

Repealed By

AO 155 - 10/16/23 - Travel ONLY
AO 156 - 10/17/23 P-card Procedures ONLY
AO 157 - 11/06/23 - in its entirety

Repeals AO 138 in its entirety.

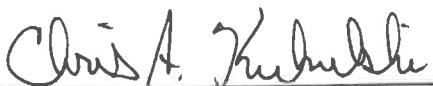
Pursuant to this Administrative Order, I hereby establish the following procedures regarding City of Billings financial procedures.

City Council adopted by resolution on January 12, 2009, a policy for internal controls authorizing the City Administrator to adopt procedures by Administrative Order.

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Dated this 1st day of May, 2019.



Chris A. Kukulski,
City Administrator

Internal Control Policy

Internal control policy statement:

The City shall use both Internal Control management and accounting control measures. The internal control measures shall be designed to be detective, preventative, physical, technological, and corrective. The controls shall consist of hard controls, like testing, validating, reconciling, and measuring, and soft controls, like tone and attitude.

Internal control purpose:

The City will use a system of written internal control procedures to protect City assets, ensure the integrity and reliability of its information, secure compliance with laws, policies, procedures, and ensure the integrity of its financial reporting.

Internal control implementation authority:

Upon adoption of this Statement of Policy, the City of Billings Council authorizes the City Administrator to establish internal control procedures which may be necessary to support the policy statement and adopt such documents by Administrative Order. The City Administrator will review the procedures with the City Council at a work session every three years.

Fraud and Embezzlement Procedure

Purpose

The objective of this procedure is to protect the City's assets from fraud and embezzlement. Fraud is the intentional deception of another. Elements of fraud include material misrepresentation, concealment, non-disclosure of material facts and omissions. Embezzlement is the act of dishonestly appropriating or secretly stealing assets, usually financial in nature, by one or more individuals to whom such assets have been entrusted.

Procedure

It is the procedure of the City that all employees have the responsibility to safeguard City assets. It is also the procedure of the City that all employees have the duty to report any known or suspected embezzlement or fraud.

The City has the responsibility to investigate actual or suspected cases of fraud or embezzlement. Allegations should be directed to the City Administrator, City Attorney, Finance Director or immediate supervisor. The following partial list details conduct considered fraudulent by the City:

- Breach of fiduciary duty
- Bribery of any kind
- Gratuity – illegal or unethical
- Conflict of Interest
- Embezzlement
- False statements and claims
- Failure to report violation of laws
- Extortion
- Mail and wire fraud
- Conspiracy
- Time card fraud

Policy/Procedure Violations

Abuse of the Fraud and Embezzlement policy/procedure may lead to disciplinary action up to and including termination.

Risk Management Procedure

Overview

Risk management is defined as the identification, assessment and mitigation of risks that may interfere with the City's achievement of its objectives.

Risks may be entity-oriented and threaten City assets including but not limited to people, property, internal change, City finances and equipment. They may be environmentally-oriented including but limited to the overall economy, crime, politics, legislation, elections, technological changes and natural catastrophes.

There are many business risks that must be managed. The greatest risk, however, is when the City fails to maintain the highest possible concern for safety of its employees and the public.

Policy

The City shall continually seek to identify, assess and mitigate the risks for the City of Billings.

The objective of the Risk Management Procedure and process is to:

- Provide a framework to manage risk
- Promote risk awareness within the organization
- Protect City assets
- Identify unmitigated risk and implement corrective action plans for reduction and/or elimination of the risk

Responsibilities

The City Administrator is responsible for implementation of the risk management process. The risk management process is monitored by department directors and middle management. All employees are responsible for participating in the risk management process and managing risks in their areas of the business.

Risk Appetite

Risk appetite is the amount of risk that the City is willing to take in pursuit of its objectives.

An entity's culture is directly related to its risk appetite. It is management's responsibility to ensure the City's culture, including integrity and ethical values, is closely aligned with the risk appetite and strategic/business plans.

Risk Identification

If a risk is not identified, it is difficult to assess and manage its potential impact. As such, risk event inventory lists shall be created.

The City classifies risks as compliance, operational, reporting, financial or strategic.

Broad categories like high, medium, low or qualitative and quantitative methods may be used to determine relative risk rankings on a scheduled and periodic basis.

Risk indicators shall be used to identify potential problem areas. This includes detailed financial analysis and trend analysis.

How risk is to be identified, ranked, analyzed and mitigated is communicated to appropriate staff.

Risk management shall be discussed in senior-level management meetings.

The City shall identify any risks that might be associated with major changes in managerial responsibilities.

The City shall identify risks associated with all internal business change including process reengineering or redesign of operating processes.

Risk management shall be integrated into the short-term and long-term forecasting and strategic planning programs.

Risk management shall occur as a result of consideration of findings from audits, evaluations and other assessments.

Risks that are identified at the employee and middle management levels shall be brought to the attention of the Department Directors.

Risk Assessment

- What are the exposures and potential losses? Worst case? Probable case?
- What management action is necessary?
- Is there a risk owner?
- Who is going to manage the risk?
- What follow-up is required?

Risk Mitigation

In order to influence the likelihood of occurrence and/or impact to stakeholders, risks can be avoided, reduced, shared or accepted.

Can you:

- Improve your safety program
- Implement training
- Buy insurance
- Buy umbrella coverage
- Better screen employees
- Install security
- Better manage claims
- Work with your insurer on loss control and prevention
- Put someone else in charge
- Improve internal controls
- Re-think your exclusions
- Transfer the risk to someone else (hold harmless, waiver of subrogation, contingent payment clauses)

Monitoring Procedure

Monitoring refers to the continuous assessment and implementation of the company's internal control system. Monitoring includes the normal day to day standard operating procedures used by the City to conduct business and the evaluation of employees' understanding of those procedures. Monitoring also includes both internal and external quality assessments of the internal control system. The results of the quality assessments are used to produce a positive impact on the internal control system, i.e. those recommendations are actually implemented.

Management ensures that employees understand the control system and standard operating procedures.

Management ensures that employees understand they are responsible to ensure that the internal controls are effective.

Employees' understanding of the internal controls system is evidenced by training and interview.

Employees know they are expected to notify management of suspected internal control weaknesses.

Employees know they are expected to notify management of information inaccuracies because they may indicate internal control weaknesses.

External CPA audits are conducted annually.

Internal control weaknesses and deficiencies are immediately corrected by management.

Internal Control Procedure

Purpose

The City uses a system of internal controls to protect City assets, ensure the integrity and reliability of its information, secure compliance with laws, policies and procedures, and ensure the performance of its business objectives.

Internal Controls are a process that is established, reviewed and continually monitored by the City's Management. It is the responsibility of the City Administrator to ensure an adequate internal control system is actually implemented and used. It is the department director's and middle management's responsibility to establish and maintain adequate internal controls over operations and financial reporting. It is the responsibility of all employees to understand the Internal Controls implemented and ensure they are effective.

However, an internal control system, no matter how well conceived and operated, can provide only reasonable – not absolute – assurance to City Council and Management regarding achievement of the City's objectives.

Definitions

Assessable Unit

A unit is a division, department or segment which is to be the subject of measurement and risk assessment.

Internal Control Objectives

An Objective is a goal or target to be achieved for each Internal Control. Objectives are tailored to fit the specific operations in each assessable unit.

Cycle

This entails the processes that are used to initiate and perform related activities in order to create the necessary documentation and to gather and report related data (e.g., revenue cycle, accounts payable cycle).

General Control Environment

This includes concepts of integrity, ethical values, competence, philosophy and operating style, organizational structure, delegation of authority and written procedures.

Inherent Risk

This refers to the degree to which activities are exposed to the potential for loss, inappropriate disclosure or other negative conditions.

Internal Control Review

This is a periodic review of internal methods and systems to determine whether adequate measures exist and are actually implemented to prevent or detect the occurrence of potential risks or incorrect financial reporting.

Project/Program Internal Controls

These cover the planning, executing and accomplishment of specific goals and objectives.

Risk Assessment

Risk assessment is the process of determining the relative potential for negative impact of an assessable unit's resources due to inadequate control techniques and/or other environment factors. The results of the assessment are used to mitigate inherent risks.

Internal Control Activities

- Policy
- Procedures
- Sequences or combination of procedures
- Assignments of duties, responsibilities and authorities
- Physical arrangements or processes
- Combinations of the above

Internal Control Framework

The City will implement an Internal Control system and framework based on its internal and external needs.

It is the policy of the City to ensure that its Internal Control framework provides for strong City governance.

It is the policy of the City that its Internal Control system is a relevant evaluative tool for control over financial reporting.

It is the policy of the City that its own Internal Control framework and review evaluations:

- Be free from bias

- Permit reasonably consistent qualitative and quantitative measurements of the City's Internal Control system
- Are sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of the City's Internal Controls are not omitted

The Environment and Culture

The core values of the City promote high standards of integrity, ethics and competence.

Risk Assessment

The City will establish mechanisms and checklists to identify, analyze and manage related risks.

Internal Control Activities

Internal Control procedures are established and executed to help ensure that actions necessary to achieve objectives are effectively carried out. These activities include an integrated system of procedures, internal controls and evaluative tools.

To facilitate this, the City has also purchased and uses portions of the Internal Control – Integrated Framework publication.

Information and Communication

Communication systems enable employees to capture and exchange the information needed to conduct, manage and control operations. They also provide mechanisms to relate information within the City and to external parties.

Monitoring

The Internal Control process is monitored, evaluated and modified as necessary to react to changing conditions. Internal control evaluations are a continuous process and City policy.

Internal Control Policy

The City shall use both internal control management and accounting control measures. The internal control measures shall be designed to be detective, preventative, physical, technological and corrective. The controls shall consist of hard controls, like testing, validating, reconciling and measuring, and soft controls, like tone and attitude.

Management Internal Controls

Management Internal Controls maximize efficiency and force compliance with City policy, procedure and regulation.

Accounting Controls

Accounting controls relate to protecting City assets and ensuring the accuracy of financial reports.

The City uses policies and procedures associated with the activities concerned with authorizing, processing, recording and reporting financial transactions. The accounting controls shall ensure that information resulting from these activities is accurate, reliable and useful.

Policies and Procedures

The City maintains sophisticated policies, procedures and Internal Controls.

Communication

The City communicates its policies, procedures and Internal Controls through various handbooks, programs, training and via computer network. Management shall also communicate by example.

Risk Assessment and Mitigation

The City continually seeks to identify, assess and mitigate business risks. The City has defined risk management policies and procedures.

Cash

The City maintains strict control over cash. There are detailed documented cash management controls to which are dutifully adhered.

Check Stock

The blank check stock shall be managed and safeguarded according to the Internal Control – Checks procedure.

Blank Checks

The City does not sign blank checks.

Bank Signatories

The accountants are not bank signatories.

Spoiled Checks

Spoiled checks are stamped "VOID" and, if the check is signed, the signature should be removed (torn off).

City Transactions

All City transactions must be authorized, executed and recorded with proper documentation.

Computer Controls

Computer controls are established for the input, processing and output of data. Segregation of duties, entailing the division of responsibilities between recording, reconciliation, authorization and custody, shall be preserved for computerized operations. Physical security of programs and software, password protection and access to software functions, for examples, will be maintained and limited where applicable. Employees should possess sufficient understanding and be provided with adequate technical training to execute computer and software functions appropriately.

Asset Accounting and Custody

Any employee that has custody of an asset should not perform the accounting for the asset. For example, an employee in charge of cash receipts should not reconcile the bank account.

Related Transactions

No one person or department handles any transaction from start to finish.

Documentary Evidence

All transactions require documentary evidence to verify the transaction.

Serially Numbered Documents

All documents like checks, purchase orders and invoices will be serially numbered and verified periodically for duplicate and missing numbers in the sequence.

Vendor and Employee Setup

Someone other than the person who does the data entry should set up vendors and customers in the accounting system. For example, the person who enters purchase orders and selects/prints checks should not set up new vendors in the system to minimize the opportunity of creating fictitious vendors.

The person setting up new employees also has to process time cards. Finance will send out a printout to each location at least two times per year with paychecks for the supervisor to check each employee on the list to ensure that employee does work in their area of responsibility. The supervisor will then sign the list and return it to Finance where it will be filed.

All new setups should have a physical master file paper signed by the appropriate person(s) to authorize the setup in the computer system.

Control Modification

Internal Controls shall only be modified as authorized by the City Administrator.

City Annual Review

The City reviews its Internal Control framework including policies, procedures, division of duties, forms, systems, programs and training on an annual basis. This review is performed at the direction of the City Finance Director. All employees are encouraged to provide input regarding controls and suggest measures that may help the City be more effective in reaching its objectives.

Specifically, the City's Finance Director, with the participation of the City Administrator, will evaluate any change in the City's internal control over financial reporting that occurred during a fiscal year that has materially affected, or is reasonably likely to materially affect, the City's internal control over financial reporting.

Inquiry alone generally will not provide an adequate basis for management's assessment of the City's internal control over financial reporting. This assessment is to be based on procedures sufficient both to evaluate its design and to test its operating effectiveness. Controls subject to such assessment include, but are not limited to:

- Controls over initiating, recording, processing and reconciling account balances
- Classes of transactions and disclosure and related assertions included in the financial statements
- Controls related to the initiation and processing of non-routine and non-systematic transactions
- Controls related to the selection and application of appropriate accounting policies
- Controls related to the prevention, identification and detection of fraud

An assessment of the effectiveness of internal control over financial reporting must be supported by evidential matter, including documentation, regarding both the design of internal controls and the testing processes. This evidential matter should provide reasonable support for:

- The valuation of whether the control is designed to prevent or detect material misstatements or omissions
- The conclusion that the tests were appropriately planned and performed
- The results of the tests were appropriately considered

Policy/Procedure Violations

Abuse of any Internal Control policy/procedure may lead to disciplinary action up to and including termination.

Cash Handling Procedure

Purpose

This document provides a checklist to review the internal control over cash handling cash disbursements and cash receipts.

Division of Duties

The responsibility for collection and deposits is separate from the recording of cash receipts and general ledger entries.

The responsibilities for cash receipts and cash disbursements are separate.

The responsibility for making entries in the cash receipts and cash disbursement systems is separate from making general ledger entries.

The collecting of cash and reconciliation of the bank account are separate functions.

Authorization for cash disbursements and the collection of cash receipts are each separate functions and from the reconciliation of cash, the recording of transactions involving cash and its physical custody.

Documentation

Cash operations are subject to daily supervisory review.

Cash is periodically counted by a person other than the person in charge of the change funds at unannounced times.

General ledger control exists over all bank accounts.

Bank Signatories are periodically reviewed and formally re-authorized.

Remittances are supported by source documents.

Reconciliation is performed on all accounts using supporting documentation.

Cash receipts are controlled at the earliest point of receipt.

Cash receipts are serially pre-numbered or logged on the Cash by Mail Form.

Cash receipts are reconciled to the deposit and supporting documentation on a daily basis.

Cash receipts are deposited on a daily basis.

Checks are identified on the deposit slip by maker and amount or can be grouped with one dollar amount.

A restrictive endorsement (For Deposit Only...) is placed on each incoming check upon receipt.

Un-deposited cash with receipts are stored in a secured area. (Storing in a locked box in a desk drawer is not secure).

Validated deposit slips are compared to prepared deposit slips daily.

Daily cash receipts are compared to the bank statement to verify timeliness of deposits.

During bank reconciliation procedures, deposit amounts are compared with the cash receipt entries.

The City has procedures for follow up on "non-sufficient funds" checks.

"Non-sufficient funds" checks are delivered to someone independent of processing and recording cash receipts.

A cash receipt is issued for all cash received.

Whenever appropriate, employees that handle cash are bonded.

There is adequate physical security surrounding cashiering areas.

Safes are kept locked when not in use.

Safes are fire safe.

Employees are not to use any City money for personal loans or any other personal use.

Annual Audit

Cash funds will be audited at least four times each year by the department Director or designee who is not in charge of the change funds.

Finance will do random change fund audits during each fiscal year.

AUTHORIZED CHANGE FUNDS

<u>LOCATION</u>	<u>AMOUNT</u>	<u>CUSTODIAN</u>
Airport	\$1,300.00	Aviation/Transit Department
Transit	\$1,300.00	Aviation/Transit Department
City Court	\$ 500.00	City Court
Landfill	\$ 500.00	Public Works Department
Finance	\$ 300.00	Finance
Building	\$ 400.00	Building Department
Recreation	\$ 450.00	PRPL Department
Park II Garage	\$ 325.00	Parking
Park III Garage	\$ 150.00	Parking
Public Works - Belknap	\$ 300.00	Public Works Department
Animal Shelter	\$ 100.00	Police - Animal Shelter
Planning	\$ 50.00	City/County Planning
Library	\$ 250.00	Library Department
Public Works Administration	\$ 200.00	Public Works Department

AUTHORIZED OTHER FUNDS

<u>LOCATION</u>	<u>AMOUNT</u>	<u>CUSTODIAN</u>
Postage and Bad Check	\$500.00	Public Works Belknap
CCSIU/HIDTA Buy Money	\$6,000.00/12,000.00	Yellowstone County

Petty Cash Procedure

Purpose

The purpose of the petty cash fund is to make monies available to afford small payments for day-to-day transactions and emergencies when such payments do not warrant the time and expense required for check issuance. Petty cash funds are authorized by the City Administrator. Each Department Director or designee is responsible for reconciling and approving expenditures.

Procedure

Petty cash boxes shall be kept in locked security boxes when not in use.

Petty cash security boxes shall be locked in secure cabinets when not in use and unattended.

With the exception of properly approved CCSIU/HIDTA Task Force disbursements, the maximum amount that can be reimbursed from petty cash is \$100.00.

All petty cash requests must be **signed by the person receiving the reimbursement and by the department director or designee** who is specifically authorized by the department director to approve petty cash requests. Both signatures cannot be the same person.

Purchases shall not be artificially split to qualify for petty cash.

All petty cash funds shall be reconciled and replenished at least once each month. They may be replenished more often, if necessary.

All petty cash purchases must be accompanied by a petty cash voucher (with an explanation of the purchase, as well as the appropriate account number to be charged) and an itemized receipt for the purchase.

Advances provided for petty cash purchases should be documented with a Petty Cash Voucher signed by the recipient. However, receipts must be provided to the petty cash custodian within 24 hours from the time the cash was approved.

Petty cash is not to be used for travel expenditure reimbursements.

All receipts and completed vouchers must accompany the purchase order when petty cash is to be replenished, which may be more than once per month, if needed.

Annual Audit

Petty cash funds will be audited at least once each year by the Department Director or designee who is not in charge of the petty cash funds.

Finance will do random petty cash audits during each fiscal year.

AUTHORIZED PETTY CASH FUNDS

<u>LOCATION</u>	<u>AMOUNT</u>	<u>CUSTODIAN</u>
Finance	\$ 500.00	Finance
Motor Pool	\$ 300.00	Motor Pool
Parks & Recreation	\$ 400.00	PRPL Department
Police	\$1,200.00	Police Department
Library	\$ 200.00	Library Department
Public Works - Belknap	\$ 500.00	Public Works Department
Transit	\$ 200.00	Aviation/Transit Department
Fire Station Headquarters	\$ 200.00	Fire Department
Airport	\$ 400.00	Aviation/Transit Department
Animal Shelter	\$ 50.00	Police - Animal Shelter
Building	\$ 200.00	Building Department
Legal	\$ 20.00	Legal Department
Public Works Administration	\$ 200.00	Public Works Department

Purchasing Card Procedure

Purpose

The purpose of these procedures is to establish a process by which departments may contract for and control the use of purchasing cards that will be assigned to and utilized by selected City employees to purchase goods and services, on behalf of the City or when authorized per this directive. This directive is intended to accomplish the following:

- To ensure that procurement of goods and services with purchasing cards is accomplished in accordance with the City's Purchasing Policy and Procedures established by the City Administrator
- To ensure appropriate internal controls are established within each department procuring with purchasing cards so that they are used only for authorized purposes
- Streamline the process for small dollar orders and payments
- Enable employees to be more efficient and focused on their daily projects
- Reduce paperwork and processing time in the departments as well as in Finance
- Provide cost savings through consolidated payments (one monthly payment)

Procedure

These procedures will be applicable to those City departments who have selected employees to use purchasing cards to purchase goods, services or for specific expenditures incurred under conditions approved in these procedures. The decision of when a purchasing card is issued to and what limits or restrictions will be placed is decided by the department director or his/her designee only.

The primary responsibility for determining the appropriateness and validity of expenditures lies with the employee incurring the expenses and the approver of the expenditures.

Employees are expected to be conservative in their spending; managers are expected to be diligent in their review.

All travel must be approved prior to purchasing on the card by filling out a Travel Requisition Form. All reasonable and approved expenses for airfare, hotel, and rental car can be charged to the purchasing card. Meals may not be purchased on the purchasing card.

General Procedures

The general Purchasing Card Procedures require the following:

- Cardholders may not approve their own expenditures.
- City funds must be treated with discretion and prudence. No employee may use a purchasing card to enhance their standard of living or to augment their compensation.
- No employee may receive gifts, rewards, etc. for the use of the purchasing card. All rewards, gifts, cards, miles, etc. become the property of the City.
- Training and travel expenses must still be described accurately and completely on the Travel Expense Report and approved prior to charging them to the purchasing card.
- The department director or designees must ensure that expenditures are in compliance and are documented as required by these procedures.
- Receipts must be obtained for all expenditures.
- Photocopies of invoices will only be acceptable under special circumstances.
- The employee's purchasing card should be used for all business expenditures below \$2,500. Examples of purchases are listed below.
- Personal credit cards and cash should **only** be used when the purchasing card is not accepted.

Purchasing Card Limits

- The single purchase transaction limit is \$2,500. The total monthly card spending limits will all be set at \$10,000.
- Department directors may establish lower limits for their employees.
- A cardholder's limits may be raised with the approval of the department director and City Administrator.

Issuance of Purchasing Card

- The City of Billings and financial institution issue the purchasing card.
- The Purchasing Card Program Administrator (Purchasing Agent) will request the card on behalf of the new cardholder.
- The purchasing card will include the name of the individual and the City of Billings.
- The cardholder must sign the Purchasing Card Agreement Form (Attachment A) prior to receiving the purchasing card and return it to the Purchasing Agent.
- Cardholders shall be provided training handouts when the card is issued. Cardholders must participate in any additional training periodically provided by the Purchasing Agent.
- Cardholders must sign and activate the back of the card upon issuance.

Allowable Purchases

Purchases below \$2,500 can be purchased on your card. Examples of purchases:

- Business-related
- Small tools (purchase or rental)
- Small services
- Subscriptions, seminars, dues
- Computer hardware components
- Copy services
- Electrical supplies
- Safety supplies
- Building maintenance supplies
- Office supplies
- Janitorial services
- Computer software
- Office furniture
- Air, hotel, car rental and/or fuel (with approved Travel Requisition Form)

Prohibited Purchases

- Personal uses
- Capital purchases
- Fleet/Inventory Items
- Restaurants
- Meals/food
- Cash advances
- Gift cards or gift certificates, unless accompanied by an approved Star Award
- Construction, renovation or installation services
- Medical services
- Professional or consulting services
- Any purchases blocked through the Merchant Category Codes (MCC)

Purchasing Card Security

The City of Billings purchasing card should always be kept in a secure location. The only person authorized to use the purchasing card is the cardholder whose name appears on the card.

Lost, Stolen or Misplaced Cards

Immediately notify the financial institution and contact the Purchasing Agent by the next business day.

Disputes

You can dispute an unauthorized charge posted on your statement. If you disagree with a posted charge, please notify the financial institution within sixty (60) days of the disputed charge.

If you cannot resolve the dispute with the supplier, the financial institution will place the questioned charge in the dispute process as soon as your follow-up letter is received.

Cardholder Termination

When an employee is terminated, retires or resigns, he/she must return their purchasing card to the Purchasing Card Administrator (Pcard Administrator) on the last day of employment. The Pcard Administrator is responsible for sending the purchasing card to the Purchasing Agent or otherwise destroying the card, but notifying the Purchasing Agent to cancel the account. The Purchasing Agent will contact the financial institution to cancel the account.

Purchasing Card Controls

Departmental Controls

Each department should have sufficient internal controls to regulate the purchasing card activities. The responsibility for appropriate use of cards lies with the approving department as well as the cardholder. The department's internal controls should include:

- Approving new purchasing card application agreement forms
- Approving new purchasing card requests
- Reviewing all charges billed to the cardholder's card
- Obtaining the card when an employee terminates

Responsibility of the Purchasing Agent

- Responsible for the day-to-day purchasing card program administration
- Downloads appropriate spending codes to financial institution and adjusts approved spending ranges
- Works with cardholders and Pcard Administrators to reconcile errors, resolve billing disputes, block unauthorized use and manage card loss or theft
- Verify and maintain monthly statements and similar transaction information
- Provide on-site support to cardholders

Responsibility of Purchasing Card Administrator

- Keep a monthly transaction log of card purchases (if you choose to)
- Call the financial institution immediately if a card is lost or stolen
- Notify the financial institution's customer service of any billing discrepancies that cannot be resolved with the supplier (unresolved charges will be placed in dispute by the financial institution)
- Reconcile, reallocate and forward monthly purchasing card statement and all original receipts/charge slips to the Purchasing Agent within seven (7) calendar days of the statement close date which is the 20th of every month (even if there are no charges for the month)
- Contact the Purchasing Agent for new account setup
- Notify the Purchasing Agent of name, address and any other contact or employment status changes
- Follow City procedures for purchasing card use including spending limits and acceptable purchases

Responsibility of Cardholders

- Complete a new account information record and forward it to the Purchasing Agent or Pcard Administrator for approval
- Sign a Cardholder Agreement Form to accept the purchasing card
- Be vigilant about card security to prevent unauthorized charges
- Obtain a receipt at point-of-purchase and verify its accuracy
- Retain all receipts and charge slips
- For phone order purchase – have vendor fax receipt directly to you
- For internet purchases – print confirmation page
- Keep a monthly transaction log of card purchases (if you choose to)
- Call the financial institution immediately if a card is lost or stolen
- Notify the financial institution's customer service of any billing discrepancies that cannot be resolved with the supplier (unresolved charges will be placed in dispute by the financial institution)
- Follow City procedures for purchasing card use including spending limits and acceptable purchases

Responsibility of Department Director or Designee

- Acknowledge the responsibilities of purchasing card use
- Routinely monitor cardholders' purchasing card activity
- Ensure compliance with purchasing card policies and procedures
- Review and approve monthly purchasing card statements and purchases (The purchasing card billing cycle runs from the 21st of one month to the 20th of the next month.)
- Sign the Purchasing Card Statement Sign-Off Sheet (See Attachment C)

- In case of employee termination, ensure the collection of the purchasing card and return it to the Purchasing Agent

Required Documentation

A charge receipt and/or invoice must support each purchase. The preferred documentation is listed:

- Original receipt showing vendor name, transaction amount, date and an itemized description of purchase
- Facsimiles/copies of the original receipt (only under special circumstances)
- A packing slip or other documentation received from the vendor
- A screen-print or order confirmation e-mail when making internet purchases

If a cardholder is unable to obtain the listed documentation, a completed Replacement Receipt Form (see Attachment B) will be completed stating the vendor name, date of purchase, item description and reason why the cardholder was unable to provide the receipt.

Random Audits

The Purchasing Agent will complete a random audit on a monthly basis for departments within the City who have purchasing cards. The Finance Division will notify the department director of any misuse. The Corrective Action Policy will also be followed for any violations of the Purchasing Card Procedures.

Inadvertent Personal Use of Card

If inadvertent personal use of the purchasing card occurs, employee must immediately write a check for the amount of the charge. The Pcard Administrator must deposit the check in a cash receipts batch (CCR batch) with an explanation of the reason for the CCR batch deposit. The Pcard Administrator must place a copy of the CCR batch in that corresponding spot in that month's purchasing card packet.

Misuse of Card

Improper use of the purchasing card can be considered misappropriation of City funds. This may result in disciplinary action up to and including termination of employment and possible criminal prosecution.

ATTACHMENT A

AGREEMENT TO ACCEPT THE U.S. BANK ONE CARD PURCHASING CARD

The U.S. Bank One Card represents the City of Billings' trust in you. You are empowered as a responsible agent to safeguard City assets. Your signature below is verification that you have read and agree to comply with the employee Purchasing Card Policy and Procedures and the following responsibilities. It also acknowledges that you have received the

One Card # _____.

1. I understand the card is for City-approved purchases only and I agree not to charge personal purchases.
2. Improper use of this card can be considered misappropriation of City funds. This may result in disciplinary action up to and including termination of employment.
3. If the card is lost or stolen, I will immediately notify U.S. Bank at (800) 344-5696. I will confirm the telephone call by mail or facsimile with a copy of the notification to the Purchasing Agent.
4. I agree to surrender the card immediately upon termination of employment, whether for retirement, voluntary or involuntary reasons.
5. The card is issued in my name. I will not allow any other person to use the card. I am considered responsible for any and all charges against the card.
6. All charges will be billed directly to and paid directly by the City. The bank cannot accept any monies from me directly; therefore any personal charges billed to the City could be considered misappropriation of City funds.
7. As the card is City property, I understand that I may be periodically required to comply with internal control procedures designed to protect City assets. This may include being asked to produce the card to validate its existence and account number. I may also be asked to produce receipts and statements to audit its use.
8. I will receive a Monthly Reconciliation Statement (MRS), which will report all activity during the statement period. Since I am responsible for all charges (but not for payment) on the card, I will resolve any discrepancies by either contacting the supplier or the bank.
9. The charges made against my card are automatically assigned to the account code assigned to the card as specified by management. This default code cannot be changed without Purchasing Agent and management involvement. This default account code must be changed, once the transaction is posted, to the correct account allocation(s).
10. I understand the One Card is not necessarily provided to all employees. Assignment is based on my need to purchase materials for the business and/or to provide for business travel. My card may be revoked based on change of assignment or location. I understand that the card is not an entitlement nor reflective of title or position.

Employee Signature

Approving Manager Signature

Employee Printed Name

Date

Date

XXX-XX-

Last Four Digits of Employee Social Security
Number Only

Division Code (supplied by Purchasing)

Employee Phone Number

Default Accounting Code

Address you wish statement to be mailed to

Zip code

Email Address

ATTACHMENT B
PURCHASING CARD – REPLACEMENT RECEIPT FORM

ORDER DATE	VENDOR NAME	QTY.	DESCRIPTION	CHARGE AMOUNT

REASON FOR NO RECEIPT:

Cardholder Name

Date

Cardholder Signature

Dept. Director Name

Date

Dept. Director Signature

ATTACHMENT C

PURCHASING CARD MONTHLY STATEMENT SIGN-OFF SHEET

Department

Month

Card/s Administrator Name

Date

Card Administrator Signature

Department Director/Designee Name

Department Director/Designee Signature

Date

Credit Card Acceptance Procedure

Purpose

To explain the steps necessary to ensure proper procedures are followed when processing credit/debit card payments.

Procedure

1. The City will use a qualified credit card processing vendor and will not store any credit card information on City computers.
2. The City will not charge a fee for using a credit card.
3. Credit card companies do not allow setting restrictions on the purchase amount.
4. The City will not accept an unsigned credit card even if it says "See ID."
 - a. Ask the cardholder to sign the card in front of you.
 - i. If the cardholder refuses, do not accept the credit card as the payment method.
5. The City will maintain cardholder data security.
 - a. At no time will any cardholder data be stored via electronic or paper copies or hand written card numbers.
 - b. Credit cards taken over the phone should be entered immediately into an Innoprise CCR batch. If the situation necessitates writing the number down the paper with the number on it must be shredded immediately after input into Innoprise.
 - c. Never send cardholder data via Email.
 - d. Access to computing resources and cardholder must be limited to those individuals authorized for such access.
 - e. Additions, deletions and modifications of User IDs and Password resets will only be done by the System Administrator. Supervisors will contact Finance when employees have terminated their employment to revoke access.
 - f. All perceived and actual security problems should be reported to the Finance Director.
 - g. Finance and IT will conduct an annual risk assessment and update procedures as needed.
 - h. The City will adhere to the IT Credit Card Security Procedure.
6. Credit card authorization process exceptions
 - a. Declined Code
 - i. Ask for another form of payment
 - b. Declined Pick-up

- i. The card should be cut length wise through the account number without damaging the magnetic strip and sent to Finance for further processing.
- ii. *Do not challenge the card user. Avoid any physical confrontation with anyone who may be using a lost, stolen or otherwise invalid card. Do not jeopardize your safety or that of your fellow employees or customers.*
- c. Referral or Call Authorization
 - i. The issuer requests the City to call the Voice Authorization Center for additional information from the card holder. (800) 725-1243

7. Code 10 Procedure

- a. Code 10 is a term used by the Card associations to refer to suspicious or questionable transactions, cards or cardholder. If you are suspicious of any of the above, contact the Voice Authorization Center and request a Code 10 authorization. Code 10 allows you to call without alerting the cardholder. Dial (800) 725-1243 and ask for voice authorization department, choose prompt for "Code10". Follow the instructions given to you on how to proceed to minimize any discomfort between you and the cardholder.

Checks Procedure

Purpose

This document describes the best practices used to maintain proper control of City checks. The following procedures are discussed:

- Procurement, Receipt and Storage
- Blank Check Control Log
- Check Signing
- Distribution of Signed Checks
- Transmittal of Checks
- Voided or Canceled Checks
- Stop Payment Orders
- Paid, Voided and Canceled Check

Blank Check Procurement, Receipt and Storage

All orders for blank checks should be made using a purchase order. The quantities ordered are to be based on estimates of check stock requirements. The purchase order must specify the check number range and that the checks are to be delivered directly to blank check custodian's address and not a receiving or warehousing address.

Immediately when blank checks are delivered, the original purchase order must be compared to the shipping documents to ensure no blank checks are missing. After verification of the numbers, the check custodian stores the blank checks in a secured area. Access to this area must be limited to the custodian, be locked and separate from other forms and supplies.

Blank Check Control Log

A check control person shall establish and maintain a control log of the receipt and use of the blank check stock. This record must be maintained by someone other than the storage custodian.

When blank checks are delivered, the storage custodian will send the check control person a written record of the receipt accompanied by the purchasing and receiving information. If any discrepancies are noted between the check sequence numbers ordered and the numbers received, the check control person shall issue a discrepancy report to the Department Director. The Department Director is responsible for correcting the discrepancy immediately.

As the blank checks are used, the check control person must make appropriate entries in the control log including quantities, sequence numbers, dates of checks written and

signed and the sequence numbers of checks canceled, voided or for any other reason not issued.

The check control person is responsible for checking the control log carefully and notifying Finance of any discrepancies.

When blank checks are returned to the storage custodian, verification of the last check written must be made to ensure that the sequence is maintained.

Authorized Signatories

Staffing changes require new signatures on bank services resolutions and provide information for investment transactions to brokerage firms. The City Administrator will approve all documents relating to changes in authority and will be the sole authorized signatory for all signature changes. The Mayor and City Council will still approve all contracts related to banking services.

Check Signing

The Information Technology Manager is responsible for the safeguarding of the electronic signature for payroll checks.

After all the checks are signed, they are turned over to the signed checks custodian. The signed checks custodian is responsible for all checks in process for distribution.

Distribution/Transmittal of Signed Checks

The signed check custodian is responsible for the safekeeping of the signed checks until they are distributed to the payees. The signed check custodian receives the signed checks from the check preparer and verifies the count of the checks against the transmittal document. The signed check custodian then signs both copies of the transmittal, returns the duplicate to the check control person and files the original.

If any discrepancies are discovered, the signed check custodian must make immediate inquiry.

When a check is given to any person other than the payee outside of the normal check distribution procedures, a signed receipt, indicating the payee's name and number of checks, if applicable, must be obtained from the person receiving the check(s).

Signed checks awaiting distribution or pickup must be kept in a locked storage place accessible only to the check custodian.

All AP checks should be mailed by the assigned check custodian except for the checks authorized for other types of releases.

Any person that picks up or accepts delivery of a vendor check must sign a receipt for the check.

No vendor checks may be picked up or delivered to an employee who approved and caused the check to be issued.

Precautions shall be taken so that hand checks cannot be altered.

Voided or Canceled Checks

A voided check is a check spoiled in the process of preparation before it is recorded.

A canceled check is a check that is not paid by the bank but is recorded and reversed in the accounting records.

Voided and canceled checks must be thoroughly defaced with a rubber stamp. The words "VOID" or "CANCELED" shall be prominently placed across the payee's name. Both voided and canceled checks shall be retained in accordance with the Records Schedule.

The check numbers of all voided or canceled checks must be reported to the check control person in writing. This notification may be made part of the check transmittal or the check signer report for checks voided or canceled as result of processing. The check control person enters the information in the control log under the heading "VOID/CANCELED."

Stop Payment Orders

Finance is responsible for approval of all orders to stop payment of a check after it has been issued. The Debt/Investment Coordinator is responsible for the process of stopping payments on all checks.

Whenever it is necessary to issue duplicate checks for payroll, flexible spending or health insurance checks, each individual will be responsible for paying the stop payment charges incurred by the City of Billings when reissuing such check. The stop payment charge amount to be paid by the employee will be determined by the banking contract in force at the time the original check was issued.

Accounts Payable Procedure

Purpose

This document provides a checklist to review the Internal Control of the Accounts Payable (AP), purchasing and receiving functions.

Division of Duties

The recording of cash is separate from the recording of the debt.

Reviewing and reconciling accounts payable control accounts is independent from the person who records the information.

Separate people make card purchases and perform account reconciliation.

Authorization for card purchases and incurring debt/liabilities is limited and separate from recording and reconciling functions.

Access is controlled to blank documents including receiving reports and blank checks.

Purchasing

All expenditures are approved in accordance with the City's written Accounts Payable and Purchasing Procedures.

Receiving

Merchandise is inspected for quantity and condition when received.

Vendor mathematics is checked for accuracy.

All necessary data like vendor name, date, invoice number, account numbers and project numbers are on the documents.

Payments

New vendors need to fill out a W-9 that can be found at (<http://ci.billings.mt.us/DocumentView.asp?DID=119>) which is sent to Finance for vendor setup in the AP system including P-Card vendors.

Purchasing Cards (P-Card)

Card users are required to sign for the card.

Card Limits are verified and periodically checked.

Signatures for card holders are verified.

Cards are not used for Capital Expenditures.

Original documentation or printed documentation from websites is maintained supporting all card expenditures.

Department Directors or designee ensures employee termination procedures include cards are returned to the Finance Division.

Accounts Payable

Duplicate copies of invoices are clearly marked.

Invoices are reviewed for accuracy.

Returned purchases are controlled to ensure that the refund or credit will be received.

Vendor credit memos are resolved promptly by cash refund or proper credit to the account.

The Accounts Payable records are periodically reconciled to open purchase orders and commitments.

Monthly statements from vendors are reconciled to open invoices.

Past due balances are reviewed and followed up on.

Original invoices are preferred but a copy may be used when the original cannot be located to issue payment.

All partial deliveries are followed up on.

Debit balances are reviewed and periodically followed up on.

Regular vendors with small and zero balances are periodically reviewed and followed up on.

Procedures exist for ensuring the accurate coding and account distribution for entries from invoices.

Procedures exist for submission and approval of reimbursement to employees for travel or other expenses.

Accounts Receivable Procedure

Purpose

This document provides a checklist to review the internal control of the Accounts Receivable (AR), receipt collection and bad debt write-offs.

Division of Duties

The maintenance of accounts receivable accounts and related subsidiary ledgers should be separated from the functions of:

- Establishing charges to the receivables accounts
- Recording cash receipts and preparing the deposits
- Approval of any adjustments or write-off to any receivable accounts
- Write-off to any receivable should not be accessible to persons who receipt cash payments

Persons, other than those responsible for receivable record keeping, handle disputed billings.

The accounts receivable function is maintained independently of cash receipt and disbursement functions whenever this is feasible. If the same person creates the charges and prepares the receipt, then the receipt is forwarded to Finance and Finance deposits the money into the bank.

Non-cash credits, bad debt write-offs, credit memos, and allowances are approved independently of processing, recording and collection.

The reconciliation of subsidiary accounts to receivable control accounts is separate from custody, recording, and authorization responsibilities.

Documentation

Individual receivable records are posted only from authorized source documents.

Procedures exist to prepare and send billings as soon after the sale of goods or performance of service as possible but no later than within the month.

Adequate control exists over the mailing of statements to prevent interception prior to the mailing.

When payments are made in person, receipts are balanced to collections.

Statements of account balances are mailed at least once a month. The exception are the transaction billed in arrears.

Transactions

All billings are controlled and properly accounted for with numerical or batch-processing controls.

All valid receivables are promptly recorded.

All adjustments to the accounts are recorded in the appropriate period.

Credit balances are reviewed periodically.

When transaction volume necessitates, subsidiary ledgers are established and a trial balance of the subsidiary ledgers is taken at the end of each period and reconciled with the related control account. Differences are investigated and adjusted promptly by someone other than the AR clerk.

Requirements for approval to write-off bad debt accounts and adjustments for disputed amounts or other items are established.

Collections

A responsible manager reviews the accounts receivable aging at least monthly.

All collections of accounts receivable are posted to individual receivable accounts.

There are procedures in place to ensure that delinquent accounts are not receiving additional credit.

Written procedures have been adopted to notify management of collection follow-through after ninety (90) days.

Bad Debt Write-off

Whenever appropriate a reserve for doubtful accounts should be established to reflect the anticipated collectible value of the related receivable account.

Review procedures are established to provide a realistic reserve based on past collection experience and anticipated losses on the receivables.

Reasons for writing off an account are adequately documented.

Write-offs and adjustments have proper authorizations.

When a receivable is written off as a bad debt, an applicable procedure is used.

Capitalization Procedure

Purpose

This procedure establishes the proper method of capitalizing assets and sets monetary parameters for capitalization.

1. EQUIPMENT (defined as having a useful life of 3 years or longer)

Equipment Replacement Program

- a. This program will include all equipment with a value of more than \$5,000. The program will be incorporated into the Capital Improvement Project (CIP) plan as a separate sub-set. Coordination of this plan will be the responsibility of the Motor Vehicle Maintenance Manager.
- b. Individual items of equipment valued at \$4,999 or less will be budgeted by individual departments and charged to the correct O & M accounts within the accounting system. These items must be specifically approved in the annual budget. They will not be included in the City's CIP plan. Items needed but not specifically budgeted will be purchased only with the approval of the City Administrator.
- c. Items will be inventoried at the department level. Included in the inventory will be office furniture, equipment, electronic equipment, tools and other items that are deemed susceptible to loss and/or theft. Department Directors will be responsible for designating those items in their departments that will be inventoried so long as the intent of this policy is met. That intent is to provide for accountability and control of City assets. The inventory should be updated annually.

2. CAPITAL IMPROVEMENT PROJECTS

- a. Projects whose total cost is expected to exceed \$25,000 will be budgeted through the City's Capital Improvement Planning process. The Capital Improvement Planning Team will be responsible for the process. Any project in this category which is not included in the City's 5 – year CIP will be undertaken only with the approval of the City Administrator.
- b. Projects whose cost is expected to be less than \$25,000 will be budgeted through the annual budgeting process and must be specifically budgeted or approved by the City Administrator.

3. EXCEPTIONS

- a. Special Improvement District projects that are initiated by developers or citizens and are to be fully funded through special assessments on the benefited properties are subject to City Council approval of the Improvement District(s).
- b. The annual Chip Seal Program will be budgeted in a lump sum and the Public Works Department will present the annual project list to the City Council for approval at the time the projects are bid. The annual lump sum amount will be included in the CIP program.
- c. Professional costs incurred for evaluation of possible future projects or to assist developer projects
- d. Annual water and sewer line replacements and annual street overlay projects will be budgeted in the CIP program in lump sums with an attached detailed project list.

3. CAPITALIZATION LIMITS

- a. Equipment/Vehicles will be capitalized with a value of \$5,000 or greater.
- b. Construction projects including non-building, building and infrastructure will be capitalized at a value of \$25,000 or greater.

4. "GRAY" AREAS TO BE DISCUSSED

- a. Some projects will be on or near the line that places them in the CIP. Questions regarding those projects should be directed to the CIP team for a determination.
- b. Some purchases will be questionable as to whether or not they are to be considered Capital items. Questions regarding these items should be directed to the Finance Division for discussion and resolution.

Following is the table for depreciating all City assets:

<u>Comm. Code</u>	<u>Equipment Class</u>	<u>Useful Life</u>	<u>Source</u>
	Autos - General Use	10	Equipment replace
76	Police Patrol Cars	5	Equipment replace
70	Pickups and Light trucks	7	Equipment replace
	SUVs	7	Equipment replace
	Trucks over 1 ton	10	Equipment replace
	Dump trucks	10	Equipment replace
79	Trucks Refuse	7	Equipment replace
	Trucks Sewer Jet	7	Equipment replace
	Trucks Ariel Bucket	7	Equipment replace
	Trucks Sander/Dump	10	Equipment replace
	Trucks Fire Aerial ladder	15	Equipment replace
	Trucks Fire/Pumper	15	Equipment replace
	Trucks Fire/Rescue	15	Equipment replace
	Bus MET	12	Equipment replace
	Bus Paratransit	5	Equipment replace
	Bus Misc	10	Equipment replace
	Dozers	3	Equipment replace
	Tractors	10	Equipment replace
	Loaders	10	Equipment replace
	Backhoes	7	Equipment replace
	Compactor Landfill	3	Equipment replace
	Graders	10	Equipment replace
755	Rollers	10	Equipment replace
755	Pavers	15	Equipment replace
	Misc Const Equipment	10	Equipment replace
	Small Equipment	3	Equipment replace
	Non Powered Equipment	7	Equipment replace
560	Forklifts	15	Equipment replace
	Cushman scooters	10	Equipment replace
515	Snow Blowers	10	Equipment replace
	Snow Plows	10	Equipment replace
	Street Sweepers	7	Equipment replace
	Pumps/generators	7	Equipment replace
25	Air Compressors	10	Equipment replace
	Mowers/Riding	5	Equipment replace
	Attachments/accessories	5	Equipment replace
	Electronic equipment	3	Equipment replace

Comm.			Useful	
	Code	Equipment Class	Life	Source
		Computer equipment (personal)	3	Equipment replace
425		Furniture/office equipment	3	Equipment replace
		Shop equipment/machines	3	Equipment replace
		Athletic equipment non-electric	10	Gov. focus
		Athletic equipment electric	5	City
		Audio visual equipment	7	Gov. focus
		Business Machines	7	Gov. focus
		Communications equipment (radio)	10	Gov. focus
		Computer equipment (mainframe)	6	IRS.
920		Computer software (mainframe)	7	IRS.
		Containers (misc)	15	City
		Fire Dept equipment	12	Gov. focus
		Defib units	7	City
		radio 800mhz	10	Gov.focus
		Thermal imaging	5	City
		Exhaust removal system	7	City
424		Furniture	20	Gov. focus
		Lowering device	10	City
		Law enforcement equipment	10	Gov. focus
		Outdoors recreational equipment	15	Gov. focus
		Stage and auditorium equip.	20	Gov. focus
		Custodial equipment	15	Gov. focus
600		Photocopiers	5	Gov. focus
		Trailers	20	Equipment replace
		Extraction tools	12	Equipment replace
		Lawn equipment	11	City

Comm.			Useful	
	Code	Building Class	Life	Source
	155	Permanent structures	50	Gov. focus
		Portable structures	25	Gov. focus
360		Floor covering	15	Gov. focus
360		Carpeting	5	Gov. focus
		Computer flooring	10	Gov. focus
		Exterior walls	50	Gov. focus
770		Roof cover	10	Gov. focus
910		Interior construction	15	Gov. focus
910		Interior renovation	10	Gov. focus
		Plumbing	20	Gov. focus

31	HVAC (air conditioner/furnace)	20	Gov. focus
	Electrical	20	Gov. focus

Comm. <u>Code</u>	<u>Building Class</u>	Useful	
		<u>Life</u>	<u>Source</u>
340	Fire systems	25	Gov. focus
295	Elevators	20	Gov. focus
440	Windows/glass	10	City

Comm. <u>Code</u>	<u>Land Improvements Class</u>	Useful	
		<u>Life</u>	<u>Source</u>
330	Fencing, gates	20	Gov. focus
670	Outside sprinkler systems (pumps)	25	Gov. focus
	Swimming pools	20	Gov. focus
	Outdoor lighting	20	Gov. focus
	Park improvement playgrounds	25	Parks dept.
	Retaining wall	20	Gov. focus
960	Parking lots (asphalt)	15	Gov. focus
	Roadway (concrete)	30	Gov. focus
	Roadway (asphaltic concrete)	20	Gov. focus
	Underground fuel tanks	15	Gov. focus
	Storm drains	30	Gov. focus

Donation Procedure

Purpose

Establish guidelines for the City of Billings for acceptance of donations.

Procedure

All gifts, donations, devises, or bequests (including from foundations) with a value greater than \$500 must be accepted by the City Council at a regularly scheduled meeting. This includes in-kind contributions/donations (non cash) defined as any goods and/or services donated free of charge or at a special discount not available to other purchasers. Volunteers that provide services that do not require specialized skills, such as attorneys, accountants, architects, carpenters, plumbers, electricians and etc. are not considered in-kind donations that require City Council approval.

The Council-approved gift, donation, devise, or bequest must be accounted for in an individual donation fund or a separate line within another fund. Budget authority will be granted by the City Administrator and Finance Director after Council approval. Regular small donations such as Animal Shelter donations must be put in the proper fund and budgeted through the yearly budget process. The state law below must be followed for all gifts, donations, devises, or bequests.

Montana Code Annotated 7-8-103:

"(2) (a) Any city or town organized under the laws of Montana is hereby empowered and given the right:

(i) to accept, receive, take, hold, own, and possess any gift, donation, grant, devise, or bequest; any property (real, personal, or mixed); any improved or unimproved park or playground; any water, water right, water reservoir, or watershed; any timberland or reserve; or any fish or game reserve in any part of the state;

(ii) to own, hold, work, and improve the same.

(b) Said gifts, donations, grants, devises, or bequests made to any officer or board of any such city or town shall be considered a gift, donation, grant, devise, or bequest made for the use and benefit of any such city or town and shall be administered and used by and for such city or town for the particular purpose for which the same was given, donated, granted, devised, or bequeathed. In the event no particular purpose is mentioned in such gift, donation, grant, devise, or bequest, then the same shall be used for the general support, maintenance, or improvement of any such city or town."

(General Fund)

The attached (Attachment A) Donor Verification form should be provided to any person wishing to make a contribution/donation to the City greater than \$500. Once the Donor Verification form is received, the department director should attach the form to a Council Memo and place it on the Council Agenda. In the event that a donor wishes to remain anonymous, or does not submit the Donor Verification form within a reasonable amount of time after the donation is received, please note that information on the Council Memo.

CITY OF BILLINGS DONOR VERIFICATION

Department _____

Please complete the information below concerning your recent donation to the City of Billings. As soon as we receive the completed verification form, your donation will be acknowledged and forwarded to the City Council for acceptance. Thank you for your generosity.

Donor: _____

Address: _____

Phone Number _____

Donation: _____

Value of Donation: _____

Purpose of Donation: (Montana Law allows you to designate a specific purpose for which your donation will be used)

Please print below how you wish your name to be listed:

Donor Signature: _____

Date: ____ / ____ / ____

I wish to remain anonymous.*

*If you wish to make a donation and remain anonymous, the City will attempt to keep your donation anonymous. However, the City cannot guarantee your anonymity as most financial records of the City are matters of public record and are available to the public upon request. Please check here if you wish to remain anonymous.

Financial Reporting Procedure

Purpose

This procedure outlines policies to provide accurate, reliable and useful information to all City financial statement users. These policies and procedures are established for month and year-end cut-off of accounting transactions.

Available Documentation

The City has a detailed chart of accounts with descriptions of each account contents.

The City has a written records management procedure.

There is a formal schedule with hard dates for completing tasks associated with closing the general ledger and preparing financial statements.

Procedure

Informative disclosure is documented in the notes to the financial statements concerning the following:

- Commitments
- Contingencies
- Subsequent events
- Other disclosures

Accounting estimates are double-checked.

Accrual transactions are reviewed to determine that expenditure or revenue recognition is properly recorded.

The mathematical accuracy of financial statements is periodically verified.

Journal entries are properly approved and documented according to City procedure.

Procedures are in place to identify and address changes in accounting and reporting pronouncements.

Financial statements are reconciled to the general ledger prior to publication.

Periodically confirm that:

- The City has a legal claim to all assets and that all liabilities are the obligation of the City. For example, assets that have been factored are no longer under the ownership of the City.
- Asset, liabilities and equity accounts actually exist and revenue and expense transactions really occurred.
- Transactions that should have been recorded have been recorded.
- All accounts are properly grouped including, for example, into long-term and short-term categories.

Travel Procedure

Purpose

This procedure is to be used by City employees and elected officials who travel on City business. All City employees are required to follow these procedures for any non-routine travel outside of a 100 mile radius of Billings.

Procedure

The City Administrator has final approval and responsibility for travel. The Department Directors are responsible for determining that:

1. The travel procedure is being followed;
2. Proper accounts are being charged; and,
3. There are budgeted funds available.

A. All travel, including the means of transportation to and from a destination, must be approved by the appropriate Department Director or designee before any trip is made. The use of a travel requisition is required for all travel outside of a 100 mile radius of Billings, or within that radius if a Pcard will be used or reimbursement will be requested. The requisition will be submitted, after Departmental approval, to Finance and the City Administrator for approval. A travel requisition must be completed for any traveler whose expenses will be paid by the City (whether directly or indirectly), even if that person is not a City employee.

1. A written travel requisition form, when required, should be submitted at least six (6) weeks prior to the travel. Any purchase order(s) relating to the travel will be submitted three (3) to four (4) weeks prior to the travel. Each requisition shall have a conference or training agenda, itinerary, schedule, or other documentation attached. Each individual must have a requisition if they are requesting separate reimbursement.
2. Cash advances are discouraged, but can be requested by employees who have received their Department Director or designee's approval to do so with a minimum of three weeks' notice. Cash advances will not be issued for less than \$100.00.

B. All travel outside the Continental limits of the United States and Canada must be reviewed and approved by the City Council.

C. All transportation shall be by the most economical means – taking into consideration the direct cost of the carrier, the cost of the employee's time away from the office, and expenses incurred for additional nights lodging and meals. All commercial air travel shall be by the least expensive service available. Mileage will be documented by a map from Google maps or similar site. An

employee may be asked for documentation justifying the means of transportation and/or cost savings.

D. If travel by automobile is decided to be appropriate in terms of cost and time, the employee will use a City-owned vehicle. Exceptions (including the use of a private vehicle) need the approval of the City Administrator, unless stated in Labor Contract Agreements. Departments who do not have a vehicle for such travel may contact the Motor Pool for assistance.

When private vehicles are used, reimbursement will be limited to tourist class airfare or the allowable mileage rate, whichever is less. Documentation justifying the means of transportation and/or cost savings must be attached to the travel requisition. The allowable mileage rate shall be established annually based upon the mileage rate currently allowed by the IRS. Reimbursement for mileage will be from the employee's work place to the travel destination and returning to their work place.

Employees who receive a vehicle allowance are eligible for reimbursement for gasoline purchases only for travel exceeding 100 miles round trip.

E. When practical, employees will carpool when attending the same conference, meeting or training. An employee may take their own car but will not be reimbursed for mileage, or upon agreement, split the reimbursement with the other drivers.

F. All things being equal, employees shall stay at the hotel/motel with the most reasonable rate.

G. Explanation for the necessity of a rental car will be included on the travel requisition form and subject to approval by the City Administrator.

H. A completed travel expense report showing expenses for reimbursement, and a detailed meeting/conference agenda, must be filed with Finance within ten (10) days upon the return from the trip. Any surplus cash advance must also be returned within ten (10) days upon the return from the trip – no exceptions.

I. Travel expenses which require reimbursement shall be supported by vendor receipts. No reimbursements will be made without vendor receipts or documentation (this shall include taxicabs, shuttles, baggage fees, fuel, parking charges, reasonable tips, etc.) Money spent for entertainment or personal items will not be reimbursed.

J. Same day travel will not be paid on a per diem basis. Employees must submit receipts for meals incurred and reimbursement will be up to the per diem amount

below plus 20% for taxes. The increased amount will be paid to the employee and added to the employee's W-2.

- a. Example: Using 20% for taxes and \$30.00 in receipts, the employee would be reimbursed \$37.50 which will also be the amount added to the employee's W-2 as gross wages. This amount will only be used to calculate tax withholdings.
- K. Per diem allowance is the only allowable method for reimbursement for meals except for same day travel. City-issued Pcards may not be used for meal purchases. Food purchases may also not be charged to hotel rooms paid by Pcard, unless paid for by employee prior to hotel check-out, and indicated on hotel invoice as paid.

Per diem shall be paid on a lump sum rate, with $\frac{1}{2}$ of the lump sum paid on travel days, unless travel and meeting/training/conference occur on the same day. For example, an employee travels to Helena on Monday for a conference that begins on Tuesday, but returns on Tuesday evening. The employee shall receive $\frac{1}{2}$ of the lump sum rate on Monday (\$20) and the full sum on Tuesday (\$40).

The lump sum rate shall be \$40/day in-state and \$50/day out-of-state. The table below lists the full daily amount employees receive for a single calendar day of travel when that day is neither the first nor last day of travel.

The separate amounts for breakfast, lunch and dinner listed in the chart are provided should any meals need to be deducted from an expense report. For example, if a trip includes meals that are already provided, the per diem allowance will need to be deducted from the expense report for those meals.

IN STATE:

Breakfast	10
Lunch	10
Dinner	<u>20</u>
Total:	40

OUT OF STATE:

Breakfast	10
Lunch	15
Dinner	<u>25</u>
Total:	50

50% of total on travel days

The employee is unable to claim a meal if it is included in the registration cost of the training/conference, even if the employee does not take advantage of that provided meal. Exceptions include continental breakfasts, additional costs for banquets, (receipt shall be attached to expense report), and when the employee attends a training session or required business meeting during a scheduled meal.

- L. All personal trips made together with official trips must be approved by the City Administrator and appropriate Department Director before the trip is made and must cause no additional expense to the City. Documentation of such shall be attached to the travel requisition.
- M. No reimbursement will be made for phone calls (including long distance charges) or internet access charges, except for fixed hotel telephone access charges.
- N. Reimbursement shall be made by expense report and Innoprise invoice only. Travel advances and/or expenses shall not be reimbursed through petty cash or any other means than an Innoprise invoice – no exceptions.
- O. Finance will validate the completed travel requisition and expense report for compliance with this procedure.
- P. Employees may be asked for additional information or documentation prior to reimbursement.
- Q. The City Administrator may approve exceptions to this procedure. Failure to comply with any portion of this procedure may lead to disciplinary action, up to and including termination.

FEDERAL GRANT COMPLIANCE (SUBRECIPIENT MONITORING)

Purpose

In the event the City of Billings (City) disperses federal funds received through a federal award to other entities and assigns responsibilities to the outside entity to conduct a portion of the work, the City shall be responsible for determining, on a case-by-case basis, whether the agreement with such entity places the outside entity in the role of a subrecipient receiving a subaward of federal funding, or the role of a contractor.

If the City grants subawards of federal funding to other entities as subrecipients, the City shall be responsible for:

1. Evaluating the entity for risk of noncompliance to determine appropriate monitoring practices.
2. Monitoring the subrecipient entity's implementation to ensure compliance with federal, state and local laws, conditions of the federal funding award, and Board policies and administrative regulations.
3. Notifying the subrecipient entity of identified deficiencies found during the monitoring process and ensuring that identified deficiencies are corrected.
4. Documenting and retaining records on subrecipient identification, notification, evaluation, monitoring and corrective actions taken.

Definitions

For purposes of policies and procedures related to federal programs, the following definitions shall apply:

Contract – a legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award. The term as used here does not include a legal instrument, even if the entity considers it a contract, when the substance of the transaction meets the definition of a federal program award or subaward. (2 CFR 200.22)

Contractor – an entity that receives a contract, as defined in law and regulations, by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award. (2 CFR 200.23)

Pass-through entity – a non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program. The City serves as the pass-through entity in cases where it awards federal funding to a subrecipient as defined in this procedure. (2 CFR 200.74)

Subaward – an award provided by a pass-through entity to a subrecipient in order to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract. (2 CFR 200.92)

Subrecipient – a non-federal entity that receives a subaward to carry out part of a federal program, but does not include an individual that is a beneficiary of such program. (A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.) (2 CFR 200.93)

Subrecipient versus Contractor

The City must determine, on a case-by-case basis, whether an entity receiving funds from the City as part of a federal funding program serves in a role of subrecipient or contractor. (2 CFR 200.330)

The Finance Director or designee shall be responsible for analyzing the criteria listed in the chart below and evaluating the relationship with the entity based on the substance of the legal agreement, rather than the form of the agreement. The designee(s) may consult with the City Attorney in making such determination.

Subrecipient	Contractor
Creates a Federal assistance relationship	Purpose is to obtain goods and services for the non-Federal entity's own use and creates a procurement relationship
Determines who is eligible to receive what Federal assistance	Provides the goods and services within normal business operations
Has its performance measured in relation to whether objectives of a Federal program were met	Provides similar goods or services to many different purchasers
Has responsibility for programmatic decision making	Normally operates in a competitive environment
Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity (PTE)	Provides goods or services that are ancillary to the operation of the Federal program; and Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons

*chart provided by © American Institute of CPAs (AICPA)

The City shall notify subrecipients that they have been identified as a subrecipient and that the funding qualifies as a subaward. The City shall provide the subrecipient with the following information as specified at 2 CFR Sec. 200.331(a) regarding the federal funding award, and any subsequent changes:

1. Federal Award Identification information, including:
 - (i) Subrecipient name (which must match the name associated with its unique entity identifier);

- (ii) Subrecipient's unique entity identifier;
- (iii) Federal Award Identification Number (FAIN);
- (iv) Federal award date (see §200.39 federal award date) of award to the recipient by the federal agency;
- (v) Subaward period of performance start and end date;
- (vi) Amount of federal funds obligated by this action by the pass-through entity to the subrecipient;
- (vii) Total amount of federal funds obligated to the subrecipient by the pass-through entity including the current obligation;
- (viii) Total amount of the federal award committed to the subrecipient by the pass-through entity;
- (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (x) Name of federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;
- (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement; and
- (xii) Indirect cost rate for the federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

2. All requirements imposed by the pass-through entity on the subrecipient, so that the federal award is used in accordance with federal statutes, regulations and the terms and conditions of the federal award;
3. Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the federal awarding agency, including identification of any required financial and performance reports;
4. An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government, or if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
5. A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
6. Appropriate terms and conditions concerning closeout of the subaward.

Evaluation of Risk

The City shall evaluate each subrecipient's risk of noncompliance with law, regulations and the terms and conditions of the subaward to determine appropriate monitoring practices. (2 CFR 200.331)

The Finance Director or designee shall be responsible for evaluating risk based on the following factors:

1. The subrecipient's prior experience with the same or similar subawards;

2. The results of previous audits, including whether the subrecipient received a single audit and the extent to which the same or similar subaward was audited;
3. Whether the subrecipient has new personnel, or new or substantially changed systems and processes;
4. The extent and results of any federal award agency's monitoring of the subrecipient.

The Finance Director or designee shall request adequate documentation from the subrecipient to conduct the evaluation of risk; such documentation may include, but shall not be limited to, audit reports, financial reports, policies and procedures, detailed descriptions or users' guides of current systems and processes.

The City shall evaluate subrecipients for risk of noncompliance as specified in the legal agreement and/or contract.

Based on the results of the risk evaluation, the City may consider imposing specific conditions on implementation of the subaward, in accordance with applicable law and regulations. (2 CFR 200.207, 200.331)

Monitoring

The City shall monitor the implementation and activities of each subrecipient as necessary to ensure that the subaward is used for authorized purposes, in accordance with law, regulations and the terms and conditions of the subaward. The City shall notify subrecipients of monitoring requirements, and may provide technical assistance to subrecipients for complying with monitoring requirements.

As part of the monitoring process, the City shall complete the following steps: (2 CFR 200.331)

1. Review financial and performance reports required by the City.
2. Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the subaward detected during monitoring through audits, on-site reviews and other means.
3. Issue a management decision for audit findings pertaining to the subaward provided to the subrecipient, in accordance with applicable law and regulations. (2 CFR 200.521)

Monitoring –

The Finance Director or designee shall be responsible for monitoring of subrecipients. Monitoring activities may include, but shall not be limited to:

1. Review of progress reports, financial reports and data quality.
2. On-site visits.
3. Review of federal or state debarment lists.
4. Review of other agreed-upon procedures specified in the legal agreement or contract. (2 CFR 200.425)

The City shall verify that subrecipients are audited as required by applicable law and regulations. (2 CFR 200.331, 2 CFR 200.500-200.521, Pol. 619)

Follow-Up Actions –

The Finance Director or designee shall provide subrecipients with written documentation detailing their monitoring results and listing any identified deficiencies. The City shall consider whether the results of monitoring indicate the need to revise existing City policy and procedures. (2 CFR 200.331)

The City shall require subrecipients to take immediate action on issues involving ineligible or illegal use of federal funding, and notify the City of corrective action taken. The City shall require subrecipients to develop a corrective action plan to address other identified deficiencies or noncompliance issues; such plan shall be submitted to the City as specified in the agreed-upon procedures, and the City shall evaluate and monitor the activities taken by the subrecipient under the corrective action plan. The City may provide technical assistance and/or training to subrecipients for complying with corrective action requirements.

The Finance Director or designee shall maintain all documentation on monitoring of subrecipients and corrective action taken during the monitoring process.

The City shall report issues of noncompliance to the appropriate federal agency where required by law, regulations, or requirements of the federal funding program.

Remedies for Noncompliance –

When monitoring activities identifies issues of noncompliance that are not addressed through corrective action, the City may take the following actions: (2 CFR 200.331, 200.338)

1. Impose specific conditions on the subrecipient, in accordance with applicable law and regulations. (2 CFR 200.207)
2. Temporarily withhold cash payments, in accordance with applicable law and regulations.
3. Disallow or deny use of funds for all or part of the cost of the activity or action not in compliance.
4. Wholly or partially suspend or terminate the agreement for the federal award.
5. Recommend that the federal agency initiate suspension and debarment proceedings.
6. Withhold further awards or agreements for the project or program.
7. Take other remedies legally available, in consultation with the City solicitor or other qualified counsel.

Records Retention

The Finance Director or designee shall ensure that all documentation regarding subrecipient identification, notification, evaluation, monitoring activities and corrective action is maintained in accordance with Board policy and procedures. Records shall be retained in accordance with applicable law, regulations, specific requirements of the federal program and the City's records retention schedule. (2 CFR 200.333-200.337)