

City of Atlantic Beach

Financial Management Policy and

Procedures



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Atlantic Beach, Florida*

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1. GENERAL PURPOSE

The purpose of the City of Atlantic Beach's **Financial Management and Internal Controls Policy** is to establish guidelines for control of the administration and implementation of the City of Atlantic Beach's funds in accordance with the City of Atlantic Beach's goals and objectives; to properly safeguard the assets of the City of Atlantic Beach to make sound financial decisions, and have the ability to provide accurate financial reports.

The City of Atlantic Beach is a non-federal entity administering federal grants, and are therefore required to account for and present their basic financial statements in accordance with Generally Accepted Accounting Principles (GAAP) standards set by the Governmental Accounting Standards Board (GASB).

This Policy governs the financial management system of the City of Atlantic Beach and complies with the provisions of Title 2, Part 200 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Grant Guidance").

2. FINANCIAL RESPONSIBILITIES

This policy and any later changes shall be submitted to the City Commission for approval. The Commission is responsible for ensuring that any policy to be adopted is appropriate for the City of Atlantic Beach.

The Commission appoints and delegates financial and budget authority to the City Manager and the Director of Finance. The Director of Finance oversees the day-to-day financial management activities of the City of Atlantic Beach's funds, ensuring the accuracy of the accounting records, internal controls are in place and adhered to, financial reports are prepared and communicated to the City Manager in a timely manner.

The Director of Finance, is responsible for the preparation and maintenance of the accounting software's chart of accounts, maintenance of the general ledger, reconciliation of subsidiary system accounts such as cash management, accounts payable, accounts receivable, journal entries, and responsibility of preparing required reports for compliance with State and Federal grant reporting requirements.

3. ACCOUNTING METHODS & STANDARDS

Accounting methods employed by the City of Atlantic Beach shall, at a minimum, satisfy such requirements as may be prescribed by federal or state laws, regulations or guidelines. Additional accounting methods shall be employed to satisfy applicable government accounting standards promulgated by such competent authoritative

sources as the Governmental Accounting Standards Board (GASB) where applicable.

4. REVENUE RECOGNITION

Revenue shall be recognized in the accounting period in which they are earned and measurable. The City of Atlantic Beach's major revenue categories are:

- *Taxes*
- *Licenses and Permits*
- *Intergovernmental Revenue*
- *Charges for Services*
- *Fines and Forfeitures*
- *Miscellaneous Revenues*
- *Interest and Dividend Income*

5. EXPENSE RECOGNITION

Expenses are generally recognized in the accounting period in which they are incurred, when measurable. Exceptions to this general rule include:

- *Prepaid Expenses*: Expenses are recognized as they are used or consumed.

6. ACCOUNT RECORDS, IDENTIFICATION, AND SOURCE DOCUMENTS

In the administration of federal, state and local government awards, the City of Atlantic Beach's financial management system must be set up so that it can provide for the following:

The City of Atlantic Beach must maintain adequate accounting records that are supported by source documents which are the basis for the accounting transactions that are entered into the City of Atlantic Beach's accounting system. Examples include checks, invoices, copies of checks and receipts, timesheets, etc.

The City of Atlantic Beach must maintain records which adequately identify the source and application of funds provided. For example:

- a. **Federal Awards**: All Federal awards received and expended by the City of Atlantic Beach must be properly identified and accounted for and must include, as applicable, the Assistance Listing Number (ALN) title, grant identification number and year, name of the federal agency, and the name of the pass-through entity, if any.

b. **State and Local Awards:** All State and Local awards received and expended by the City of Atlantic Beach must be properly identified and accounted for and must include, as applicable, the title and name of the grant award, the award number and the year, and the name of the pass-through entity, if any.

The City of Atlantic Beach must maintain source documents that adequately support the grant award, authorizations, obligations, unobligated balances, assets, expenditures, income and interest.

7. RECORDS AND INFORMATION MANAGEMENT

The City of Atlantic Beach shall apply uniform rules for the City of Atlantic Beach's records (including financial) and information which meet legal standards and best practices for effective records and information management for existing records and yet to be created records, and shall apply to all employees and contractors who generate information for the City of Atlantic Beach. The City of Atlantic Beach shall ensure:

- Control of all the City of Atlantic Beach's information, regardless of media form;
- Records are retained in accordance with legal, business and federal, state, and local government program requirements;
- Records are maintained and stored in a manner that is secure and accessible through the retention period;
- Appropriate safeguards are in place against illegal access, removal, loss, or destruction of the City of Atlantic Beach's records and information;
- Disposal of records and information is performed in accordance with an approved records retention schedule.

8. FINANCIAL REPORTS

The City of Atlantic Beach must be able to produce accurate, current, and complete disclosure of the financial results of each of the financially assisted activities made in accordance with the financial reporting requirements of the grant or subgrant.

The City of Atlantic Beach shall use the financial reports as tools to manage, control, ensure compliance, monitor, and inform the City of Atlantic Beach on its financial activities.

- a. **Reports to Grant Agencies:** The City of Atlantic Beach shall complete and submit all reports to Federal, State, and local grant agencies in accordance with, and in the format and timelines required by the agency. The Director of Finance shall oversee all administrative and financial reports.
- b. The City of Atlantic Beach shall prepare and make available to management and the

Commission on a quarterly basis.

9. CASH MANAGEMENT POLICY

The City of Atlantic Beach recognizes the importance of cash management to insure there are sufficient funds to pay for the expenses of operating the City of Atlantic Beach's housing programs. The Finance Director shall be responsible for monitoring the daily cash flow and balances of all cash funds, including investments.

On a monthly basis, the Finance Director shall provide a report that shows the cash position from all sources that are accounted for in the cash accounts and investment accounts, along with bank and investment statements. The City of Atlantic Beach's cash and investment funds may be from a variety of sources.

The Director of Finance shall be responsible for providing monthly reports to the City Manager, to include:

- Book cash and investment position reports;
- Cash flow projections for the following month;
- Investments statements from the depository or the broker that show the activities of the accounts, such as amounts deposited and withdrawn, investment revenues, fees, and gains or losses on investment.

If at any time, the Director of Finance finds the City of Atlantic Beach in a potential cash deficiency situation, the Commission and the City Manager must be notified immediately.

Any cost allocable to a particular Federal award may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. For example, the City of Atlantic Beach shall not divert funds between programs.

10. BUDGET ADMINISTRATION

a. *Budget Responsibility and Adoption:*

The City of Atlantic Beach's annual budget represents a financial plan for management to carry out the objectives of the City of Atlantic Beach. The City of Atlantic Beach's City Manager, Director of Finance and department directors are responsible for preparing the annual budget, and are responsible for presenting the annual budget to the Commission for final approval.

Total projected revenues or sources and uses of funds are identified and included in the annual budget, allowing for inclusion of all funding sources and all funding outlays during the budget period. In addition to grant revenue, other sources of funds, are included in the annual budget to accurately portray total resources used to fund operating and capital plans in the fiscal year, and expenditure budgets for grant awards

are in compliance with the grant agreement.

b. Budget Preparation Timing:

The budget process should begin early in the fiscal year to allow the City Manager, Director of Finance, and the department directors to engage in the process and present the budget to the Commission for approval.

Once the budget has been approved, the Director of Finance shall input the approved budget in the accounting system for the new fiscal year.

c. Budget Management and Report:

Program coordinators shall be responsible for managing transactions that are charged against their department budgets, and are accountable for ensuring their department revenues and expenses posted against their department budget are accurate, and are responsible for providing justifications on budget variables.

The budget for specific grant awards provides a spending plan against which fiscal and program performance can be measured. Therefore, the City of Atlantic Beach's accounting system must be set up in a manner that allows the City of Atlantic Beach to produce financial reports that compare expenditures with budget amounts in compliance with the Federal award agreement.

11. PURCHASE OF GOODS AND SERVICES

The City of Atlantic Beach's purchases shall be governed by its Commission approved procurement policy, which establishes guidelines to ensure reasonable buying practices and competition, quality and integrity.

12. ALLOWABLE COSTS

As the recipient of federal awards, the City of Atlantic Beach bases its allowable cost principles on Subpart E of the Uniform Grant Guidance. No moneys shall be expended for activities that are unallowable or that are included as a cost of any other federally-funded program in either the current or a prior year.

The total cost of a federal award is the sum of the allowable direct and allocable indirect costs, less any applicable credits.

In determining the allowable costs for federal awards, the City of Atlantic Beach must apply the following criteria to costs:

- Be necessary, reasonable, and allocable;
- Conform to any limitations or exclusions;
- Be consistent with policies and procedures;
- Apply treatment of cost consistently;
- Generally, be treated in accordance with generally accepted accounting principles (GAAP);

The City of Atlantic Beach must adequately document costs to include, compliance with statutory and national policy requirements and be able to prepare reports that measures performance.

The City of Atlantic Beach shall have written procedures for determining the allowability of costs that comply with the terms and conditions of the federal award as outlined in this section.

13. CAPITAL ASSETS

Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

- Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and
- Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).

The City of Atlantic Beach shall comply with its capital asset policy and procedures that provides guidance for employees to manage and safeguard the City of Atlantic Beach's capital assets, including active management of assets with processes in place for tracking additions through purchases and donations, disposition, and depreciation.

- **Donated assets** shall be recorded at their fair market value (FMV) at the time of donation. The City of Atlantic Beach may depreciate the donated asset, but is prohibited from charging the value of the donated item, or costs associated with the donated asset to the federal award.
- **Depreciation of assets** is allowable using the straight-line method.

Adjustments for depreciation should be made as necessary, and tracked with a capital asset depreciation schedule. At a minimum, the schedule should include: Capital asset classification (for example, Land, Equipment, Building), description of the assets, initial costs or FMV of the donated asset, depreciable life, date purchased, accumulated depreciation, current year depreciation, and net asset value at the end of the year.

a) CAPITALIZATION PROCEDURES

- I. Physical assets, such as property and equipment, are an integral part of the operation of the City of Atlantic Beach and shall be safeguarded in much the same manner as cash assets.

- II. All Department property and equipment shall be stored in a secure place.
- III. The Finance Department of the City of Atlantic Beach shall maintain a property ledger in the book of accounts of the Department, which shall include a list of all capitalized items for inventory control purposes.
- IV. Detailed records of individual capital assets shall be kept and periodically (at least annually) balanced with the general ledger accounts.
- V. All property and equipment owned by the City of Atlantic Beach (other than real estate) shall be divided into two categories: Expendable items or Non-expendable items, defined as follows:
 - i. Expendable items are purchased or donated items having a useful life of less than twelve (12) months and costing less than \$5,000.00, and can be expended.
 - ii. Non-expendable items are purchased or donated items having a useful life of more than twelve (12) months and costing more than \$5,000.00.
- VI. The Director of Finance of the City of Atlantic Beach or his/her designee for budgeting and financial control purposes shall capitalize non-expendable items. Detailed records of individual capital assets shall be kept and periodically (at least annually) balanced with the general ledger accounts. Adjustments for depreciation should be made as necessary.
- VII. The City of Atlantic Beach shall make a physical inventory of all equipment and property (other than real estate) at least annually, which shall be reconciled to the general ledger accounts.

14. AUDIT

The City of Atlantic Beach shall have a financial audit completed annually by a certified, external, independent accounting firm. The Director of Finance shall have direct responsibility in overseeing the implementation of the audit. The selection of an auditor shall be competitively procured using the Request for Proposal (RFP) method with the objective of obtaining a high quality audit, and the selected audit firm must provide a peer review report as part of the selection process.

The City Manager and the Director of Finance shall make available the completed audit report to the Commission. The auditors shall present the audit to the Commission for the Commission to approve and accept.

The audit shall meet the Generally Accepted Government Auditing Standards (GAGAS)

and comply with the audit requirements under Title 2 Part 200 of the Uniform Grant Guidance. The City of Atlantic Beach's audit shall include audit of the City of Atlantic Beach's federal, state, and local government funded programs expended during the audit period.

- a. **Single Audit:** If the City of Atlantic Beach expends \$750,000 or more of federal funds during the fiscal year, it is subject to a single audit and must comply with the scope of audit within the Uniform Grant Guidance where auditor shall test for the City of Atlantic Beach's:
 - I. Compliance with the requirements of the federal program, and
 - II. Internal Control over the compliance of the program.
- b. **Audit Findings and follow-up:** The City of Atlantic Beach shall submit the audit to the granting agency as required by the grant agreement. The City of Atlantic Beach shall develop a plan to correct all deficiencies (if any) noted in the audit and shall implement sufficient and appropriate corrective actions in order to preclude repeat findings in subsequent audits. The City of Atlantic Beach shall be required to describe in the audit document, reasons for the reoccurrence of the finding, planned corrective action, and any partial corrective action taken.
- c. **Report Submission:** The audit shall be submitted to the Federal Audit Clearinghouse (FAC) within thirty (30) days after receipt of the auditor's report, or nine (9) months after the end of the audit period, whichever is earlier.
- d. The City of Atlantic Beach may opt not to authorize the FAC to make the reporting package publicly available on a website. If the City of Atlantic Beach chooses this option, it shall be responsible for submitting the reporting package directly to any pass-through entities through which it has received a Federal award and to pass-through entities for which the summary schedule of prior audit findings reported the status of any findings related to Federal awards that the pass- through entity provided.

15. PETTY CASH

The City of Atlantic Beach is authorized to maintain a petty cash fund totaling \$3,950. The Finance Department, Police Department and Public utilities shall designate a custodian for their portion of the petty cash fund. The purpose of the fund is to have a small amount of cash available for paying small amounts owed, rather than writing a check. The petty cash shall be in the safekeeping of the designated custodian in each department who shall keep track of payouts from the fund with receipts. At all times, the amount of cash on hand and the receipts must total the amount of authorized petty cash. When the cash in the petty cash fund is low, the custodian shall request a check to replenish the cash that has been paid out. The fund shall be subject to surprise audits.

16. BANKING AND INVESTING SERVICES

The administration and investment of the City of Atlantic Beach's funds including any Federal, State or Local grant fund awarded shall be in accordance with the established City of Atlantic Beach 's Investment Policy.

Banking and services shall be arranged through competitive solicitation, when practical under the circumstances. The depository must be a financial institution that is sufficiently insured by the Federal Deposit Insurance Corporation ("FDIC") and be a State of Florida Public Depository.

APPENDIX 1: EFFECTIVE INTERNAL CONTROLS AND ACCOUNTABILITY

Notwithstanding the policies described earlier in this document, the City of Atlantic Beach has established a number of internal control procedures to ensure:

- The grant awards are managed to comply with statutes, regulations, and the terms and conditions of the award;
- The City of Atlantic Beach shall take prompt action to correct identified instances of noncompliance including noncompliance identified in audit findings;
- The City of Atlantic Beach must take reasonable measures to safeguard sensitive information and assets purchased with grant awards, consistent with privacy obligations of confidentiality of applicable federal, state, and local laws.

In addition, The City of Atlantic Beach has established written procedures to implement internal controls over cash handling and requirements for payment methods that:

- Ensure there are sufficient funds to cover payments made for program and operations activities;
- Ensure adequate internal controls are in place in the handling of cash receipts from the time of receipt to deposit in the appropriate depository;
- Establish written procedures to ensure the amount and the timing of grant award advances drawn for the purpose of paying program expenses have not been drawn unreasonably in advance of when the funds are needed for program expenses.
- Establish adequate internal controls and written procedures to ensure payments are made only for approved purposes;
- Maintain adequate accounting records for cash receipts and payments.

A. Separation of Duties

This Policy is based on the principle of separation of duties. Accordingly, no single person shall have the authority to authorize a transaction, execute a transaction, record a transaction, and have custody of any resulting assets.

B. Cash Collection Control Procedures

1. Payments by cash, checks and money orders may be received only by designated personnel of the City's Finance Department. Only City employees designated by the Director of Finance of the City of Atlantic Beach are authorized to receive payments and issue receipts.
2. Cash, checks and/or money orders shall be deposited in the bank where the City of Atlantic Beach has an approved depository agreement. Deposits shall be made daily.

3. When cash is retained in the office overnight, it must be stored in a locked, fireproof safe.
4. Checks received shall immediately be stamped “For Deposit Only”.
5. A bank deposit slip shall be prepared and shall include each of the cash receipt numbers making up the deposit and complete details as to the amount of coin, currency and checks. An employee of the Finance Department of the City of Atlantic Beach (other than the employee who issued and/or previously handled the cash receipts) shall reconcile the receipts.
6. All payments shall be deposited intact with the appropriate deposit slip to provide an additional record. Under no circumstances shall any disbursements be made from payments received.
7. Payments received shall be recorded in the individual resident accounts receivable records on the day of receipt or as soon thereafter as practical, even when the money is not deposited on the same day. Cash receipt numbers shall be recorded on both the deposit slip and the resident account receivable records.
8. The employee designated by the Department Director as having responsibility for tenant ledger maintenance shall be responsible for posting the resident accounts receivable records. The Director of Finance of the City of Atlantic Beach or his/her designee shall make the bank deposits.

C. Cash Disbursement Control Procedures

1. The Commission shall approve by resolution a spending and signing authority for the Commission, City Manager, Director of Finance and department directors to identify and enable authorized personnel to:
 - a. Procure products and services through requisitions, check requests, or credit card services.
 - b. Sign contracts and change orders for an authorized amount.
 - c. Receive grants.
 - d. Sign checks.
2. All checks require two authorized signatures. The Director of Finance shall oversee the proper notification of the City of Atlantic Beach banks whenever authorized signature changes are made.
3. All debts representing allowable and authorized costs shall be paid promptly upon receipt of proper invoices/billing statements.
4. All disbursements shall be made by check. The City Manager may approve other forms

of disbursement such as wire or electronic funds transfers.

- a. All checks shall be pre-printed and shall bear the name and address of the City of Atlantic Beach.
- b. All checks must be pre-numbered and used in sequence. Voided checks must be retained and recorded.
- c. The supply of unused checks shall be adequately safeguarded in a fireproof cabinet or safe.
5. The Director of Finance shall ensure that the vendor's invoice/billing statement accords with the terms of the purchase, that the goods have been received and conform to specifications or that the services billed have been rendered satisfactorily, that discounts or other adjustments of the amounts billed are in order, that the computations and accounts to be charged are correct and that sufficient funds are available for payment.
6. The Director of Finance of the City of Atlantic Beach or his/her designee shall prepare checks.
7. Checks shall never be written for "cash."
8. Checks shall not be signed or countersigned in advance of being completely filled out. Each check shall be accompanied by adequate supporting documentation, including invoices, travel vouchers, etc.
9. All checks shall require the signature of at least two (2) individuals properly authorized by the City of Atlantic Beach.
10. Whenever possible, no individual shall sign a check on which he/she is the payee.
11. Check signers shall review each check carefully and shall not sign any check that lacks appropriate supporting documentation or exhibits signs of alteration. If it is necessary to change a check, the check must be voided and a new check issued.
12. The signed check shall be mailed or delivered to the payee by the Procurement Associate of the City of Atlantic Beach or his/her designee.
13. The Director of Finance of the City of Atlantic Beach or his/her designee shall reconcile bank statements of the Department. Discrepancies between any books of

account, financial statements, and/or bank statements shall be reported to the City Manager and/or Commission, promptly investigated and resolved.

D. Special Procedures Regarding Payroll Disbursement.

1. The City of Atlantic Beach shall have written authorizations on file for all employees that cover their rates of pay, withholdings and deductions.
2. The Director of Human Resources or his/her designee shall establish adequate timekeeping controls (including the use of time sheets) and there shall be supervisory review and approval of all employee time/leave records prior to issuance of a check.
3. The Human Resources Director of the City of Atlantic Beach or his/her designee with the assistance of the Accountant shall prepare payroll checks.

E. Credit Card Control Procedures

1. With the advice and consent of the Commission of the City of Atlantic Beach, credit cards may be made available to designated employees consistent with their job duties and demonstrated professional responsibility.
2. Credit cards are for authorized business expenditures of the City of Atlantic Beach and are not intended to be used by employees as a substitute for personal credit cards.
3. The City Manager must authorize business expenses before charges are incurred on company credit card(s) in accordance with applicable City of Atlantic Beach policies, procedures and practices, including but not limited to the Travel and Training Policy and the Procurement Policy. The City Manager may authorize valid business expenses in writing retroactively.
4. Employees shall submit receipts for all expenses charged to company credit card(s) to the Director of Finance or his/her designee within one week of the transaction.
5. The Director of Finance or his/her designee shall examine billings for all company credit cards to ensure that all charges are valid. If there are incorrect charges, the Director of Finance or his/her designee shall notify the City Manager immediately and shall complete and return any forms necessary to dispute such charges to the credit card company. If an employee with knowledge of an incorrect or disputable charge fails to report such charge within a reasonable time, he or she may be liable to the City of Atlantic Beach for any resultant charges and may be subject to disciplinary action up to and including termination of employment.
6. Employees who incur ineligible or disallowed costs on company credit cards shall reimburse the City of Atlantic Beach for such charges within thirty (30) calendar days of the date such charges were incurred and may be subject to disciplinary action up to and including termination of employment.

7. Charges shall not be incurred in excess of the credit card's established credit limits. If a higher limit is required, a request for a new credit limit and supporting documentation shall be submitted to the City Manager for approval.
8. Lost or stolen credit cards shall be reported to the City of Atlantic Beach and to the credit card company immediately and not later than the first business day after discovery of the loss. Employees who fail to report lost or stolen credit cards may be held liable for any charges and may be subject to disciplinary action up to and including termination of employment.
9. Employees shall surrender company credit card(s): (1) upon demand by the City of Atlantic Beach, (2) when there is no longer a business need for the card and/or (3) upon termination of employment. Cancelled credit cards shall be returned immediately to the City of Atlantic Beach and properly destroyed. Surrender or cancelation of a credit card does not discharge any responsibilities incurred up to and including the date of such action.