



TOWN OF GILFORD, NEW HAMPSHIRE

ADMINISTRATIVE CODE

FINANCIAL POLICIES

(ARTICLE 22)

KNOW ALL PERSONS BY THESE PRESENTS, the Gilford Board of Selectmen hereby ordains to amend the Town of Gilford Administrative Code, by deleting Chapter 22 in its entirety, including all previously issued supplements and guidelines pertaining thereto, to be replaced with the following:

22-A	Investment Policy.....	2
22-B	Purchasing Policy.....	7
22-C	Cash Receipts Policy.....	14
22-D	Fund Balance Policy	16
22-E	Internal Controls Policy	19
22-F	Fraud Policy	21

22-A INVESTMENT POLICY

22-A.1 Authority

This investment policy is established under the authority of State Statute RSA 41:29.

22-A.2 Purpose

To provide guidance to Town of Gilford officials as to the investment of public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Town and conforming to all laws governing the investment of public funds.

22-A.3 Scope

This investment policy shall cover all funds under the care of the Board of Selectmen and in the custody of the Town Treasurer as listed in Exhibit A-3 and any newly created funds, unless specifically exempted by the article(s) of its creation.

22-A.4 Objectives

- A. *Safety (of principal and preservation of capital)*: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken to ensure the preservation of capital in the overall portfolio.
- B. *Liquidity (maintain sufficient liquidity to meet operating requirements and other cash needs)*: The portfolio shall retain sufficient liquidity to meet all operating requirements that may be reasonably anticipated. To ensure adequate funds are available to pay projected financial obligations, investments will be purchased or deposits made to reasonably match anticipated cash disbursements.
- C. *Yield (rate of return)*: The portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles that is as close to market average as possible, taking into account liquidity needs, investment risk, and capital preservation.

22-A.4 Risks

- A. *Credit risk (loss due to failure of security issuer)*: The Town shall minimize credit risk by limiting investments to the safest types of securities, and diversifying the portfolio.
- B. *Market risk (changes in the financial market could reduce the value of a security)*: The Town shall minimize market risk by limiting investments that are subject to rapid market swings, and by varying investment maturity dates.

22-A.5 Investment Instruments

- A. List of allowable investment instruments:
 - 1. U.S. Treasury bills, notes, and bonds.

2. U.S. Government Agency Securities which carry the full faith and credit guarantee of the U.S. Government.
 3. U.S. Government Instrumentality Securities when contractually managed by a qualified financial advisor and fully collateralized.
- B. List of allowable depository instruments:
1. Money market deposit accounts.
 2. Certificates of deposit.
 3. Sweep accounts.
 4. Repurchase agreements, collateralized by U.S. Government Securities.
 5. Reverse repurchase agreements, for short-term and unexpected liquidity needs only, with guidance from a qualified financial advisor. A reverse repurchase agreement will not be used for leveraging purposes.
 6. Local government investment pools.

22-A.6 Collateralization

All depository instruments will be collateralized by formal written agreement. Ownership of collateralized securities shall be perfected through third party custodial safekeeping. Collateralization will be restricted to the Town's allowable investment and depository instruments with the following tiered ratios:

- A. 100% (minimum) for issues maturing one year or earlier.
- B. 102% (minimum) for all other issues.

22-A.7 Financial Institutions

The types of allowable financial institutions are as follows:

- A. Federally insured banks chartered under the laws of New Hampshire.
- B. Federally insured banks chartered under the laws of the federal government that have a branch located within the State of New Hampshire.
- C. The public deposit investment pool established under state statutes.

Exhibit A-1 to this policy contains a formal list of the qualifying financial institutions maintained by the Treasurer of the State of New Hampshire. Additional financial institutions may be added by the Board of Selectmen to the list after they have been evaluated based upon the following criteria: capital adequacy, asset quality, management, earnings, and liquidity.

22-A.8 Standards of Care

- A. *Delegation of authority:* In accordance with New Hampshire Law, responsibility for conducting investment transactions resides with the elected Town Treasurer. The Deputy Treasurer may be appointed to assist in performing investment functions.

- B. *Prudence*: 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.
- C. *Ethics*: Key personnel, as listed in Exhibit A-2, who are involved with the investment function of the Town, shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Key personnel shall also inform the Administration and Board of Selectmen of any relationships, either personal or professional, with any financial institution conducting business with the Town that may, or give the appearance that it may, constitute a conflict of interest.

22-A.10 Internal Controls

- A. The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft, or misuse.
- B. The Town Administrator is responsible for ensuring that separation of transaction authority from accounting and recordkeeping, and written confirmation of transactions for investments are maintained.
- C. The Board of Selectmen shall establish an annual process of independent review of the investment function. This review will provide internal control by assuring compliance with established policies and procedures.

22-A.11 Policy Review

This policy will be reviewed by the Board of Selectmen and Treasurer on annual basis, and when there is a change in key personnel. Performance of the current investments shall also be reviewed on at least an annual basis. This policy may be reviewed if there is a change in the investment environment, a change in an approved financial institution, or for the purposes of continuous improvement. If a change occurs in investment law which is not reflective of this policy, the law will prevail.

Exhibit A-1 – List of Financial Institutions

	<u>Fed or NH Chartered</u>	<u>Federally Insured</u>
Bank of America N.A. (NC)	Federal	Yes
Bank of New England	NH	Yes
Centrix Bank & Trust	NH	Yes
Citizens Bank New Hampshire	Federal	Yes
Claremont Savings Bank	NH	Yes
Community Guaranty Savings Bank	NH	Yes
Connecticut River Bank, N.A. (VT)	Federal	Yes
Federal Savings Bank	Federal	Yes
First Colebrook Bank, The	NH	Yes
First National Bank of Ipswich (MA)	Federal	Yes
Franklin Savings Bank	NH	Yes
Hampshire First Bank	NH	Yes
Laconia Savings Bank	NH	Yes
Lake Sunapee Bank, FSB	Federal	Yes
Lancaster National Bank, The	Federal	Yes
Ledyard National Bank (VT)	Federal	Yes
Mascoma Savings Bank	Federal	Yes
MerchantBanc, LLC	NH	Yes
Meredith Village Savings Bank	NH	Yes
Merrimack County Savings Bank	NH	Yes
Monadnock Community Bank, FSB	Federal	Yes
Nashua Bank, The	NH	Yes
Northway Bank	NH	Yes
Ocean National Bank	Federal	Yes
Optima Bank & Trust Company	NH	Yes
Piscataqua Savings Bank	NH	Yes
Profile Bank, FSB	Federal	Yes
Salem Co-operative Bank	NH	Yes
Savings Bank of Walpole	NH	Yes
Bank of New England	NH	Yes
Sovereign Bank (PA)	Federal	Yes
Sugar River Savings Bank	NH	Yes
TD Bank	Federal	Yes
Woodsville Guaranty Savings Bank	NH	Yes
New Hampshire Public Deposit Investment Pool	NH Statute	N/A

Exhibit A-2 – List of Key Personnel

Board of Selectmen

Chairman.....J. Kevin Hayes
Vice ChairmanJohn T. O'Brien
Clerk.....Gus Benavides

TreasurerKaren Saunders
Deputy TreasurerKimberly Varricchio

Finance Director.....Geoffrey Ruggles

Town Administrator.....Scott Dunn

Auditors.....Vachon Clukay & Co.

Exhibit A-3 – Funds Subject to this Policy

General Fund
Sewer Fund
Conservation Fund
Recreation Revolving Fund
Capital Project Funds
Escrow Funds

22-B PURCHASING POLICY

22-B.1 Authority

These procedures are adopted pursuant to the authority of RSA 41:9.

22-B.2 Purposes

- A. To procure the necessary goods and services at the lowest possible price consistent with the quality needed in an efficient, timely and cost-effective manner.
- B. To guard against favoritism, improvidence, extravagance, fraud and corruption and secure the best work or supplies at the lowest possible price practicable.
- C. To encourage, when appropriate as otherwise set forth herein, the most open, competitive purchasing process practicable with the objective of obtaining the maximum possible value while maintaining fair and equitable treatment of vendors.
- D. To increase efficiencies, wherever appropriate, through the consolidation and centralization of purchasing and payment functions.
- E. To encourage, whenever possible, the use of State contracts for goods and services, to the extent that such contracts will provide savings to the Town.

22-B.3 Purchasing Agent

- A. The person appointed by the Board of Selectmen as Finance Director shall serve as the Town's Purchasing Agent.
- B. The duties of the Purchasing Agent shall be as follows:
 - 1. To ensure, in so much as possible, that all purchases are made within the appropriations available, using the correct accounts established for such purposes.
 - 2. To ensure compliance with these Purchasing Procedures by the various Department Managers; and to bring violations to the attention of the Town Administrator.
 - 3. To approve or deny all purchase order requisitions submitted by the Department Managers pursuant to these procedures.
 - 4. To issue supplements, guidelines, instructions, clarifications, forms and other measures as may be necessary to implement these procedures.
 - 5. To develop and coordinate a centralized acquisition process for the procurement of products that are purchased in large quantities and commonly used by the various Town departments.

22-B.4 Purchase Orders

- A. All purchases in excess of one thousand dollars \$1,000.00. shall require a purchase order to be signed by the Department Manager or designee. and the Purchasing Agent

or Town Administrator. prior to any Town financial obligation being incurred, except as otherwise exempted under Section 22-B.6.

- B. At a minimum, purchase orders shall include the following information:
 - 1. Vendor's name and address;
 - 2. Date the order is prepared;
 - 3. The quantity and quality of materials. or services. required;
 - 4. Description of materials. or services. required;
 - 5. Unit costs;
 - 6. Any extra charges such as freight, insurance, etc.;
 - 7. Payment terms related to discounts or deadlines when interest may be due;
 - 8. Budget account to be charged subject to Purchasing Agent's discretion..
- C. Prior to signing any Purchase order and issuing any payment, the Purchasing Agent will make sure that the Vendor has provided the Town with a signed W-9 form (for all expenditures of \$600 or more) and an insurance certificate if applicable for services to be provided.

22-B.5 Competitive Bidding

- A. There shall be no bidding requirement for Department Managers to make purchases of goods and services on behalf of the Town that are less than one thousand dollars (\$1,000.00); however, Department Managers are encouraged to seek the best possible price for the value of the purchase at all times.
- B. Department Managers shall be required to solicit a minimum of three (3) written or verbal quotations for purchases between one thousand dollars (\$1,000.00) and five thousand dollars (\$5,000.00). Evidence of such efforts shall be submitted to the Purchasing Agent as part of a Purchase Order requisition. The Purchasing Agent (or Town Administrator) may deny such requests for non-essential purchases that are not listed in the budget that is approved by the Board of Selectmen.
- C. Department Managers shall be required to obtain approval from the Board of Selectmen for all purchases of goods, materials and supplies in excess of five thousand dollars (\$5,000.00) following the solicitation of sealed bids pursuant to the following procedures:
 - (1) Department Managers shall draft a set of bid specifications and other conditions for review by the Town Administrator.
 - (2) Upon approval of the Town Administrator, sealed bids shall be publicly advertised (with a 14 day minimum notice) and may also be solicited by direct mailings to qualified vendors.
 - (3) Bids shall be opened by the Town Administrator (or designee) in a public setting at a prescribed date, time and location.

- (4) The Town Administrator, in consultation with the Department Manager, shall submit a written request to the Board of Selectmen that summarizes the bid results and makes a recommendation for a bid award that includes identification of available funds. Note: In the event that the lowest bid is not recommended, a written explanation shall set forth the specific reasons for this conclusion.
 - (5) Upon approval and authorization by the Board of Selectmen, the Town Administrator may enter into a contractual agreement on behalf of the Town under such terms and conditions as deemed acceptable to the Selectmen. The Town Administrator shall also be responsible for notifying bidders that were not selected and for retaining all submittals for public inspection as otherwise required by law.
- D. At a minimum, written bid specifications shall include the following information:
1. A statement which reserves the Town's right to accept or reject any and all bids, negotiate any contract terms, consider any product substitutions and waive any informalities in the bid process as may be in the best interests of the Town.
 2. A statement that late bids or bids submitted by fax or electronic means will be rejected.
 3. A statement that identifies the basis of the bid award, especially if the lowest responsible price is not the sole consideration.
 4. A request for at least three (3) municipal references.
 5. A process for issuing addendums and responding to bidder inquiries.
- D. Department Managers shall be required to obtain approval from the Board of Selectmen for all professional services, (including, but not limited to engineers, plumbers, electricians, scientists, architects, surveyors, auditors), in excess of five thousand dollars (\$5,000.00) by requesting proposals (RFP's) pursuant to the following procedures:
- (1) Department Managers shall draft a set of scope of services and other service contract conditions for review by the Town Administrator.
 - (2) Upon approval of the Town Administrator, requests for proposals shall be publicly advertised (with a 14 day minimum notice) and may also be solicited by direct mailings to qualified professionals.
 - (3) Proposals that are received shall be reviewed by the Department Manager, the Town Administrator and others as may be necessary, to include a process of selecting finalists and/or requiring supplemental presentations if applicable.
 - (4) The Town Administrator, in consultation with the Department Manager, shall submit a written request to the Board of Selectmen that summarizes the proposal results and makes a recommendation for a contract award that includes identification of available funds.
 - (5) Upon approval and authorization by the Board of Selectmen, the Town Administrator may enter into a contractual agreement on behalf of the Town under such terms and conditions as deemed acceptable to the Selectmen. The

Town Administrator shall also be responsible for notifying participants that were not selected and for retaining all submittals for public inspection as otherwise required by law.

- E. At a minimum, RFP's shall include the following information:
 - 1. A statement which reserves the Town's right to accept or reject any and all proposals, negotiate any contract terms, and waive any informalities in the RFP process as may be in the best interests of the Town.
 - 2. A statement that indicates the factors to be considered in awarding a contract shall consist of professional qualifications, previous experience in related projects, quality of the proposal, ability to complete the project in a timely manner, fees and other relevant criteria deemed necessary.
 - 3. A request for at least three (3) municipal references.
- F. It shall be a violation of these policies to split purchases or service contracts provided by the same vendor into separate invoices for the purposes of avoiding the terms and conditions of these procedures.

22-B.6 Exemptions

- A. The following purchases may be exempted from the competitive bidding, RFP and/or Purchase Order requirements upon approval by the Town Administrator for expenditures of five thousand dollars (\$5,000.00) or less, or upon approval by the Board of Selectmen for expenditures of more than five thousand dollars (\$5,000.00):
 - 1. Items acquired using a State bid purchase price;
 - 2. Emergency repairs and/or acquisitions where a delay would have an immediate adverse impact on public safety;
 - 3. Utilities: telephone, propane, heating fuel, cable television, electricity, etc..;
 - 4. Payments to human service agencies that have been specifically appropriated by the voters;
 - 5. Welfare payments;
 - 6. Bulk goods of a recurring nature or items acquired under a centralized purchasing program as may be approved by the Purchasing Agent;
 - 7. Items that have a proprietary exclusion or a sole source vendor;
 - 8. Expenditures made in accordance with the terms and conditions of a grant or contractual agreement that has been approved by the Board of Selectmen; such as the RFQ solicitation process, change orders, fee increases, etc.;
 - 9. Parts and/or supplies that are purchased from a manufacturer's authorized service provider in order to maintain or repair equipment and vehicles.
- B. Notwithstanding any state or federal law to the contrary, the Board of Selectmen may waive any provision(s) of these procedures or impose more stringent requirements as they deem to be in the Town's best interests.

22-B.7 Special Conditions

- A. Pursuant to RSA 447:16, any contractor engaged by the Town for the purposes of the construction, repair or rebuilding of public buildings, public highways, bridges or other public works contracts of thirty-five thousand dollars (\$35,000) or more, shall be required to provide the Town with sufficient security, by bond or otherwise, in an amount equal to at least 100 percent (100%) of the contract price, or of the estimated cost of the work if no aggregate price is agreed upon, conditioned upon the payment by the contractors and subcontractors for all labor performed or furnished, for all equipment hired, including trucks, for all material used and for fuels, lubricants, power, tools, hardware and supplies purchased by said contractor and used in carrying out said contract, and for labor and parts furnished upon the order of said contractor for the repair of equipment used in carrying out said contract.
- B. The Town reserves the right to require a specific amount of retainage, not to exceed ten percent (10%) per invoice, to be withheld from payment for any contract with a value in excess of ten thousand dollars (\$10,000.00) for such period of time as may be necessary to ensure completion of the project in accordance with the contract specifications.
- C. The Board of Selectmen expressly reserves for itself, exclusively, the authority to procure legal services using Town funds. All requests for legal opinions shall be submitted in writing to the Town Administrator, (to be shared with the Board of Selectmen along with responses), using such attorneys as may deemed acceptable to the Board.
- D. All purchases made by Town employees are subject to the provisions of Section XII.17 of the Town's Personnel Policies. A signed authorization by a Department Manager (or designee) will be required in order for an employee to be eligible for reimbursement by the Town for any purchase made using their own funds on behalf of the Town. (Department Managers will need to get signed approval from the Purchasing Agent or Town Administrator for such reimbursements.)
- E. A Department Manager and/or Town Administrator may, when necessary, hold a bidders conference to better acquaint potential vendors with the objectives and processes desired by the Town, and to address any special concerns, questions or request for exceptions that may arise.

22-B.8 Town Issued Credit Cards

- A. Department Managers may be authorized to use a Town credit card upon issuance approved by the Town Administrator. The use of these credit cards is subject to the following terms and conditions:
 - 1. Credit cards shall be in the name of the Town of Gilford, with the authorized employee's name embossed on the card as well.
 - 2. Credit card purchases shall be subject to all of the spending requirements and limitations as set forth in these Purchasing Procedures. In addition, the spending

limit shall be set at seven thousand five hundred dollars (\$7,500.00) per billing period.

3. Credit cards may be used for Town purchases only. They shall not be used under any circumstances for personal purchases or cash advances.
 4. Employees are responsible for the security of their credit card. All precautions shall be used to maintain confidentiality of the account number, security codes and expiration date of the credit card. Employees shall notify the Purchasing Agent immediately upon discovery of a lost or stolen credit card, in which case they shall not be personally liable for any unauthorized purchases made with the card; however employees may be personally responsible for unauthorized purchases resulting from inadvertence, carelessness, or intentional misuse.
 5. Employees must ensure that the use of a credit card for telephone or internet purchases is secure and from a reputable company. Do not use a Town issued credit card if there is any doubt about the validity of the transaction.
 6. Credit cards may be used to purchase goods and services and for travel expenses, (not including fuel for a personal vehicle), provided that the expenditures have been budgeted and are otherwise allowable.
 7. Credit cards shall not be used to purchase any items that are not otherwise eligible for reimbursement as set forth in Section XII.3.C of the Town's Personnel Policies. In addition, merchants should be informed of the Town's tax exempt status to avoid charges for taxes to the greatest extent possible.
 8. Original receipts for credit card purchases shall be forwarded to the Purchasing Agent as soon as practical with a notation of the account to be charged. Lost or missing slips must be reported immediately. Employees may be held personally responsible for interest charges attributable to their failure to provide the Town with a timely receipt.
 9. In the event that an item purchased with a credit card must be returned or exchanged, it shall be the responsibility of the card holder to ensure a proper credit is issued and copies of such documentation are provided to the Purchasing Agent. Under no circumstances should a cash refund be accepted when a credit card was used for the initial purchase.
 10. Credit card statements shall be mailed directly to the Finance Department for reconciliation and payment purposes. The Town will not pay for charges that are not verified by a receipt. Although the Purchasing Agent may attempt to track down missing receipts as a courtesy on behalf of the Town, it is the responsibility of the Department Manager who authorized a charge to make sure receipts are provided for every transaction.
- B. Notwithstanding any legal rights available to the Town pertaining to the misuse of Town funds, the failure to comply with these terms and condition for the use of a Town issued credit card may result in disciplinary action, collections proceedings, and/or loss of credit card privileges as may be determined by the Town Administrator.

- C. Credit card holders shall be required to sign an acknowledgement that they have read and understand this credit card policy along with a receipt to indicate acceptance of the Town issued credit card.
- D. A card holder must immediately relinquish their credit card upon demand of the Town Administrator or upon notice of pending separation of employment, whether voluntary or otherwise.
- E. Employees below the rank of Department Manager may be authorized to have a Town credit card issued in their name as a result of extenuating circumstances related to their specific job responsibilities, subject to these same terms and conditions, upon approval by the Town Administrator.

22-B.9 Payment Policies

- A. Payments to be made by the Town of Gilford for purchases that are subject to these procedures shall require original invoices or receipts that are either accompanied by a copy of a signed Purchase Order, or approved under signature of the Department Manager (or designee) with a list of accounts to be charged. Payments shall not be authorized using statements unless previously authorized by the Purchasing Agent.
- B. Department Managers shall be responsible to review invoices and receipts for accuracy. Invoices and/or receipts (along with statements to be used for reconciliation purposes) shall be forwarded to the Finance Department in a timely manner, but no less frequently than once a week or within seven (7) days of receipt, whichever comes first.
- C. The Finance Department shall produce a manifest of payments to be made for review and approval by the Board of Selectmen at their convenience.
- D. Upon approval of the manifest by a quorum of the Board members, the Finance Department shall issue checks for signature by the Treasurer (or Deputy Treasurer) and distribute them in a timely manner. In the event that any Selectman has a question or concern about an item on the manifest, he/she may request that payment be withheld until (1) the issue is resolved to the satisfaction of that Selectman, or (2) the payment is approved by a vote of the Board of Selectmen at a duly posted public meeting as otherwise allowed by law.
- E. Contractual payments required on a more frequent basis that deviates from the weekly manifest process may be made based upon a defined procedure approved by the Board of Selectmen.
- F. Emergency payments may be made if deemed necessary by the Town Administrator, subject to notification and approval of the Selectmen.

22-C CASH RECEIPTS POLICY

22-C.1 Authority

These procedures are adopted pursuant to the authority of RSA 41:9 and RSA 41:29.

22-C.2 Purposes

- A. To establish adequate financial controls and accountability to in order to ensure the safeguarding of town funds.
- B. To provide uniform policies and procedures for the depositing of funds that will ensure operational quality and efficiency.

22-C.3 Deposit Agent(s)

- A. The Treasurer maintains custody of all funds except those funds held by the Trustees of Trust Funds, Library Trustees, or Cemetery Trustees. The Treasurer shall ensure that all monies are deposited at least on a weekly basis or daily whenever funds remitted from all departments collectively totals \$500 or more.
- B. The Treasurer may designate deposit functions to other town officials or employees provided such delegation is in writing and includes written procedures acceptable to the Board of Selectmen.

22-C.4 Deposit Procedure

- A. Departments will ensure that all customers are issued a sequentially numbered receipt at the time of collection of moneys. Customers should be encouraged by appropriately placed signs to request a receipt.
- B. Departments will designate a secure area for the safeguarding and processing of cash received. Access to the secured area should be restricted to authorize personnel only. The secured area should be locked when not occupied.
- C. All receipts must be remitted to the Treasurer, through the Finance Office, at least weekly or daily whenever such funds total \$500.00 or more. In the case of a department that has authority from the Treasurer to deposit direct to the bank, such deposits must follow the same protocol. The Finance Office will verify the amount of the deposit while the department representative is still physically present.
- D. Each department must also complete an account detail report identifying the various revenue accounts to be credited, as well as, a copy of the receipt for each transaction. Departments that are authorized to make deposits directly to the bank, shall forward this report along with a duplicate deposit slip to the Treasurer through the Finance Office.
- F. If there is a discrepancy, the Finance Office and the depositor will initial and provide a brief explanation of any changes made for immediate resolution. In the event that the discrepancies cannot be resolved, the Finance Director and Department Head will be notified immediately.

- G. The Finance Office will consolidate all deposits received and prepare a bank deposit at least weekly, or daily when funds total \$500.00 or more. The deposit shall be placed in a secure bag and be taken to the Town Clerk – Tax Collector’s Office.
- H. The bank will pick up all deposit bags on a daily basis from the Town Clerk – Tax Collector’s Office and return all bags from previous days deposits to the same location.
- K. Under no circumstance will the Department or any town employee utilize personal funds to compensate for shortages or overages. All shortages or overages must be brought to the attention of the Finance Director prior to submission. Employees and officials are not allowed to cash personal checks made payable to the Town or paychecks.

22-C.5 Petty Cash

- A. A nominal amount of cash may be retained by departments for use as change for daily transactions. Such fund will be kept in a locked cash box and stored with, or in the same manner as, deposit receipts as outlined in section 22-C.4-B. Such funds may be used for small convenience purchases if such use does not interfere with normal operations.
 - 1. Disbursement of petty cash must be done using an approved voucher form.
 - 2. Voucher forms must be signed by the employee receiving the funds and authorized by a Department Head or their designee.
 - 3. A receipt for the purchase shall be returned to Department Head or their designee to be attached to the voucher form. Any change received as a result of the transaction shall be returned to the cash box.
 - 4. Petty cash shall be reconciled on a daily basis if it is used for daily transactions and at least weekly if primarily for petty cash purposes.
 - 5. Reimbursement for petty cash expenditures shall be submitted to the Finance Office, along with the reconciliation, when the sum of the vouchers exceeds twenty five dollars (\$25.00), but no less frequently than once a month.
 - 6. The Finance Office shall review the submittal for accuracy and issue a check to the department as part of the normal accounts payable process.

22-D FUND BALANCE POLICY

22-D.1 Purpose

- A. To establish guidelines for the appropriate size of the unassigned fund balance and the use of excess funds for the Town of Gilford.
- B. To manage the town's unassigned fund balance to assist with the orderly operation of the town and provision of services to residents and the continued stability of the property tax structure.
- C. To address several primary considerations.
 - 1. To meet the cash flow requirements of the Town.
 - 2. To assist with property tax rate stabilization.
 - 3. To assist with the management of revenues and expenditures, recognizing that sources of revenues are impacted differently under varying economic conditions.
 - 4. To identify the proper use of excess unassigned fund balance.

22-D.2 Definitions

- A. Fund Balance is the accumulated equity balance in a governmental fund from operations over the years. It is the difference between the fund's assets and its liabilities.
- B. Unassigned Fund Balance is that portion of the fund balance whose use is not restricted by statute or generally accepted accounting standards.
- C. The General Fund is the fund used to account for basic governmental services and is supported mainly by tax revenue.

22-D.3 Policy Guidelines

- A. To maintain a level of fund balance between 5% and 17% of the sum of the town's annual budget plus the School and County appropriations in accordance with the recommendations of the NH Department of Revenue Administration and the general accepted accounting practices recommended by the Government Finance Officers Association.
- B. The general fund unassigned fund balance shall be designated for the following purposes and in the amounts described below.
 - 1. To avoid the need to issue Tax Anticipation Notes, the Town shall retain a sufficient amount of unassigned fund balance in order to provide an appropriate level of cash reserves for town operations and its obligations to the school district and county. This amount shall also include funds necessary to manage unanticipated emergencies as defined by RSA-32:11.

2. A nominal amount of the unassigned fund balance shall be used to stabilize the municipal portion of the tax rate. This amount shall reflect a minimal sum anticipated annually, resulting from unexpended appropriations and unanticipated revenues. This nominal amount, in excess of the cash reserves necessary in (1) above, is established at \$200,000.
 3. Unassigned fund balance in excess of (1) and (2) which is above the minimum amount set forth in (A) shall be known as unallocated unassigned fund balance.
 4. It is recognized that an undue reliance upon the unassigned fund balance to stabilize the tax rate is detrimental to the financial health of the town. Accordingly, with the exception of (2) above, the town shall not allocate any additional portion of its unassigned fund balance to pay operating costs, wages, salaries and benefits, or recurring capital expenses (e. g. police cruisers, minimal level of road reconstruction).
 5. It is recognized that municipal rating agencies discourage the use of one-time or excess funds to pay debt service requirements. Accordingly, the Town shall not allocate any additional portions of its unassigned fund balance to make debt service payments.
 6. Unallocated unassigned fund balance in excess of the sums necessary for (1) & (2) may be used for the current or planned capital expenses through the use of Capital Reserve Funds, non-recurring capital equipment, and other capital purchases or major projects which will increase the town's efficiency in delivering municipal services, but whose absence shall not curtail or otherwise restrict the delivery of those services.
 7. Unallocated unassigned fund balance may also be utilized to re-appropriate funds for projects previously budgeted but not initiated at fiscal year end.
 8. Unallocated unassigned fund balance may be utilized for overlay purposes when it is anticipated that the property tax abatements will be issued for assessment changes implemented in a previous fiscal year.
- C. The town recognizes that several revenue sources are subject to significant fluctuation, depending upon the local and regional economic climate. Among these revenue sources are motor vehicle permit fees, boat registration fees, interest on deposits and interest earned on delinquent taxes. In order to avoid an over-reliance upon these variable revenue sources, the Town shall include in its annual budget estimates of historical norms. If actual revenues fall short of these Excess revenues shall, at year-end, be classified as Undesignated Fund Balance, to be utilized in accordance with this Policy.
- D. Nothing in this Policy shall require the Town to exhaust all of its unallocated unassigned fund balance in one fiscal year. Expenditure of unallocated unassigned fund balance shall be made after a review of all available information, including the Town's planning tools such as the Capital Improvements Program.
- E. The Finance Director, as part of the annual budget process, shall prepare an analysis of this Policy. The analysis shall include the prior year actual status of this policy and project the status for the current year.

- F. Shortages from the requirements of this policy shall result in no further allocation of unassigned fund balance beyond the use in (1) above, until such time as the unassigned fund balance exceeds that required in (1). Thereafter, any excess unassigned fund balance shall be used for tax rate stabilization as described in (2) above, followed by other potential uses identified throughout this Policy.
- G. Overages from the requirements of this policy shall be managed in one of the ways as defined in (6) through (8). Should excessive overages continue over an extended period of time, the amount used to stabilize the tax rate as set forth in (2) may be adjusted accordingly.
- H. It is clearly understood that the guidelines adopted within this Policy, particularly those associated with expenditures, shall first receive appropriate authority from voters at an Annual Meeting.

22-E INTERNAL CONTROLS

22-E.1 Purposes

Internal controls are tools that help managers be effective and efficient while avoiding serious problems such as overspending, operational failures, and violations of law. Specifically, internal controls are the structure, policies, and procedures put in place to provide reasonable assurance that management meets its objectives and fulfills its responsibilities.

22-E.2 Principals and Guidelines

A. The Control Environment

1. The Board of Selectmen has adopted this policy as evidence of their commitment to safeguarding the Town's assets. The expectation of integrity and ethical values is the foundation for all other components of managerial control.
2. Integral to the organizational culture of the Town is a commitment to competence. A sound Personnel Plan, continual review of job descriptions, background checks, job qualifications, and performance evaluations are some of the tools used to demonstrate this commitment. In addition to competence, a clear line of authority and responsibility is established and documented throughout the Personnel Plan, job descriptions and departmental policies.

B. Risk Assessment

1. All levels of administration and management must be aware of the potential risks that could hinder Town operations. Always be aware of what could go wrong and what assets need to be protected.
2. Some indications of increased risk include;
 - a. Changes in personnel (turnover, attitudes, levels of stress, illness).
 - b. Changes in operations (economic or political).
 - c. Periods of rapid growth.
 - d. Establishment of new services provided.
 - e. Complex programs or activities.
 - f. Cash transactions.
 - g. Off-book accounts.
 - h. Uncorrected prior problems.

C. Control Activities

1. These are the tools that minimize risk and enhance effectiveness. They are designed to increase productivity, not bureaucracy. Primarily, this consists of specific departmental or town-wide policies and procedures that describe what the Town's objectives are and how to achieve those objectives.

2. Preventive controls utilized include; authorizations, documentation, segregation of duties, sequential numbering of forms, controlled access, physical security, confidentiality, computer passwords, and disaster recovery.
3. Detection controls include;
 - a. Reconciliations.
 - b. Periodic verifications (inventory).
 - c. Exception reports.
 - d. Supervisory reviews.

D. Information and Communication

1. Supervisors must communicate duties and responsibilities to employees and employees must be able to alert management to potential problems. Communication of this policy must be ongoing between various levels and departments of the Town. This information must be communicated both within the Town's operations and externally to vendors, taxpayers, and other committees.

E. Monitoring

1. The effectiveness of all control policies and procedures shall be periodically reviewed. Ongoing review will assess the continued adequacy of policies and identify problems that need to be corrected.

22-F FRAUD POLICY

22-F.1 Purposes

- A. The Town of Gilford is committed to protecting its revenue, property, information and other assets from any attempt, either by members of the public, contractors, vendors, agents or its own employees, to gain by deceit, financial or other benefits at the expense of Town taxpayers.
- B. Town officials and employees must, at all times, comply with all applicable laws and regulations. The Town will not condone the activities of officials or employees who achieve results through violation of the law or unethical business dealings. The Town does not permit any activity that fails to stand the closest possible public scrutiny.
- C. This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

22-F.2 Definitions

- A. Occupational fraud is defined by the Association of Certified Fraud Examiners as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets. There are three major categories of occupational fraud.
 - 1. Asset Misappropriations – Theft or misuse of an organization's assets.
 - a. Cash.
 - i. Fraudulent Disbursements – Causing the Town to disburse funds through some trick or device (e.g. submitting false invoices/time cards/sheets, expense reimbursement schemes, check tampering, etc.).
 - ii. Skimming – Cash is stolen before it is recorded on the Town's books and records.
 - iii. Cash Larceny – Cash is stolen after it has been recorded on the Town's books or records.
 - b. Inventory and all other assets.
 - i. Misuse – Misuse of the Town's inventory or assets for personal use (e.g. Town vehicles and equipment, computers, materials, supplies, etc.).
 - ii. Larceny – Inventory or other assets are stolen.
 - 2. Corruption – Wrongfully use influence in a business transaction in order to procure some benefit for themselves or another person, contrary to duty to employer or the rights of another.
 - a. Conflicts of Interest – An undisclosed economic or personal interest in a transaction that adversely affects the Town.
 - b. Bribery – The offering, giving, receiving or soliciting of anything of value to influence an official act or a business decision.

- c. Illegal Gratuities – A party who benefits from an official act or a business decision gives a gift to a person who made the decision. An illegal gratuity does not require proof of intent to influence.
 - d. Economic Extortion – An employee demands that a vendor/contractor/etc. pay to influence an official act or a business decision.
3. Fraudulent Statements – Falsification of the Town’s financial statements.
- B. Other similar irregularities is defined as any activity involving questionable behavior or business dealings by members of the public, contractors, vendors, agents or Town employees, that put Town revenue, property, information and other assets at risk of waste or abuse.

22-F.3 Applicability

This policy applies to all Board Members, the Town Administrator, employees of the Town, and to all Committees over which the Board of Selectmen has authority to require general policies to be followed. This policy is also applicable to companies doing business with the Town of Gilford (contractors, vendors, agents, etc.).

22-F.4 General Policy and Responsibility

- A. It is the Town’s intent to fully investigate any suspected acts of fraud or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, and length of service or relationship with the Town of any party who might be or become involved in the subject of such investigation.
- B. The Board of Selectmen and Town Administrator are responsible for instituting and maintaining a system of internal controls 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.
- C. The Town Administrator has the primary responsibility for the investigation of all activity defined in this policy.
- D. In all circumstances where there are reasonable grounds to indicate that a fraud may have occurred, the Town Administrator, with the advice of the Board of Selectmen, will contact the Gilford Police Department.
- E. Upon conclusion of the investigation, the results will be reported to the Town Administrator and others as determined necessary.
- F. The Town will pursue every reasonable effort, including court ordered restitution, to obtain recovery of the Town’s losses for the offender, or other appropriate source.

22-F.5 Procedures

- A. All Employees
 - 1. Any employee who has knowledge of an occurrence of irregular conduct, or has reason to suspect that a fraud has occurred, shall immediately notify his/her

supervisor. If the employee has reason to believe that their supervisor may be involved or does not feel comfortable reporting the occurrence to their supervisor, the employee shall immediately notify the Town Administrator.

2. Employees have a duty to cooperate during an investigation.
3. Employees who knowingly make fake allegations will be subject to discipline in accordance with Personnel policy and procedures.

B. Town Management/Elected Officials

Upon notification from an employee of suspected fraud, or if management has reason to suspect that a fraud has occurred, they shall immediately notify the Town Administrator.

C. Town Administrator

Upon notification or discovery of a suspected fraud, the Town Administrator will promptly investigate the suspected fraud. In all circumstances, where there are reasonable grounds to indicate that a fraud may have occurred, the Town Administrator will inform the Town's Counsel. Subject to the advice of Town Counsel, the Town Administrator will contact the Gilford Police Department.

D. Contacts/Protocol

After an initial review and a determination that the suspected fraud warrants additional investigation, The Town Administrator will coordinate the investigation with Town Counsel and appropriate law enforcement officials.

E. Security of Evidence

Once a suspected fraud is reported, the Town Administrator, in consultation with Town Counsel, shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not necessarily 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 must be adequately secured until the Town Administrator obtains the records to begin the investigation.

F. Confidentiality

All participants in a fraud investigation shall keep the details and results of the investigation confidential. However, the Town Administrator, in consultation with Town Counsel and/or police department, may disclose particulars of the investigation with potential witnesses if such disclosure would further the investigation.

G. Personnel Actions

1. If a suspicion of fraud is substantiated by the investigation, disciplinary action, up to and including dismissal shall be taken by the Board of Selectmen.
2. Unless exceptional circumstances exist, a person under investigation for fraud shall be given notice in writing of the essential particulars of the allegations following the conclusion of the audit investigation and prior to final disciplinary

action being taken. Where notice is given, the person against whom allegations are being made may submit a written explanation to the Town Administrator no later than seven calendar days after the notice is received.

H. Whistle-Blower Protection

1. Under New Hampshire Statute Title XXIII Labor, Chapter 275-E of the Whistleblowers' Protection Act – Protection of employees reporting violations – No employer shall discharge, threaten, or otherwise discriminate against any employee regarding such employee's compensation, terms, conditions, location, or privileges of employment because:
 - a. The employee, in good faith, reports or causes to be reported, verbally or in writing, what the employee has reasonable cause to believe is a violation of any law or rule adopted under the laws of this state, a political subdivision of this state, or the United States; or
 - b. The employee, in good faith, participates, verbally or in writing, in an investigation, hearing, or inquiry conducted by any governmental entity, including a court action, which concerns allegations that the employer has violated any law or rule adopted under the laws of this state, a political subdivision of this state, or the United States.
2. Paragraph I of this section shall not apply to any employee unless the employee first brought the alleged violation to the attention of a person having supervisory authority with the employer, and then allowed the employer a reasonable opportunity to correct that violation, unless the employee had specific reason to believe that reporting such a violation to his employer would not result in promptly remedying the violation.

I. Media Issues

Any Town employee or elected official contacted by the media with respect to an audit investigation shall refer the media to the Town Administrator. The alleged fraud or audit investigation shall not be discussed with the media by any person other than the Town Administrator.

J. Documentation

At the conclusion of the investigation, the results will be reported to the Town Administrator and Board of Selectmen and others as determined necessary. If the report concludes that the allegations are founded, the report will be forwarded to the Office of the Attorney General and/or the Police Department.

K. Completion of the Investigation

Upon completion of the investigation, including all legal and personnel actions, any records, documents and other evidentiary material will be returned by the Town Administrator to the appropriate department.

L. Reporting to External Auditors

The Town Administrator will report to the external auditors of the Town all information relating to investigations.

M. Training

1. Employees of the Town will be given a copy of this policy and will also be required to understand the requirements as listed below. New employees are trained at the time of hiring about the Town's Personnel Plan, Internal Control Policy and Fraud Policy. This training explicitly covers expectations of all employees regarding:
 - a. Their duty to communicate certain matters;
 - b. A list of types of matters, including actual or suspected fraud, to be communicated along with specific examples; and
 - c. Information on how to communicate those matters.

N. Annual Report

As directed by the Board of Selectmen, the Town Auditor will report, on an annual basis, information related to investigations conducted during the year.