions and deposit all other money in an appropriate financial institution daily. All departments shall submit a copy of the receipt of all turnovers made to the Treasurer to the Accountant.

DEBT POLICY

Under Massachusetts statutes, the General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit of the Town is two-and-a-half (2.5) percent of the valuation of taxable property. The Town can authorize debt up to twice this amount (Double Debt Limit) with the approval of the State Emergency Finance Board.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer project bonds and solid waste disposal facility bonds (as approved by the Emergency Finance Board), and, subject to special debt limits, bonds for water, housing, urban renewal and economic (subject to various debt limits) and electric and gas (subject to a separate limit to the General Debt Limit inducing the same doubling provision). Industrial revenue bonds, electric revenue bonds, and water pollution abatement revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

The Town has six basic ways to finance capital projects: pay-as-you-go financing, debt financing, public private ventures, grants, private donations and intergovernmental financing (such as MWPAT interest free loan/grant programs). Over-reliance on any one of these options can be risky to a local government's financial health. It can also restrict the Town's ability to respond to changes in economic and fiscal conditions. The Town's policy makers must be careful to choose the right combination of financing techniques. The Town has regularly taken advantage of the MWPAT interest free/low interest programs to finance sewer capital projects. The Town has also succeeded in financing many capital projects with the pay-as-you-go technique, reducing the debt burden.

Authorization of General Obligation Debt – Under the General Laws, bonds and notes of a Town are generally authorized at Town Meeting requiring a two-thirds affirmative vote. The Town may borrow in excess of the limits of the proposition 2 ½ by a two-thirds affirmative vote of Town Meeting and a majority vote of the voters of the Town. Borrowing for certain purposes also requires administrative approval from the Commonwealth.

Temporary loans in anticipation of current revenues, grants and other purposes can be made without local legislative approval.

Types of Obligations – Under the statutes of the Commonwealth, the Town is authorized to issue general obligation indebtedness of the following types:

Serial Bonds and Notes: These are generally required to be payable in equal or diminishing annual principle amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, and for those projects for which debt has been exempted from property tax limitations. The maximum terms vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. They may be callable and redeemed prior to their maturity and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum terms measured from the date of the original bonds or notes. Serial bonds may be issued as “qualified bonds” with the approval of the State Emergency Finance Board, subject to such conditions and limitations, (including restriction on future indebtedness) as may be required by the Board.

Bond Anticipation Notes: These generally must mature within two years of their original dates of issuance, but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that (except for notes issued for certain school projects that have been approved for state school construction aid) for each year that the notes are refunded beyond the second year, they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. The maximum term of bonds issued to refund bond anticipation notes is measured from the date of the original issue of the notes, except for notes issued for such State-aided school construction projects.

Revenue Anticipation Notes: Revenue Anticipation Notes are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes: Grant Anticipation Notes are issued for temporary financing in anticipation of federal grants and state and county reimbursements. They must generally mature within two years, but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds: The Town may issue revenue bonds for solid waste disposal facilities and for project financed under the Commonwealth’s water pollution abatement revolving-loan program.

Bond Ratings – The Town’s bond rating is as follows: Moody’s Aa2.

FRAUD POLICY

Introduction – The Town of Fairhaven is committed to its duty to ensure effective stewardship of public money and other assets and resources for which we are responsible. It is the policy of the Town of Fairhaven to prevent and deter all forms of fraud that could threaten the security of our assets or our reputation. The Town is committed to the prevention, detection, investigation and corrective action relative to fraud.

What is Fraud? – Fraud is a violation of trust that is defined as a deception deliberately practiced to secure unfair or unlawful gain. The term includes but is not limited to such acts as deception, bribery, forgery, extortion, theft, embezzlement, misappropriation of money or assets, false representation, the concealment of material facts relating to any of the above and collusion or conspiracy to commit any or all of the above.

What to Do if You Suspect Fraudulent Activity – The Town recognizes there may only be a suspicion of fraud – thus, any concerns should be reported to the Town Accountant. If the concern involves the Accountant, any concerns should be reported to the Town Administrator. The Town Accountant has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The Town Accountant will alert the Town Administrator of any suspected fraudulent activities.

Actions – All cases of suspected fraud will be investigated and appropriate action will be taken.

Applicability – This Policy applies to all employees of the Town of Fairhaven.

FRAUD

Fraud can cover many activities; however this Policy is directed primarily at financial matters. It may include, but is not limited to:

Misappropriation of Assets

1. Forgery, alteration or misappropriation of checks, drafts, promissory notes or securities
2. Unauthorized use, or disposition of funds or property (for example, misuse of Town-owned computer hardware, software, data and other records; use of Town-owned equipment, vehicles or work time for non-Town purposes
3. Embezzlement
4. Theft
5. Falsifying time sheets or payroll records
6. Falsifying travel or entertainment expenses and/or utilizing Town funds to pay for personal expenses or for personal benefit
7. Fictitious reporting of receipt of funds

Fraudulent Financial Reporting

1. Improper revenue recognition
2. Improper expense/expenditure recognition
3. Overstatement of assets
4. Understatement of liabilities

Expenditures and Liabilities for Improper Purposes

1. Payments in money or other property, including but not limited to such things as jobs for families and friends, use of vacation properties, discounted or free services in exchange for benefits and other things of value, bribes and kickbacks

General Policy and Responsibilities – The Town will investigate any suspected acts of fraud, or misappropriation of property. An objective and impartial investigation will be conducted regardless of the position, title, length of service or relationship with the Town of any person, group or organization reasonably believed to have committed fraud. Each Department head is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.

The Town Accountant has the primary responsibility for overseeing the investigation of all suspected fraudulent acts as defined in this policy. The Town Accountant will immediately notify the Town Administrator of any fraud investigation. The Town Accountant will involve the Finance Director, Town Counsel, and the Personnel Director. The Finance Committee and others within Human Resources, Legal, or management as deemed appropriate will be notified. The Town Administrator will notify the Board of Selectmen.

All department heads or individuals, upon discovery of any violation of this policy, must notify the Town Accountant of the violation. If it is determined by the Town Accountant that corrective action may be provided internally within the department, the department head or individual will notify the Town Accountant as to the steps taken to correct the violation.

Upon conclusion of the investigation, the results will be reported to the Town Administrator. All significant findings will be reported to the Board of Selectmen. Where there are reasonable grounds to believe that a fraud may have occurred, the Town Accountant may report the incident to the appropriate authorities, which shall include the Board of Selectmen, in order to pursue appropriate legal remedies. The Town Accountant will pursue every reasonable effort to obtain recovery of the assets.

Procedures for Reporting – Any employee who has knowledge of an occurrence of fraudulent conduct, or has reason to suspect that a fraud has occurred, shall immediately notify the Town Accountant. In cases where the employee has reason to believe the Town Accountant may be involved, the employee shall immediately notify the Town Administrator unless the Town Administrator is also believed to be involved, and then the Chairman of the Board of Selectmen.

Investigation – Upon notification or discovery of a suspected fraud, the Town Accountant shall immediately investigate the fraud. The Town Accountant will make every reasonable effort to keep the investigation confidential.

When deemed necessary, the Town Accountant shall coordinate the investigation with the Finance Director, outside auditors and/or the appropriate law enforcement officials. Legal counsel will be involved in the process, as deemed appropriate.

It should be noted that there may be certain instances of fraud that will be handled in the normal course of operation that will not result in a separate “investigation” by the Town Accountant. For these cases, periodic communications will be made to the Town Accountant updating the Director of the cases noted and actions taken.

Security of Evidence – Once a suspected fraud is reported, immediate action to prevent the theft, alteration, or destruction of relevant records shall be initiated. Such actions may include, but are not limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records. The records shall be adequately secured until the investigation is complete.

Confidentiality – All participants and all persons questioned in a fraud investigation shall keep the details and results of the investigation confidential so as not to violate an individual’s expectation of privacy.

Personnel Actions – If a fraudulent act or acts in violation of this policy or other applicable law is substantiated by the investigation, disciplinary action, up to and including dismissal and appropriate legal action, shall be taken by the Town Administrator.

Whistle-Blower Protection – No employee of the Town, or person acting on behalf of the Town in attempting to comply with this policy shall:

- Be dismissed, or threatened with dismissal;
- Be disciplined, suspended, or threatened with discipline or suspension;
- Be penalized or any other retribution imposed, or;
- Be intimidated or coerced for the reporting or cooperating in the investigation of fraudulent activities which are, or may be, in violation of this policy or other applicable law

Violation of this section of the Policy may result in disciplinary action, up to and including dismissal.

If an allegation is made in good faith, but it is not confirmed by the investigation no action will be taken against the originator. If, however, the allegations were made in bad faith or without a justifiable basis, appropriate disciplinary action may be taken against the individual making the allegations.

RECEIPT POLICY

Purposes – To establish policies and procedures for efficient handling and timely turnover of Town monies collected by department, boards and commissions.

Organizations Affected – All departments, boards and commissions of the Town involved in the collection of money.

Definitions

- *Petty Cash* – An amount of money assigned to a department or division, to be used for small purchases or as a cash drawer for making change for customers. The amount remains constant and may include cash, checks, coin or receipts for purchases.
- *Treasurer's Receipt* – The receipt issued by the Town Treasurer to departments, boards and commissions upon receipt of turnovers.

Petty Cash Policy – The policy for Petty Cash and the deposit of monies collected by departments is as follows:

Petty Cash is for the official business only, specifically the making of change to a customer or reimbursement of small amounts for items purchased by employees. Such reimbursements will be approved only upon presentation of the appropriate paid receipts. No employee shall use Petty Cash for personal business, even if the intent is to reimburse Petty Cash.

When a department has collections in cash, coin or checks or other negotiable instruments that total \$500.00 or more, a turnover should be made to the Town Treasurer. If a department has on hand collections less than \$500.00, the monies are to be turned over to the Treasurer, at a minimum, once a week.

Departmental collections not turned over daily are to be held in a location that is secure from potential fire and theft.

Collection of Monies – Departments shall issue all customers a pre-numbered receipt at the time of collection of monies.

Departments shall properly identify all receipts for accounting purposes.

Cash Out – All departments, on a daily basis at a minimum, shall make an accounting of their cash drawer to assess if a turnover is required.

The employee who is responsible for the Petty Cash shall fill out a reconciliation sheet proving the Petty Cash amount.

Departmental Turnovers to the Treasurer – When it is determined that a turnover is required, the appropriate “Schedule of Departmental Payment to the Treasurer” should be completed (available on diskette). This schedule should identify the source of the receipts and the revenue

accounts to be credited. The schedule along with all cash, coin, checks and other negotiable instruments that have been collected shall be turned over to the Town Treasurer. There should not be any stapling of cash or checks.

Departments shall identify the amount of each payment, from whom, source of payment and total turnover. When payments are made, the funds are the property of the Town of Fairhaven. In the event a payment is made in error, there shall be no refunds made unless done so through the warrant process. All checks should be immediately stamped "FOR DEPOSIT ONLY", stamps are available in the Treasurer's Office.

The Town Treasurer, upon receipt of a department turnover, shall issue a Treasurer's Receipt for the department. The departments shall forward a copy of the "Schedule of Departmental Payments to Treasurer" to the Town Accountant for verification.

POLICY ENDORSEMENTS

Approved:

Chairman, Board of Selectmen
Charles K. Murphy, Sr.

Date

Vice Chairman, Board of Selectmen
Robert Espindola

Date

Clerk, Board of Selectmen
Daniel Freitas

Date