

TOWN OF MANSFIELD  
FINANCE COMMITTEE MEETING

Monday, June 13, 2016

Audrey P. Beck Building  
Council Chambers  
5:30pm

A G E N D A

CALL TO ORDER

APPROVAL OF THE MINUTES

OPPORTUNITY FOR PUBLIC COMMENT

STAFF REPORTS

OLD BUSINESS

1. Policies and Procedures Update
2. Parks & Recreation Subsidy
3. Purchasing Ordinance Review

NEW BUSINESS

4. Street Light Purchasing Program
5. Financial Management Goals/Policies

COMMUNICATIONS/OTHER BUSINESS/FUTURE AGENDA ITEMS

ADJOURNMENT

TOWN OF MANSFIELD  
FINANCE COMMITTEE MEETING  
MINUTES OF MAY 9, 2016

Members Present: Ryan (Chair), Raymond, Marcellino

Other Council Members Present: Shapiro, Shaiken

Staff Present: Trahan, Meriwether

Guests: None

1. Meeting called to order at 5:30pm
2. Approval of minutes for April 11, 2016

***Marcellino moved and Raymond seconded to approve the minutes of the April 11, 2016 meeting as presented. Motion passed unanimously.***

3. Opportunity for Public Comment – None
4. Staff Reports – Finance Director Trahan confirmed that the Special Finance Committee meeting to discuss the Fraud Risk Assessment report will held on May 26, 2016 at 6:00pm.
5. Policies and Procedures Update – Finance Director Trahan reviewed her May 9, 2016 memo regarding the status of the implementation and compliance with the Finance Policies and Procedures. Additional procedures for grant management, RFQ/RFP process, and any new procedures that result from the Fraud Risk Assessment will be brought to the Committee for review and comment before implementation, tentatively scheduled for September 1, 2016. Councilor Raymond pointed out that the Finance Department accomplishments for FY 15/16 in the budget document did not include the work done to implement the updated procedures and to train all staff. She expressed that this was a significant undertaking and wanted the effort noted.
6. Appointment of Auditors for FY 2015/16 – Trahan noted that this item was reviewed with the Finance Committee at their October, 2015 meeting. This would be the fifth year under the current contract. Management would plan to go out to bid for audit services for 16/17.

***Marcellino moved and Raymond seconded to approve and recommend the appointment of Blum Shapiro and Co as the auditing firm for the Fiscal Year 2015/16. Motion passed unanimously.***

7. Quarterly Financial Statements – Trahan reviewed a number of items in the financial statements and answered questions from the Committee. Trahan noted that in the future, now that the Town Aid Road Fund is budgeted to cover our storm-related costs, financial statements will be added to the packet to report on this fund. Councilor Raymond noted that the format of the Eastern Highlands Health District statements is very helpful in that it provides a percentage of budget column. Trahan responded that this is something the Finance Department can easily add for the other funds presented in the packet and will be done beginning with the June 30, 2016 statements.
8. Purchasing Ordinance Review – The Committee briefly discussed the Purchasing Ordinance as it stands now. The Committee and the Finance Director will review the Purchasing Ordinance in

greater detail and bring comments, questions, and suggestions to the June, 2016 Finance Committee meeting.

9. Communications/Other Business/Future Agenda Items - none

10. Adjournment. The meeting adjourned at 6:18 pm.

***Marcellino moved and Raymond seconded to adjourn. Motion passed unanimously.***

Respectfully Submitted,  
Cherie Trahan, Director of Finance

DRAFT

TOWN OF MANSFIELD  
FINANCE COMMITTEE MEETING  
MINUTES OF MAY 26, 2016

Members Present: Ryan (Chair), Raymond, Marcellino

Other Council Members Present: Shapiro, Moran

Staff Present: Meriwether

Guests: Joseph Centofanti, Cohn Reznick

1. Meeting called to order at 6:30pm
2. Opportunity for Public Comment – None
3. Staff Reports – None at this time
4. Fraud Risk Assessment – Joseph Centofanti of Cohn Reznick gave a brief presentation on the submitted fraud risk assessment report highlighting reoccurring themes. Reznick and Meriwether answered questions from the Committee regarding specific recommendations. Reznick will provide a final dated report. Meriwether noted all Level 1 (high priority) recommendations will be implemented on the Town side for September 1<sup>st</sup> and School side October 1<sup>st</sup>. Various requests were made, see item #5 below, that will be followed up on and provided at the August Finance Committee meeting.
5. Items to be provided for August Finance Committee meeting:
  - ⇒ Listing of dates as to when all recommendations will be implemented
  - ⇒ Report of identified recommendations that will not be put into place and what procedure will be used in its place
  - ⇒ Cost analysis of all implemented recommendations
  - ⇒ Review of Finance Department policy and procedures manual to identify any policies and procedures that should be updated given the current fraud risk assessment report.
6. Adjournment. The meeting adjourned at 7:25 pm.

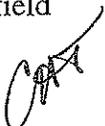
***Marcellino moved and Raymond seconded to adjourn. Motion passed unanimously.***

Respectfully Submitted,  
Amy Meriwether, Accounting Manager/Treasurer



## Town of Mansfield Department of Finance

**To:** Finance Committee, Town of Mansfield

**From:** Cherie Trahan, Director of Finance 

**CC:** Matthew Hart, Town Manager  
Curt Vincente, Director of Parks & Recreation

**Date:** June 13, 2016

**Re:** Parks & Recreation Subsidy Methodology

To assist in your discussion regarding the method of calculating the Parks & Recreation program subsidy, attached is the March 14, 2016 memo from Town Manager Hart. This memo includes historical budget information as well a recommendation from management to establish Option 2 as the basis for the proposed General Fund support. Option 2 would provide an overall 25% subsidy to all community service programs. This subsidy combined with the existing fee schedule would begin to rebuild the fund balance reserve required for a sustainable parks and recreation program.

Since staff initially presented this recommendation, councilors have expressed concern that management is seeking a "blank check" to help support community service programs. I wish to assure the Town Council that this is not the case. Staff sees option 2 as a goal that Council may modify in any given budget year, depending on available resources.

If the Committee supports this recommendation, the following motion would be in order:

*Move, effective June 13, 2016, to adopt the proposed Option 2 Parks & Recreation Funding methodology with the understanding that the Town Council shall periodically review the methodology and may adjust, in any given budget year, the General Fund contribution to the 260 Fund.*

From March 14<sup>th</sup>  
Packet  
Item #7



Town of Mansfield  
Agenda Item Summary

To: Finance Committee  
From: Matt Hart, Town Manager *MWH*  
CC: Maria Capriola, Assistant Town Manager; Curt Vincente, Director of  
Parks and Recreation; Cherie Trahan, Director of Finance  
Date: March 14, 2016  
Re: Cost Recovery for Parks and Recreation (260) Fund

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Subject Matter/Background

As discussed, the financial stability of the Parks and Recreation (260) Fund remains a significant concern for a number of related reasons, particularly because increases in certain more fixed expenditures (e.g. minimum wage, employee health insurance) have outpaced revenue growth and the fund remains highly dependent on user fees as its primary revenue source.

In its report dated August 27, 2007, staff did broach the concept of establishing cost recovery guidelines and bolstering the General Fund contribution to the 260 Fund (see *Building a Sustainable Budget for the Mansfield Community Center, Recreation Fund, and Parks and Recreation Department*). However, at that time the Council did not further pursue the concept of setting appropriate cost recovery levels for Parks and Recreation programming. At staff's recommendation, the Finance Committee has now decided to revisit this topic.

All program services have significant and necessary indirect costs. The Department has met the demand for its services by offering more programs at a higher quality, resulting in a significant increase in the indirect costs and reallocation of staff resources. For example, significant administrative time is required for program supervision, employee supervision, compliance with health and safety regulations, compliance with service industry standards, scheduling, marketing, program development, and many other functions. Additionally, the Department has taken on other significant initiatives such as adult education in 1996 and the opening of the Mansfield Community Center in 2003. Yet another factor is the loss in Fee Waiver Program revenue. While the Town's General Fund has experienced a savings due to recent reform of the Fee Waiver Program, these savings have resulted in a loss over the last two years of \$106,528 in revenue for the Parks and Recreation Fund, further impacting the financial health of the 260 Fund.

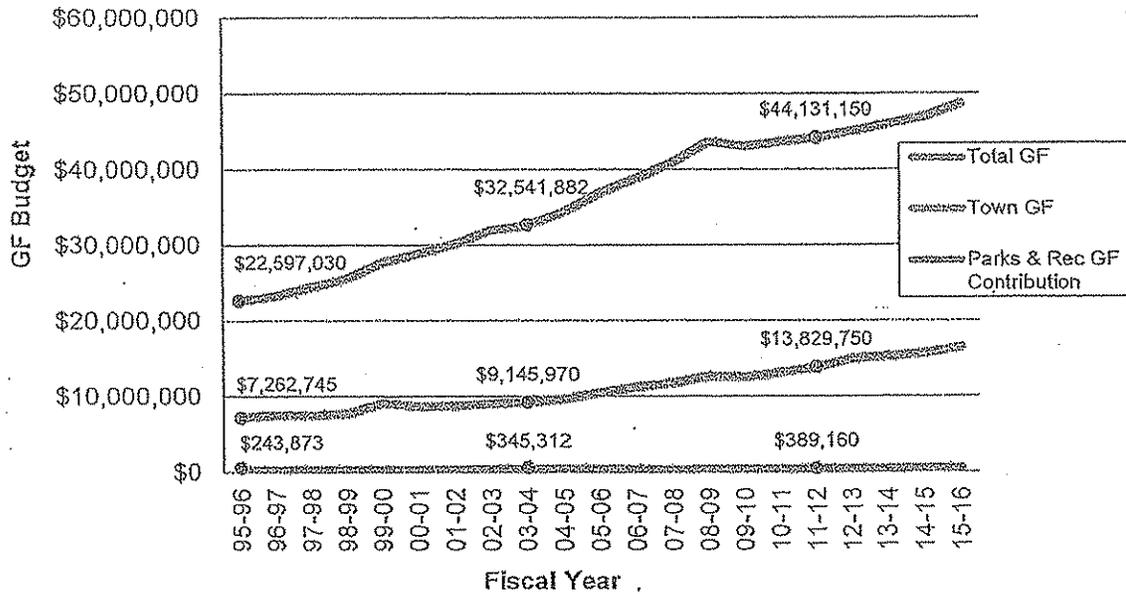
The Parks and Recreation Department utilizes the attached guideline to establish program fees and charges. The Department originally established its membership fees based upon market data and has subsequently modified those fees over the years based upon comparisons to local competitors and budgetary needs. Most fees to participate in Parks and Recreation activities are set using a standard formula by adding the direct costs and indirect costs (typically an additional 35% of direct costs) and dividing by the minimum number of participants needed to recover costs. Some programs, such as select fitness classes and swim lessons, are priced at a higher rate that the market will bear.

The Parks and Recreation Department has been very successful in responding to the Town's needs and goals of enhancing the quality of life for Mansfield residents. Operating a large array of quality programs has associated costs that continue to grow on a yearly basis. Management has in many years been able to increase fund balance in the 260 Fund. However, in recent fiscal years, rapid increases in minimum wage, large increases in benefit costs and most recently the loss of revenue due to the changes in the Fee Waiver program have caused concern that the Fund cannot remain sustainable without additional support.

Parks and Recreation operating revenues and expenditures are accounted for in the Parks and Recreation (260) Fund, showing a contribution from the General Fund. The 260 Fund is financed primarily by user fees from memberships and programs, which are mostly used to fund the expenditures directly related to Community Center operations and other activities (e.g. youth recreation programs, adult education). The General Fund contribution to the 260 Fund primarily funds the salaries and benefits for the positions that support the Department as a whole and as it existed prior to the Community Center operation.

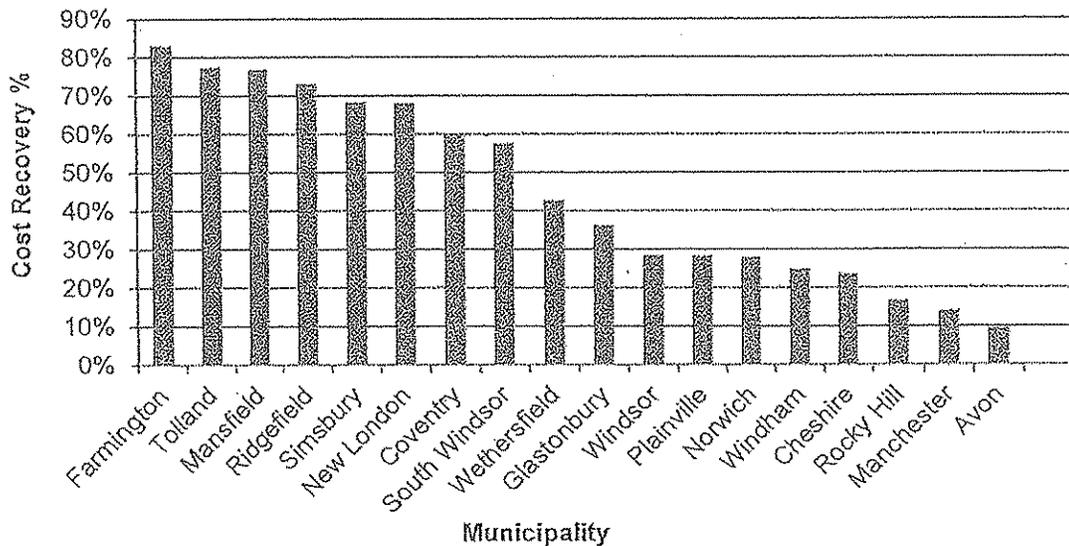
The General Fund contribution to the Parks and Recreation Fund has remained minimal since the 260 Fund's inception in 1990. In FY 2004/05 the total contribution was approximately 4.6% of the total General Fund (including Board of Education and Region #19 commitments). At present, the General Fund contribution to the 260 Fund represents only 2.9% of the total General Fund.

### Growth in General Fund Budgets Town v. Parks & Rec 1996-2015



It is important to note that cost recovery for Parks and Recreation services is significantly higher than those in similar Connecticut towns. User fees account for 76.9% of the cost recovery for Mansfield Parks and Recreation. As indicated in the table below, this figure is considerably higher than the majority of comparable communities in Connecticut.

### Parks and Recreation Comparison: Cost Recovery % Through User Fees



\*Farmington and Tolland have some General Fund expenditures, such as office front-line staff and associated benefits and operational costs, which are not reported as support for their Parks and Recreation Department. Additionally, and this is very important to note, *Mansfield and Ridgefield are the only towns in Connecticut that operate extensive fitness and community center operations* and both have high cost recovery figures because of that distinction.

**Recommendation**

Attached are (4) financial statements for the Parks and Recreation Fund – Statement of Revenues and Expenditures with General Fund Contributions:

**Actual as of June 30, 2015:**

This statement reflects actual revenues (including the General Fund contribution) and actual expenditures for FY 2014/15. The statement is broken down by Administration, Member Service Programs, and Community Service Programs. Administration includes costs for salary and benefits for the Director of Parks and Recreation (100%), the Assistant Director (30%), the Administrative Services Specialist (100%), and the Natural Resources and Sustainability Coordinator (57%). These costs are supported by the General Fund. In addition, the General Fund contributes \$132,000 towards Community Service Programs. All direct and indirect costs are allocated to programs based on square footage of building use and percentage of program costs to total costs. The overall General Fund contribution to the Parks and Recreation Fund is approximately 20% of the total expenditures of the Fund.

**Option 1 Funding:**

The Option 1 funding scenario contemplates continuing the General Fund support for administrative costs as it is today. In addition, it proposes a 25% subsidy for most community service programs, excluding Adult Programs, Trips and the Sport & Specialty Camps, which would be set for full cost recovery.

**Option 2 Funding:**

The Option 2 funding scenario contemplates continuing the General Fund support for administrative costs as it is today. In addition, it proposes a 25% subsidy for all community service programs.

**Option 3 Funding:**

The Option 3 statement is designed to reflect what the subsidy for each of the community service programs would need to be in order for the programs to reflect a balanced budget under the existing fee schedule. It also contemplates continuing the General Fund support for administrative costs as it is today.

In all scenarios, the indirect costs are allocated based on a basic analysis of square footage, percentage of total costs, percentage of pool usage, etc. These scenarios are intended to provide a basic understanding of the true costs of our programs. For this reason, management's recommendation at this time is the **Option 2**

scenario as it provides the basic support needed to support the community service programs in a more sustainable way. Providing an overall 25% subsidy to Community Service programs, with the existing fee schedule in place, would allow management to rebuild a fund balance reserve in the 260 Fund, which was depleted last year due to the loss in Fee Waiver revenue. Having a fund balance reserve is critical to maintaining the current programming and service levels that the community currently enjoys. Management also recommends a periodic review of the level of funding to ensure that the fund balance remains at the desired level. On that point, we specifically endorse a practice of maintaining a fund balance of approximately 10%-12% of expenditures, a figure of \$240,000 - \$290,000 based on current budget.

Should the Council wish to pursue setting individual program fees for a specific level of cost recovery, a detailed study similar to GreenPlay's Pyramid Methodology (see Appendix 5) would be warranted. Management estimates that a study in this depth would cost between \$40,000 - \$45,000.

**Attachments**

- 1) General Fund Contribution Options
- 2) Cost Recovery Primer
- 3) GFOA Best Practices
- 4) Program Pricing Guidelines
- 5) Pyramid Methodology

Town of Mansfield  
Parks & Recreation  
Statement of Revenues and Expenditures with General Fund Contributions  
June 30, 2015

Description	Revenues	General Fund Support	Total Revenues	Total Expenses	Net Income (Expense)	Subsidy Percentage
Administration	\$ -	\$ 325,430	\$ 325,430	\$ 325,430	\$ -	100%
Member Services:						
Indirect Alloc @ 51.528%	-	-	-	-	-	
Child Care	97,030	-	97,030	108,953	(11,923)	
Fitness	624,214	-	624,214	608,972	15,242	
Personal Training	194,687	-	194,687	136,061	58,626	
Member Swim (@ 30% Costs)	192,584	-	192,584	230,390	(37,806)	
Member Events	12,349	-	12,349	14,773	(2,424)	
<b>b-total Member Services</b>	<u>1,120,864</u>	<u>-</u>	<u>1,120,864</u>	<u>1,099,150</u>	<u>21,714</u>	
Community Services:						
Indirect Alloc @ 48.472%	-	-	-	-	-	
Aquatics	161,064	53,154	214,218	326,646	(112,428)	16%
Youth Programs	28,392	1,776	30,168	20,608	9,560	9%
Youth Afterschool	119,886	9,525	129,411	110,513	18,898	9%
Summer Challenge	893	8,168	9,060	13,546	(4,486)	60%
Teen Center	357	27,163	27,519	25,093	2,427	108%
Youth Sports	29,655	4,053	33,708	47,025	(13,317)	9%
Day Camp/Vacation Camp	191,874	18,759	210,634	217,648	(7,014)	9%
Sport & Specialty Camp	39,165	4,042	43,207	46,897	(3,690)	9%
Trips	6,051	1,092	7,143	12,672	(5,529)	9%
Special Events	39,724	1,503	41,227	17,437	23,790	9%
Adult Programs	26,799	2,764	29,563	32,068	(2,505)	9%
<b>b-total Community Services</b>	<u>643,859</u>	<u>132,000</u>	<u>775,859</u>	<u>870,153</u>	<u>(94,295)</u>	<u>15%</u>
<b>Total Parks &amp; Recreation</b>	<u>\$ 1,764,723</u>	<u>\$ 457,430</u>	<u>\$ 2,222,153</u>	<u>\$ 2,294,734</u>	<u>\$ (72,581)</u>	<u>20%</u>

## Analysis Notes:

## General Fund Administration Contribution - \$325,430

- a. Administrative Services Specialist Salary and related costs - 100%
- b. Director of Parks & Recreation Salary and related costs - 100%
- c. Assistant Director of Parks & Recreation and related costs - 30%
- d. Portion of Natural Resources & Sustainability Coordinator Salary - 57%

## General Fund Program Contribution - \$132,000

- a. \$75,000 - Allocated Across Community Services Programs
- b. \$25,000 - Bi-Centennial Pond (Aquatics)
- c. \$25,000 - Teen Center
- d. \$7,000 - Summer Challenge Program

Allocates all indirect costs primarily based on square footage and/or use of the facility

Town of Mansfield  
Parks & Recreation  
Statement of Revenues and Expenditures with General Fund Contributions  
Proposed FY16/17

Description	Revenues	General Fund Support	Total Revenues	Total Expenses	Net Income (Expense)	Subsidy Percentage
Administration	\$	\$ 362,950	\$ 362,950	\$ 362,950	\$ -	100%
Member Services:						
Child Care	79,087	-	79,087	84,649	(5,562)	
Fitness	685,090	-	685,090	679,584	5,506	
Personal Training	187,435	-	187,435	124,501	62,935	
Member Swim (@ 30% Costs)	214,124	-	214,124	258,983	(44,860)	
Member Events	14,774	-	14,774	17,869	(3,095)	
Sub-total Member Services	<u>1,180,510</u>	<u>-</u>	<u>1,180,510</u>	<u>1,165,587</u>	<u>14,923</u>	
Community Services:						
General Fund Support		191,365	191,365		191,365	25%
Aquatics	163,430	-	163,430	350,742	(187,312)	
Youth Programs	27,010	-	27,010	31,276	(4,266)	
Youth Afterschool	145,610	-	145,610	98,441	47,169	
Teen Center	-	-	-	23,437	(23,437)	
Youth Sports	30,280	-	30,280	38,680	(8,400)	
Day Camp/Vacation Camp	200,720	-	200,720	211,496	(10,776)	
Sport & Specialty Camp	55,270	-	55,270	61,487	(6,217)	
Trips	9,000	-	9,000	12,581	(3,581)	
Special Events	36,330	-	36,330	11,388	24,942	
Adult Programs	31,860	-	31,860	36,486	(4,626)	
Sub-total Community Services	<u>699,510</u>	<u>191,365</u>	<u>890,875</u>	<u>876,013</u>	<u>14,861</u>	
Total Parks & Recreation	<u>\$ 1,880,020</u>	<u>\$ 554,315</u>	<u>\$ 2,434,335</u>	<u>\$ 2,404,550</u>	<u>\$ 29,785</u>	23%

Option 1 contemplates the existing administrative support covered by the General Fund along with an overall 25% subsidy for community service programs, excluding adult programs, trips and Sport & Specialty Camps, which would be set for full cost recovery.

Town of Mansfield  
Parks & Recreation  
Statement of Revenues and Expenditures with General Fund Contributions  
Proposed FY16/17

description	Revenues	General Fund Support	Total Revenues	Total Expenses	Net Income (Expense)	Subsidy Percentage
Administration	\$	\$ 362,950	\$ 362,950	\$ 362,950	\$ -	100%
Member Services:						
Child Care	79,087	-	79,087	84,649	(5,562)	
Fitness	685,090	-	685,090	679,584	5,506	
Personal Training	187,435	-	187,435	124,501	62,935	
Member Swim (@ 30% Costs)	214,124	-	214,124	258,983	(44,860)	
Member Events	14,774	-	14,774	17,869	(3,095)	
Total Member Services	<u>1,180,510</u>	<u>-</u>	<u>1,180,510</u>	<u>1,165,587</u>	<u>14,923</u>	
Community Services:						
General Fund Support		219,003	219,003		219,003	25%
Aquatics	163,430	-	163,430	350,742	(187,312)	
Youth Programs	27,010	-	27,010	31,276	(4,266)	
Youth Afterschool	145,610	-	145,610	98,441	47,169	
Teen Center	-	-	-	23,437	(23,437)	
Youth Sports	30,280	-	30,280	38,680	(8,400)	
Day Camp/Vacation Camp	200,720	-	200,720	211,496	(10,776)	
Sport & Specialty Camp	55,270	-	55,270	61,487	(6,217)	
Trips	9,000	-	9,000	12,581	(3,581)	
Special Events	36,330	-	36,330	11,388	24,942	
Adult Programs	31,860	-	31,860	36,486	(4,626)	
Total Community Services	<u>699,510</u>	<u>219,003</u>	<u>918,513</u>	<u>876,013</u>	<u>42,500</u>	
Total Parks & Recreation	\$ <u>1,880,020</u>	\$ <u>581,953</u>	\$ <u>2,461,973</u>	\$ <u>2,404,550</u>	\$ <u>57,423</u>	24%

Option 2 contemplates the existing administrative support covered by the General Fund along with an overall 25% subsidy for community service

Town of Mansfield  
Parks & Recreation  
Statement of Revenues and Expenditures with General Fund Contributions  
Proposed FY16/17

Description	Revenues	General Fund Support	Total Revenues	Total Expenses	Net Income (Expense)	Subsidy Percentage
Administration	\$	\$ 362,950	\$ 362,950	\$ 362,950	\$ -	100%
<b>Member Services:</b>						
Child Care	79,087	-	79,087	84,649	(5,562)	
Fitness	685,090	-	685,090	679,584	5,506	
Personal Training	187,435	-	187,435	124,501	62,935	
Member Swim (@ 30% Costs)	214,124	-	214,124	258,983	(44,860)	
Member Events	14,774	-	14,774	17,869	(3,095)	
Sub-total Member Services	<u>1,180,510</u>	<u>-</u>	<u>1,180,510</u>	<u>1,165,587</u>	<u>14,923</u>	
<b>Community Services:</b>						
Aquatics	163,430	189,401	352,831	350,742	2,089	54%
Youth Programs	27,010	4,379	31,389	31,276	113	14%
Youth Afterschool	145,610	-	145,610	98,441	47,169	0%
Teen Center	-	23,437	23,437	23,437	-	100%
Youth Sports	30,280	8,510	38,790	38,680	110	22%
Day Camp/Vacation Camp	200,720	10,575	211,295	211,496	(201)	5%
Sport & Specialty Camp	55,270	6,149	61,419	61,487	(69)	10%
Trips	9,000	3,523	12,523	12,581	(59)	28%
Special Events	36,330	-	36,330	11,388	24,942	0%
Adult Programs	31,860	4,743	36,603	36,486	117	13%
Sub-total Community Services	<u>699,510</u>	<u>250,715</u>	<u>950,225</u>	<u>876,013</u>	<u>74,212</u>	
<b>Total Parks &amp; Recreation</b>	<u>\$ 1,880,020</u>	<u>\$ 613,665</u>	<u>\$ 2,493,685</u>	<u>\$ 2,404,550</u>	<u>\$ 89,135</u>	<u>26%</u>

Option 3 contemplates the existing administrative support covered by the General Fund along with the subsidy required to cover direct and indirect program costs, with the existing fee structure.

## Chapter 76. Purchasing

[HISTORY: Adopted by the Town Council of the Town of Mansfield 6-22-2009, effective 7-22-2009.[1] Amendments noted where applicable.]

### GENERAL REFERENCES

Administrative departments — See Ch. 2.

Code of Ethics — See Ch. 25.

Disposal of property — See Ch. 73.

Reserve Fund — See Ch. 85.

[1] Editor's Note: This ordinance also superseded former Ch. 76, Purchasing, adopted 5-29-1990.

### § 76-1. Title.

This chapter shall be known and may be cited as "The Ordinance for Obtaining Goods and Services."

### § 76-2. Legislative authority.

This chapter is enacted pursuant to the provisions of Town Charter § C506B(1)(c).

### § 76-3. Purpose; applicability; environmental considerations.

- A. The purpose of this chapter is to provide a set of procedures designed to obtain the best possible value for the necessary goods and services purchased by the Town of Mansfield, in accordance with Article V, § C506, of the Town Charter. The Town Council has determined that competitive bidding in some instances may be against the best interest of the Town. The Council, therefore, invokes its powers under Article V, § C506B(1)(c), of the Town Charter to establish this chapter designed to better ensure receipt by the Town of the best possible value for necessary goods and services by taking advantage of all prudent purchasing methods and opportunities available in the marketplace, including the open competitive bidding process, and delegates authority to implement these procedures to the Purchasing Agent. These procedures are further designed to provide for the fair and equitable treatment of all persons involved in public purchasing by the Town of Mansfield.

B. This chapter shall apply to the purchase of all supplies, materials, equipment and other commodities and contractual services and construction (hereafter referred to as "products and services") required by any department, agency, board or commission of the Town, [r]espective of the source of funds, except the purchase of specialized goods and contractual services for the purpose of instruction by the Board of Education. [T]he Mansfield Board of Education and the Region 19 Board of Education shall be encouraged to adopt purchasing regulations similar to the provisions of this chapter. [N]othing herein contained shall be construed to prevent the Director of Finance from serving, to the extent requested, as the Purchasing Agent for all requirements of the Board(s) of Education.

Commented [CT1]: Important – need to stress in the P & P

Commented [CT2]: While we are including this in the Shared Services Agreement, should leave this in in the event they do not make use of our services. Alternately, restate to say that they "will" if we are providing financial management services.

C. In order to increase the development and awareness of environmentally sound products and services, the Town of Mansfield will ensure that all possible and feasible specifications are reviewed for consideration of environmental impacts. Consideration will be given to those products that, from a life cycle perspective, adversely affect the environment in the least possible way. This means that the Town of Mansfield will make a reasonable and responsible effort to choose product and services that:

- 1) Are produced in an environmentally responsible manner.
- 2) Are distributed in an environmentally responsible manner.
- 3) Cause the least possible damage to the environment.
- 4) Can be removed in an environmentally responsible manner.

Commented [CT3]: This section was added based on Council Committee recommendation a couple of years ago.

§ 76-4. Solicitation and award procedures.

A. As provided in the Town Charter, the Director of Finance shall serve as the Purchasing Agent for the Town, and shall be responsible for the procurement of all products and services for the Town. Subject to the limitations set forth in the Charter and in § 76-3B of this chapter, the Purchasing Agent shall have the authority to approve all contract specifications, prescribe the method of source selection to be utilized in the procurement of all products or services, award all contracts for products and services based on a determination of the bidder who offers the best value to the Town, and shall have the authority necessary to enforce the purchasing provisions of the Charter and these rules. In addition, the Purchasing Agent shall have the following specific duties:

- 1) To inspect all supplies, material and equipment ordered by and delivered to the Town to ensure compliance with specifications and conditions affecting the purchase thereof, or delegate the inspection thereof to such Town employees as are authorized to purchase said supplies, materials or equipment in accordance with Subsection B of this section.

2) To procure and award contracts for, or supervise the procurement of, all products and services needed by the Town, and to maintain custody and care of all contracts for goods and contractual services to which the Town is a party.

Commented [CT4]: Good practice – write into P & P

3) To transfer between offices or sell, trade, or otherwise dispose of surplus supplies, materials, or equipment belonging to the Town.

Commented [CT5]: Good practice – write into P & P to ensure that all entities request authorization. Threshold?

4) To prepare, issue, revise, and maintain all bid specifications and to establish and maintain programs for specification development, and the inspection, testing, and acceptance of products and services.

Commented [CT6]: Good practice – currently writing procedures and forms and include in P & P

5) To prepare and adopt operational procedures governing the procurement functions of the Town.

6) To have the discretion and authority for cause to disqualify vendors and to declare them to be irresponsible bidders and to remove them from receiving any business from the Town.

7) To cancel, in whole or in part, an invitation to bid, a request for proposals, or any other solicitation, or to reject, in whole or in part, any and all bids or proposals when to do so is in the best interests of the Town.

Commented [CT7]: This would typically come as a request from a dept. head to do so; I would review request and if deemed appropriate do so and provide written notification to the bidder. Write into P & P

8) To require, when necessary, bid deposits, performance bonds, insurance certificates, and labor and material bonds or other similar instruments or security which protect the interests of the Town.

9) To procure for the Town all federal and state tax exemptions to which it is entitled.

10) To ensure that the Town is exempt from state fair trade laws as provided by the Connecticut General Statutes.

11) To join with other units of government and with private sector organizations in cooperative purchasing plans when the best interests of the Town would be served.

Commented [CT8]: Typically include State contracts, CCM & CRCOG and other professional organization procurement services.

B. Delegation to other Town officials. With the written approval of the Town Manager, the Purchasing Agent may delegate any portion of the authority to purchase certain products and services to other Town employees, if such delegation is deemed necessary and appropriate for the effective and efficient operation of Town government and for the procurement of those items. The Purchasing Agent, with the written approval of the Town Manager, may revoke such delegation at any time. The person to whom such authority is delegated shall be responsible for complying with the requirements of the Charter, this chapter and any rules or regulations which may exist relating to the execution of the procurement process.

Commented [CT9]: Have not needed to do this, but should be included.

C. Methods of source selection. In accordance with Article V of the Town Charter, unless otherwise prescribed by law, the Purchasing Agent shall take advantage of all prudent

purchasing methods and opportunities available in the marketplace. This includes, but is not limited to, such methods as competitive sealed bids, competitive sealed proposals, competitive negotiation, sole-source procurement, small purchase procedures, credit card procedures, bulk ordering, emergency purchases, multi-step bidding, Internet purchasing, use of cooperative purchasing plans and public auctions. In deciding which method to utilize, the Purchasing Agent may take into consideration the following factors:

Commented [CT10]: These are all important and should remain.

- 1) How to obtain the best value for the commodity.
- 2) Whether or not to utilize a fixed-price or fixed-service contract under the circumstances.
- 3) Whether quality, availability, or capability is overriding in relation to price.
- 4) Whether the initial installation needs to be evaluated together with subsequent maintenance and service capabilities and what priority should be given to these requirements.
- 5) What benefits are derived from product or service compatibility and standardization and what priority should be given these requirements.
- 6) Whether the marketplace will respond better to a solicitation permitting not only a range of alternative proposals, but evaluation, discussion, and negotiation of them before making the award.
- 7) What is practicable and advantageous to the Town.
- 8) The availability of vendors.
- 9) The efficiency of the process.
- 10) The fair and equitable treatment of potential participants.
- 11) The degree to which specifications can be made clear and complete.
- 12) The timeliness of the process to the needs of the Town.

D. Award of contract. Contracts shall be awarded, by the Purchasing Agent to the vendor who offers the best value to the Town. ~~The Finance Committee shall be advised in the next quarterly financial report, or sooner when appropriate, when the Purchasing Agent awards a contract for goods or services (but not professional services as defined in Subsection I) other than by competitive sealed bid in accordance with Article V, § C506B(1)(c), of the Town Charter. Best value shall be determined by consideration of some or all of the following factors as deemed appropriate by the Purchasing Agent.~~

Commented [CT11]: Add "and signed by" and write this into P & P

Commented [CT12]: Since threshold is \$7500 this is time consuming. - Increase threshold to \$10K? Need to write the reporting requirement into P & P

- 1) The quality, availability, adaptability, and efficiency of use of the products and service to the particular use required.
- 2) The degree to which the provided products and services meet the specified needs of the Town, including consideration, when appropriate, of the compatibility with and ease of integration with existing products, services or systems.
- 3) The number, scope, and significance of conditions or exceptions attached or contained in the bid and the terms of warranties, guarantees, return policies, and insurance provisions.
- 4) Whether the vendor can supply the product or service promptly, or within the specified time, without delay or additional conditions.
- 5) The competitiveness and reasonableness of the total cost or price, including consideration of the total life-cycle cost and any operational costs that are incurred if accepted.
- 6) A cost analysis or a price analysis including the specific elements of costs, the appropriate verification of cost or pricing data, the necessity of certain costs, the reasonableness of amounts estimated for the necessary costs, the reasonableness of allowances for contingencies, the basis used for allocation of indirect costs, and the appropriateness of allocations of particular indirect costs to the proposed contract.
- 7) A price analysis involving an evaluation of prices for the same or similar products or services. Price analysis criteria include, but are not limited to: price submissions of prospective vendors in the current procurement, prior price quotations and contract prices charged by the vendor, prices published in catalogs or price lists, prices available on the open market, and in-house estimates of cost.
- 8) Whether or not the vendor can supply the product or perform the service at the price offered.
- 9) The ability, capacity, experience, skill, and judgment of the vendor to perform the contract.
- 10) The reputation, character and integrity of the vendor.
- 11) The quality of performance on previous contracts or services to the Town or others.
- 12) The previous and existing compliance by the vendor with laws and ordinances or previous performance relating to the contract or service, or on other contracts with the Town or other entities.

13) The sufficiency, stability, and future solvency of the financial resources of the vendor.

14) The ability of the vendor to provide future maintenance and service for the use of the products or services subject to the contract.

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E. Common specifications and standards.

1) In accordance with this chapter, all of the Town's departments, agencies, boards and commissions shall work together with the Purchasing Agent to identify common needs and establish standard specifications for the purchase of goods and contractual services which are commonly used by more than one department, agency, board, or commission.

2) [The Purchasing Agent shall be responsible for identifying goods and contractual services common to the needs of the Town, School Department and their boards and commissions and for preparing and utilizing standard written specifications submitted for such goods and contractual services. After adoption, each standard specification shall, until revised or rescinded, apply in terms and effect to every purchase and contract for said goods or contractual service. The Town Manager may exempt any using agency of the Town from the use of the goods or contractual services in such standard specification if, in his/her judgment, it is in the best interest of the Town to so do.

Commented [CT13]: Finance has typically coordinated this for office supplies; facilities has done for items they purchase for multiple agencies. Other items like energy, etc I coordinate for agencies we support. Should codify this will be done for all agencies we support.

F. Sole-source procurement and brand name specification.

Commented [CT14]: Rarely used. Typically only if we are trying to standardize items/equipment.

1) It is the policy of the Town to encourage fair and practicable competition consistent with obtaining the best possible value for the necessary products and services required by the Town. Since the use of sole-source procurement or a brand name specification is restrictive, it may be used only when the Purchasing Agent makes a written determination that there is only one practical source for the required product or service or that only the identified brand name item or items will satisfy the Town's needs and the Town Manager concurs with such finding. A requirement for a particular brand name does not justify sole-source procurement if there is more than one potential vendor for that product or service.

2) Any request by a using agency that procurement be restricted to one potential contractor or be limited to a specific brand name shall be accompanied by an explanation as to why no other will be suitable or acceptable to meet the need.

3) A record of all sole-source procurements and brand name specifications shall be maintained. Sole-source records shall list each contractor's name; the amount and

type of each contract; a listing of the products or services procured under each contract; and the effective dates of the contract. Brand name records shall list the brand name specification used, the number of suppliers solicited, the identity of these suppliers, the supplier awarded the contract, and the contract price. [The Town Council Finance Committee shall be advised, in the next quarterly financial report, or sooner when appropriate, when the Purchasing Agent and the Town Manager have made a determination of brand name or sole-source selection.]

Commented [CT15]: Write reporting requirement into P & P.

G. All purchases made and contracts executed by the Purchasing Agent shall be pursuant to a written or electronic purchase order from the head of the office, department or agency whose appropriation will be charged, and no contract or order shall be issued to any vendor unless and until the Director of Finance certifies that there is to the credit of such office, department or agency a sufficient unencumbered appropriation balance to pay for the supplies, materials, equipment or contractual services for which the contract or order is to be issued. This requirement may be deferred in the event that an emergency situation requires prompt action by the Purchasing Agent. This subsection will not prevent the use of open purchase orders or the use of a purchasing card program designed to consolidate many small transactions onto a single monthly invoice.

H. [The responsible head of each department, office, institution, board, commission, agency or instrumentality of the Town shall certify, in writing, to the Purchasing Agent the names of such officers or employees who shall be exclusively authorized to sign purchase orders for such respective department, office, institution, board, commission, agency or instrumentality, and all requests for purchases shall be void unless executed by such certified officers or employees and approved by the Purchasing Agent.]

Commented [CT16]: Currently only Dept. Head authorized to approve/sign purchase orders -- restate this section.

I. **Professional services.** As the procurement of professional services is generally exempt from the requirements of competitive sealed bidding, all contracts for professional services, including legal services, shall be obtained in accordance with the following guidelines; with the exception of the Town Attorney who shall be chosen in accordance with Article III, § C305, of the Town Charter. The Town Manager shall execute an agreement for professional services with the appointed Town Attorney.

Commented [CT17]: Clearly identify this as a separate section. Move definition to the beginning of the section.

1) A request for proposal (RFP) or request for qualifications (RFQ) shall be written for all requests for professional services [except as described in Subsection I(3) below] in excess of \$10,000. The RFP or RFQ shall be written in such a manner as to describe the requirement to be met, without having the effect of exclusively requiring a proprietary product or service, or procurement from a sole source, unless approved in accordance with the requirements of this section.

Commented [CT18]: Add the ability to use firms either with State contract or pre-qualified through CCM, CRCOG or other municipal support agency. This ensures firms have equal opportunity and have been fully vetted.

Commented [CT19]: Increase threshold to \$25,000

2) [When the scope of work is less precise] the preferred method of obtaining professional services shall be through the use of competitive negotiation. The process used for the solicitation of proposals shall assure that a reasonable and representative number of vendors are given an opportunity to compete. The Town Manager may limit the number of qualified vendors considered and may approve solicitation by invitation or public notice.

Commented [CT20]: Add - as determined by the Town Manager

3) In accordance with Article III, § C305C, of the Town Charter, the Town Manager, with the approval of the Town Council, may obtain special legal services other than the Town Attorney. In obtaining those services, the Town Manager may consider, in

addition to hourly rate, the reputation, character and integrity of the firm, the quality of performance on previous contracts and services to the Town, the ability of the firm to provide these services over an extended period, and the ability, capacity, experience, skill and judgment of the attorneys performing the service.

- 4) The award of a professional services contract shall be done in a manner designed to obtain the best possible value to the Town and with consideration of the factors listed in Subsection D of this section, titled "Award of contract."
- 5) Professional services defined.

a. Professional services are defined as:

Commented [CT21]: Move to beginning of section

- i. Work requiring knowledge of an advanced type in a field of study and which frequently requires special credentialing, certification or licensure. Such areas include but are not limited to engineers, architects, appraisers, medical service providers, consultants, actuaries, banking services, and legal; or
  - ii. Work that is original and creative in character in a recognized field or artistic endeavor or requires special abilities and depends primarily on a person's invention, imagination, or creative talent. Such fields or artistic endeavors include but are not limited to the following: health and fitness, cultural arts, crafts, ice skating, and specialty area instructors; and
  - iii. Work that requires consistent exercise of independent discretion and judgment to perform according to a provider's own methods and without being subject to the control of the Town except as to the result of the work.
- b. Professional service providers shall not be dependent on the Town as their sole client, and must be clearly considered an independent contractor as opposed to an employee as defined by state and federal laws, regulations, and court decisions.

- 6) On behalf of the Town, the Town Manager shall have the authority and responsibility to execute professional service contracts in excess of \$10,000.

Commented [CT22]: Increase to \$25,000? Identify contracts under the threshold to be signed by Purchasing Agent

J. Invoice schedule. All contracts for goods, contractual services and professional services to which the Town is a party shall include a provision requiring the vendor or contractor to invoice the Town in a timely manner, pursuant to a schedule established by the Purchasing Agent.

K. Custody of contracts. All contracts for goods, contractual services and professional services to which the Town is a party shall be kept in the office of the Purchasing Agent and shall be under the care and custody of the Purchasing Agent unless the Purchasing Agent has delegated the authority to take custody of such a contract to another Town official in accordance with Subsection B of this section. All other contracts to which the

Commented [CT23]: Assuming all contracts signed by Purchasing Agent, this isn't a problem and is good practice.

Town is a party or to which any officer or board, bureau or commission of the Town, acting in behalf of the Town, is a party shall be kept on file in the Town Clerk's office and shall be under the care and custody of the Town Clerk. When any officer, board, bureau or commission of said Town shall require any original contract in which the Town is interested, as aforesaid, the contract shall not be taken from the Town Clerk's or Purchasing Agent's office until such officer, board, bureau or commission has given a receipt therefor, and a copy of such contract shall be filed with the Town Clerk or Purchasing Agent as soon as the same can be made. The above provisions shall not apply when any such contract is needed for temporary use in the Town building and is returned on the same day that it is taken.



## Town of Mansfield Department of Finance

**To:** Finance Committee

**From:** Cherie Trahan, Director

**CC:** Matt Hart, Town Manager  
Allen Corson, Director of Facilities Management  
John Carrington, Director of Public Works  
Brian LaVoie, Public Works Operations Manager

**Date:** June 6, 2016

**Re:** Proposed Street Light Purchase and Upgrade

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In 2014 the Connecticut Conference of Municipalities (CCM) issued a request for proposals to pre-qualify a group of service providers to assist its member towns and cities in reducing streetlight costs through the purchase of streetlight systems from the utility (Eversource), retrofitting those systems to LED technology, and if requested to maintain those streetlights. CCM prequalified 3 companies to provide this service – Tanko Lighting, SolLux/Real Term Energy and ESCO Energy.

Tanko Lighting partnered with Graybar to help cities and towns in Connecticut acquire and update their street lights to LED, including Glastonbury, Vernon, Berlin, New London, Rocky Hill, East Lyme, Wolcott, West Hartford, and Montville. This past winter, Allen Corson, John Carrington, Brian LaVoie and I met representatives from Tanko and Graybar to discuss their program and review their qualifications. We found that they had more Connecticut installations than the other 2 firms and had good references. Allen had already requested and received a street light inventory from Eversource which saved a significant amount of time. Tanko took this information to prepare a proposal for us.

**Under a contract for “Turn-Key LED Street Light Project” Tanko will:**

1. Complete a comprehensive street lighting audit (using a Geographic Information System or GIS) to collect data on the existing inventory, and to provide a Weekly Audit Report to the Town identifying any immediate safety or other concerns;
2. Conduct a thorough and detailed investigation of the Town’s records including utility billing records and maps. Reconcile this data to the GIS audit to confirm ownership, eligibility for rebates and billing accuracy;

3. Purchase and assemble all lighting materials;
4. Provide all logistical management and installation coordination (ordering schedules, waste disposal procedures, traffic control, etc);
5. Provide final testing and inspections;
6. Coordinate all rebate applications and necessary tariff changes with the utility for the newly-installed LED fixture rates;
7. Provide all final reporting documentation.

The total cost of the retrofit project is \$245,592 after the rebate incentive of \$34,706. The simple payback based on energy savings would be just over 5 years. The table below as provided by Tanko illustrates not only the cost savings but the energy savings as well.

	Existing	New	Savings
Annual kWh	158,526	42,840	115,685
Annual Energy Cost	\$ 55,536	\$ 7,327	\$ 48,209
Annual Maintenance	\$ 0	\$ 2,851	(\$ 2,851)
Annual CO2 Emissions (lbs)	83,068	22,448	60,618

**Under a contract for "Town-wide Street Light Maintenance Services" Tanko will provide Pre- and Post-LED conversion maintenance services including:**

1. Provide Online and Call Center Repair Request systems;
2. Provide routine repair services and emergency repair services;
3. Handle warranty claims;
4. Provide traffic control, materials management, and reporting.

Post-LED conversion services will be provided at a cost of \$1.00/fixture/month. Repairs and replacements will be invoiced to the town based on time and materials as detailed in the contract.

After careful review, our committee recommends moving forward on this project with Tanko Lighting. With a 5 year cost payback and an annual CO2 emissions savings of over 60,000 lbs or 70% we believe this is a good investment.

We have two funding options for this project:

1. Pay for this investment with the Energy Management account in the Management Services Fund (MSF). The projected balance in the Energy Management account at June 30, 2016 is approximately \$800,000. Following the budgeted \$250,000 support for the Vinton boiler replacement project, \$550,000 is available for energy projects. While this

funding scenario overall has the lowest cost, it is quite likely that more energy efficient projects will be proposed following the Facilities' Study which will also need funding.

2. Alternately, Tanko could provide financing at 2.5% for a 7 year term. In this scenario, the annual payments would almost completely be offset by energy savings and more significant annual savings would begin in year 8. While this payment option does incur additional costs, the interest rate is quite low.

Attached are the projected 20 year savings calculations under both scenarios.

This project was only in the early stages of discussion when the FY 2016/17 budget was presented to the Town Council, therefore we are reviewing this project with the Finance Committee for your concurrence. The MSF is not a fund that the Council needs to formally adopt, however this project is significant and therefore should be reviewed with the Finance Committee. If the Finance Committee wishes to hold off on this project for the next budget cycle, the current pricing from Eversource would not hold and would most likely increase as more communities purchase their streetlights. In addition, this would delay the cost and emissions savings we will derive from switching to LED lights.

## 20 Year Savings

Year	Existing Energy + Maint. Costs	New Energy + Maint. Costs	Annual Loan Payment	Rebate Incentive	Total Costs & Savings	
					New Costs (Incl. Loan + Rebate)	Savings
1	\$55,536	\$10,178	\$0	\$34,706	-\$24,528	\$80,064
2	\$56,091	\$10,964	\$0	\$0	\$10,964	\$45,127
3	\$56,652	\$11,038	\$0	\$0	\$11,038	\$45,614
4	\$57,219	\$11,202	\$0	\$0	\$11,202	\$46,017
5	\$57,791	\$11,277	\$0	\$0	\$11,277	\$46,514
6	\$58,369	\$11,353	\$0	\$0	\$11,353	\$47,015
7	\$58,952	\$11,519	\$0	\$0	\$11,519	\$47,433
8	\$59,542	\$11,597	\$0	\$0	\$11,597	\$47,945
9	\$60,137	\$11,676	\$0	\$0	\$11,676	\$48,462
10	\$60,739	\$11,844	\$0	\$0	\$11,844	\$48,894
11	\$61,346	\$12,584	\$0	\$0	\$12,584	\$48,762
12	\$61,960	\$12,691	\$0	\$0	\$12,691	\$49,268
13	\$62,579	\$12,889	\$0	\$0	\$12,889	\$49,690
14	\$63,205	\$13,001	\$0	\$0	\$13,001	\$50,204
15	\$63,837	\$13,114	\$0	\$0	\$13,114	\$50,723
16	\$64,475	\$13,318	\$0	\$0	\$13,318	\$51,158
17	\$65,120	\$13,435	\$0	\$0	\$13,435	\$51,685
18	\$65,771	\$13,554	\$0	\$0	\$13,554	\$52,217
19	\$66,429	\$13,765	\$0	\$0	\$13,765	\$52,664
20	\$67,093	\$13,888	\$0	\$0	\$13,888	\$53,205
<b>Total:</b>	<b>\$1,222,844</b>	<b>\$244,887</b>	<b>\$0</b>	<b>\$34,706</b>	<b>\$210,181</b>	<b>\$1,012,663</b>

*Requires an upfront payment of \$280,298*



**Tanko Lighting**

# 20 Year Savings

Year	Existing Energy + Maint. Costs	New Energy + Maint. Costs	Annual Loan Payment	Rebate Incentive	Total Costs & Savings	
					New Costs (Incl. Loan + Rebate)	Savings
1	\$55,536	\$10,178	\$43,690	\$34,706	\$19,162	\$36,374
2	\$56,091	\$10,964	\$43,690	\$0	\$54,654	\$1,437
3	\$56,652	\$11,038	\$43,690	\$0	\$54,728	\$1,924
4	\$57,219	\$11,202	\$43,690	\$0	\$54,892	\$2,327
5	\$57,791	\$11,277	\$43,690	\$0	\$54,967	\$2,824
6	\$58,369	\$11,353	\$43,690	\$0	\$55,043	\$3,325
7	\$58,952	\$11,519	\$43,690	\$0	\$55,209	\$3,743
8	\$59,542	\$11,597	\$0	\$0	\$11,597	\$47,945
9	\$60,137	\$11,676	\$0	\$0	\$11,676	\$48,462
10	\$60,739	\$11,844	\$0	\$0	\$11,844	\$48,894
11	\$61,346	\$12,584	\$0	\$0	\$12,584	\$48,762
12	\$61,960	\$12,691	\$0	\$0	\$12,691	\$49,268
13	\$62,579	\$12,889	\$0	\$0	\$12,889	\$49,690
14	\$63,205	\$13,001	\$0	\$0	\$13,001	\$50,204
15	\$63,837	\$13,114	\$0	\$0	\$13,114	\$50,723
16	\$64,475	\$13,318	\$0	\$0	\$13,318	\$51,158
17	\$65,120	\$13,435	\$0	\$0	\$13,435	\$51,685
18	\$65,771	\$13,554	\$0	\$0	\$13,554	\$52,217
19	\$66,429	\$13,765	\$0	\$0	\$13,765	\$52,664
20	\$67,093	\$13,888	\$0	\$0	\$13,888	\$53,205
<b>Total:</b>	<b>\$1,222,844</b>	<b>\$244,887</b>	<b>\$305,830</b>	<b>\$34,706</b>	<b>\$516,011</b>	<b>\$706,833</b>

Interest Cost \$25,532



**Tanko Lighting**

## FINANCIAL MANAGEMENT GOALS

### PREFACE

The Fiscal Performance Goals adopted by the Town Council on March 9, 1987, as amended November 25, 1996, represent an effort to establish written policies for guiding the Town's financial management practices. These goals are not intended in any way to limit the authority of the Council to act, but rather to form a framework within which to make financial decisions and to monitor financial activity in a consistent manner. The adoption of these goals will not restrict the Town Council's ability and responsibility to respond to emergency or service delivery needs above or beyond the suggested limitations herein established.

### FINANCIAL REPORTING PERFORMANCE GOALS

- A policy of full and open disclosure of all financial activity will be adhered to.
- Records will be maintained on a basis consistent with accepted government accounting standards.
- The Director of Finance will prepare monthly, quarterly and annual financial reports, presenting a summary of financial activity by major types of funds and programs.
- The Comprehensive Annual Financial Report will be prepared in conformity with accounting principles generally accepted in the United States of America and governmental financial reporting practices.
- An independent public accounting firm will be employed to perform an annual audit of all funds, authorities, agencies and grant programs, and the annual audited report will be made available to the general public, bond and financial consultants, and other interested citizens and organizations. The audit will be completed and submitted to the Town Council within one hundred fifty (150) days of the close of the Town's fiscal year.

### RESERVE PERFORMANCE GOALS

- A contingency account will be established annually in the operating budget to:
  - a. provide for settlement of pending labor contract negotiations;
  - b. provide for temporary funding of unforeseen needs of an emergency or nonrecurring nature;
  - c. permit orderly budgetary adjustments when revenues are lost through the action of other governmental bodies;
  - d. provide the local match for public or private grants; and
  - e. meet unexpected small increases in service delivery costs.
- The contingency account will be budgeted at a level sufficient to provide for settlement of pending labor contract negotiations plus an amount not to exceed one percent of the proposed Town budget. The Town's budget will be amended at the time such contingency funds are committed. The contingency account will be separate from the carryover fund balance.

### CAPITAL IMPROVEMENTS PERFORMANCE GOALS

- Capital improvements will be based on long-range projected needs rather than on immediate needs, in order to minimize future maintenance, replacement and capital costs.
- All capital improvements should be made in accordance with the Town's five-year capital improvements program. The capital improvements program shall be revised annually.
- The development of the capital improvements program will be coordinated with the operating budget in order to maintain a reasonably stable total tax levy.
- Before submission to the Town Council, the Town Manager will identify the estimated cost and potential funding sources for each capital project proposed. Future operating costs associated with a proposed capital improvement will be estimated before a decision is made to implement a project.
- Federal, State and other intergovernmental and private funding sources will be sought out and used as available to assist in financing capital improvements.

### **INVESTMENT PERFORMANCE GOALS**

- A cash flow analysis of all funds will be developed on a regular basis. Collections, deposits and disbursements of all funds will be scheduled in a way as to ensure maximum cash availability.
- Where permitted by law, cash from separate funds and sources will be pooled to maximize investment yields. Interest will be credited to the General Fund except where prohibited by law or where the source of the cash is from an individual or corporation to ensure performance. Interest will be credited to the Capital and Nonrecurring Expenditure Fund (CNR) on cash held in the CNR Fund and the Capital Fund. The interest income will be used for future capital projects or debt service.
- Investment policy will be consistent with State law and will provide for security of principal, as well as needed liquidity.

### **DEBT PERFORMANCE GOALS**

- Long-term debt will be limited to those capital improvements that should not be financed from current revenues.
- The maturity date for any debt will not exceed the reasonably expected useful life of the project so financed.
- The total direct general obligation debt will not exceed three percent (3%) of the full assessment value of taxable property.
- As a means of further minimizing the impact of debt obligations of the taxpayers:
  - a. long-term net debt will not exceed \$500 per capita; and
  - b. these limitations will not apply to any debt incurred for emergency purposes.
- The issuance of bond, tax and revenue anticipation notes will be avoided.
- Special assessments, revenue bonds and/or any other available self-liquidating debt measures will be used instead of general obligation bonds where and when possible and applicable.
- An official statement will be prepared to be used in connection with all sales of bonds and notes.
- Good relations will be maintained with financial and bond rating agencies, and a policy of full and open disclosure on every financial report and bond prospectus will be followed.

### **OPERATING EXPENDITURES PERFORMANCE GOALS**

- The Town Manager will propose and the Town Council will adopt and maintain a balanced budget in which expenditures will not be allowed to exceed reasonable estimated resources and revenues.
- All current operation and maintenance expenses will be paid from the current revenue sources.
- The operating budget will provide for the adequate maintenance of capital assets and equipment.
- The budget will provide for adequate funding of all employee benefit programs and retirement systems.
- A budgetary control system will be maintained to enable adherence to the adopted budget. This will include a record keeping system to be adhered to by all programs and activities receiving annual Town Council appropriations.
- A system of regular monthly fiscal reports comparing actual revenues and expenditures to budgeted amounts will be prepared and maintained.
- An effective risk management program to minimize loss and reduce costs will be developed and implemented. The Town Manager will ensure that adequate insurance programs are in place, including unemployment and workers' compensation insurance.
- Delivery of services by other public and private organizations will be encouraged whenever and wherever greater efficiency and effectiveness can be expected. Technology and productivity advancements that will help reduce or avoid increasing personnel costs as a proportion of the total budget, that use available resources more productively and creatively, and that avoid duplication of effort and resources will be utilized.
- A Reserve Fund for Capital and Nonrecurring Expenditures will be maintained and will be adequately funded each year by a transfer from the General Fund Budget and by unanticipated one time revenues.

## REVENUE PERFORMANCE GOALS

- A diversified and stable revenue system will be maintained as protection from short-run fluctuations.
- Annual revenues will be estimated on an objective and reasonable basis. The Town Manager will develop a method to project revenues on a multi-year basis.
- One time or special purpose revenues will be used only for capital expenditures or for expenditures required by the revenues and not to subsidize recurring personnel, operation or maintenance costs.
- All user charges and fees will be annually re-evaluated at a level related to the cost of providing the services.
- Appropriate expansion and diversification of the tax base will be encouraged and additional Federal and State revenues will be sought in order to reduce the reliance on the property tax as it affects individual homeowners.

## FUND BALANCE POLICY (As amended August 27, 2012)

### *Purpose*

The purpose of this policy is to set guidelines for fund balance to ensure financial security through the maintenance of a healthy reserve fund. The primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The Town also seeks to maintain the highest possible credit ratings which are dependent, in part, on the Town's maintenance of a healthy fund balance.

### *General Policy*

The following fund type definitions will be used in reporting activity in the governmental funds for the Town:

- General Fund is used to account for all financial resources not accounted for and reported in another fund.
- Special revenue funds are used to account and report the proceeds of *specific revenue sources* that are *restricted* or *committed* to expenditure for *specific purposes* other than debt service or capital projects.
- Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.
- Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
- Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's needs.

Fund Balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the Town is bound to honor constraints on the specific purpose for which amounts can be spent.

- Nonspendable fund balance (inherently nonspendable, i.e. inventory)
- Restricted fund balance (externally enforceable limitations on use, i.e. grants)
- Committed fund balance (self-imposed limitations on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources)

The first two components listed above are not addressed in this policy due to the nature of their restrictions. This policy is focused on the last three components comprising the unrestricted fund balance.

### *Provisions*

The Town will strive to maintain an unrestricted fund balance of seventeen (17) percent of the General Fund operating budget, with up to two (2) percent of the General Fund operating budget accounted for in unrestricted fund balance of other governmental funds. Any year-end operating surpluses will revert to unassigned fund balance for use in maintaining reserve levels.

#### 1. Committed Fund Balance

The Town Council, as the Town's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by the formal actions taken, such a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Town

Council removes or changes the specific use through the same type of formal action taken to establish the commitment. Town Council action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30<sup>th</sup>; however, the amount can be determined subsequent to the release of the financial statements.

2. Assigned Fund Balance

Assigned Fund Balance includes amounts *intended* to be used for a specific purpose. The Finance Director is the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy for the purpose of reporting these amounts in the annual financial statements. The primary use of this category for the General Fund is open encumbrances.

3. Unassigned Fund Balance

This is the residual classification of the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

If the unrestricted fund balance falls below the goal or has a deficiency, the Town will develop a budgetary plan to return the reserve to the minimum level as soon as economic conditions allow. Revenue sources that will be considered to aid in the replenishment of fund balance will include but not be limited to: non-recurring revenues and yearend budget surpluses. The budgetary plan shall also identify the target timeframe, including milestones until reaching full replenishment. The Town recognizes that at its current level of fund balance, it will take a number of years to reach the desired goal.

Town of Mansfield, Connecticut

Fraud Risk Assessment Report

May 20, 2016



# TOWN OF MANSFIELD, CONNECTICUT

## FRAUD RISK ASSESSMENT REPORT

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# TOWN OF MANSFIELD, CONNECTICUT

## FRAUD RISK ASSESSMENT REPORT

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## Scope of Project

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## SCOPE OF PROJECT

The scope of the project was defined by the request for proposal issued by the Town to perform a fraud risk assessment for the following entities:

1. Town of Mansfield
2. Mansfield Board of Education
3. Regional School District No. 19
4. Eastern Highlands Health District
5. Mansfield Downtown Partnership
6. Discovery Depot

The fraud risk assessment, based upon the request for proposal, was limited to the cash receipts collection and use of Town resources.

The procedures that we performed for each department/agency as detailed in our proposal were as follows:

1. We obtained an understanding of the department's current internal controls and policies and procedures. We obtained this understanding by conducting detailed interviews with the department employees as to the cash receipt/collection functions they currently perform and the related policies and procedures in place for the functions.
2. When determined necessary, we performed a walk-through of certain procedures. When considered necessary, as part of the process, we also obtained copies of any related forms or worksheets that are used as part of the process.
3. Based upon the understanding of the current internal controls and policies and procedures obtained from performing the procedures noted above, we then evaluated the risk of fraud that could occur in the process.
4. For each risk identified, we evaluated the current internal controls to determine if there is an opportunity to improve the control or upgrade current procedures to best practices.
5. We have also provided in our recommendations, where applicable, any compensating controls for the Town's consideration.
6. We also provided any recommendations that may improve efficiency of the Town's operations without compromising the internal controls.
7. We have also made recommendations regarding a policy that the Town should consider adopting that will clearly communicate the Town's perspective on fraud and strengthen the Town's ability to respond to any suspected instances of fraud that may require investigation.

The results of performing the procedures noted above are detailed on the following pages.

***CohnReznick, LLP***  
***May 20, 2016***

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# Report Presentation

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## REPORT PRESENTATION

The report that follows is based upon a detailed review of the cash collection procedures and use of Town resource for various Town Departments and related agencies. For each department, we presented the following information when applicable:

- a. Types of receipts (including donated noncash items)
- b. Relevant background about the department/agency's operations
- c. Our fraud risk evaluation
- d. Our overall fraud risk assessments
- e. Conditions and recommendations

The recommendations developed are what we consider to be the best practice. In certain instances, we may have also presented an alternative to the best practice. Implementation of internal controls should include consideration of the costs/benefits of implementing the control process or policy and procedures. It is often possible to strengthen internal controls by implementing additional procedures, controls, reviews or monitoring or by implementing compensating controls. An example of that type of control would be review and approval of adjustments weekly vs at the time the transaction occurs.

We have also included recommendations that may improve efficiencies.

The recommendations are identified with codes as to the type of recommendation as follows:

- |     |                  |
|-----|------------------|
| FR  | Fraud Risk       |
| IC  | Internal Control |
| BP  | Best Practice    |
| OP  | Operational      |
| EFF | Efficiency       |

Certain recommendations may have more than one code, if applicable.

The recommendations have also been coded using a department code and a recommendation number for future reference and monitoring of the status.

As noted above, implementation of certain recommendations can be accomplished using a multistep process where determined appropriate.

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**General  
Observations  
and  
Recommendations**

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## GENERAL OBSERVATIONS AND RECOMMENDATIONS

### GEN-1 - CONDITION (OP):

Currently, the Town does not require the use of a standard transmittal report to be prepared by all departments when transmitting collections to the Revenue Collector. In certain instances, it is being generated by a software program used by the department, or the form was developed by the department or a transmittal is not prepared at all.

### RECOMMENDATION:

We recommend that the Town consider requiring the use of a standard transmittal report to be submitted with the monies transmitted to the Revenue Collector. At a minimum, procedures should be developed and implemented that clearly define the information required on the transmittal and who should be preparing the form and who should approve the form. If there are instances where it is more efficient to use reports produced by a department software program, then that report can be attached to the standard form so that the required signatures are documented.

### GEN-2 - CONDITION (OP):

Currently, the Town does not require that a report or other supporting documentation be attached to the transmittal to support the amount being transmitted and the type of payment (cash vs check).

### RECOMMENDATION:

We recommend that the policy and procedures for the standard transmittal form include a requirement that supporting documentation be attached to the form for the amount being transmitted. The documentation should provide support for the total deposit and the identification of any differences.

### GEN-3 - CONDITION (FR/IC):

Currently, certain Town departments conduct fundraising activities. These activities most often involve cash donations that support Town programs. Therefore, it is often difficult to implement effective controls over these types of activities.

### RECOMMENDATION:

We recommend that the Town develop and implement formal policies and procedures for fundraisers and the documentation and transmittal of the fundraising receipts.

### GEN-4 - CONDITION (FR/IC):

In general, strong internal controls over cash receipts would include another source of information to be able to reconcile the collections and assess completeness. Examples of this include register software programs, prenumbered receipts or tickets, or inventory control.

During our review, we noted that some departments did not have this type of control in place and others have implemented a control that was not effective because it was not used correctly or at all.

## GENERAL OBSERVATIONS AND RECOMMENDATIONS

### RECOMMENDATION:

Specific recommendations are included in each Department/Agency's section of this report.

Our general recommendation is that when prenumbered receipt books are used, the receipt book activity and the amount being transmitted must be reconciled. The use of a receipt book is not a control unless it is used to verify the completeness of the activity.

### GEN- 5 - CONDITION (FR/IC):

Review of activity or status reports by Department heads is a critical control. Department heads have a perspective on the operations of their department that the Finance or other Department would not have. This perspective is invaluable when reviewing reports since they will have an "expectation" as to what the status report should present. When that expectation is not met, there should be questions asked to ensure that the activity is correct or correctly recorded.

### RECOMMENDATION:

We recommend that the Town develop and implement formal policies and procedures to require all department heads, advisor, etc. to review budget and actual or activity reports and to formally communicate that they have reviewed the reports and have no comments or questions.

### GEN- 6 - CONDITION (FR/IC):

Currently, checks are not stamped "for deposit only" when received. Also, they are transmitted to the Revenue Collector without being stamped "for deposit only".

### RECOMMENDATION:

We recommend that all checks received be immediately stamped "for deposit only".

### GEN- 7 - CONDITION (FR/IC):

Based upon our review, the Town is operating under various policies and procedures. Some of these policies and procedures related directly to the public. In many cases, it was noted that the Town did not have formal written policies and procedures to be able to formally communicate the policies to both employees and the public.

### RECOMMENDATION:

Specific recommendations are included in each Department/Agency's section of this report.

We recommend that the Town formally document the policies on how the Town conducts business and ensure that the policies are communicated to the public.

## GENERAL OBSERVATIONS AND RECOMMENDATIONS

### GEN- 8 - CONDITION (FR/IC):

Based upon our review, we noted that there are several Town departments that are either performing or managing billings for various activities. The Revenue Collector also performs the billing function for certain other activities. While the Revenue Collector's billings are formally controlled using the miscellaneous billing module of the Town general ledger software, the Department billings are not being formally billed and accounted for.

### RECOMMENDATION:

We recommend that the Town consider consolidating the Town's billings to the Finance Department or Revenue Collector's office. If the billing activity is consolidated to the Revenue Collector's office, we recommend that the employee responsible for billings have no rights or responsibilities for collections in order to avoid lack of segregation of duties.

This may require additional resources or reallocation of resources from the affected departments

### GEN- 9 - CONDITION (FR/IC):

Based upon our review, we noted that there are several types of revenues that could be reviewed and analyzed using a min/max or reasonability test. In certain instances this may require recording activity differently or in different accounts to be able to perform these analyses. It will also require the implementation of prenumbered documents to be able to determine the population of activity. Recommendations have been made in the various departments reviewed regarding the prenumbering of permits and other documents.

### RECOMMENDATION:

We recommend that the Finance Department develop and implement this type of min/max or reasonability tests to ensure that all revenues are being properly transmitted to the Revenue Collector and being properly recorded in the general ledger.

### GEN- 10 - CONDITION (FR/IC):

During our review, we noted that in certain instances, employees may have rights to functions that they may not need or that are currently not being properly monitored.

### RECOMMENDATION:

For each software program being used by the Town Departments, we recommend that each employee's job responsibilities be reviewed in detail against each permission for each employee/role to determine if that function is part of their job responsibility. If it is determined that it is not part of an employee's responsibility, then the permission should be removed.

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**Town  
Clerk**

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## TOWN CLERK

### TYPES OF CASH RECEIPTS

1. Conveyance taxes
2. Fees (Dog licenses, marriage licenses, lien fees, recording fees)
3. State fees
4. Copies

### BACKGROUND

The Town Clerk uses a vendor software system designed for Town Clerk operations for recording all activity except for dog licenses. For dog licenses, the transactions are initially recorded using an internally designed software and then subsequently are entered into the register software system.

The Town Clerk office does not accept credit cards.

The Town Clerk's office also manages the central petty cash account.

The Town Clerk does not manage any nonfinancial resources.

### FRAUD RISK EVALUATION

Level of receipts: High

Internal Controls Medium

Use of Resources: Low

### FRAUD RISK ASSESSMENT

Medium

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### TC-1 - CONDITION (FR/IC):

During our review, we noted that there are no unique separate logins for each Town Clerk Department employee. All employees process transactions on the same computer using the same login.

## TOWN CLERK

### RECOMMENDATION:

We recommend that each Town Clerk Department employee be assigned a unique login ID and that the login be used for all transactions processed by that employee.

We also recommend that each employee log off after processing each transaction or when another employee will be responsible for processing transactions (break, lunches, end of day, etc.).

### TC-2 - CONDITION (IC):

During our review of the procedures for processing dog license transactions, we noted that the transactions are initially recorded in the internally developed software program and then are subsequently recorded in the Town Clerk's register software system.

In addition, the internally developed dog license software program does not allow the user to note the type of payment (cash vs check) when entering the transaction.

### RECOMMENDATION:

We recommend that all transactions be initially entered into the Town Clerk's register software system to ensure proper accounting and control over the payment type.

We recommend that the internally developed dog license software be used to manage operations and not for recording collection transactions.

### TC-3 - CONDITION (IC):

During our review of the procedures for processing dog license transactions, we noted that there is no reconciliation performed between the transactions recorded in the internally generated dog license software program, the amount recorded in the Town Clerk's register software system and the general ledger.

### RECOMMENDATION:

We recommend that the internally developed software activity (at a minimum the number of licenses sold) be reconciled to the amount processed in the Town Clerk's register software system and the general ledger.

### TC-4 - CONDITION (IC):

During our review of the procedures, we noted that all users can void transactions.

### RECOMMENDATION

We recommend the ability to void transactions be limited to certain designated employees or that the void transaction report be printed and approved by the Town Clerk on a monthly basis.

## TOWN CLERK

### TC-5 – CONDITION (OP):

The Town Clerk's current policy is that no change is provided to customers for checks that are made out for the wrong amount. Normally the amount is not significant and is often used to pay for copies.

### RECOMMENDATION

We recommend that this policy be reviewed by the Town to determine if it is in accordance with the Town's objectives. Once the policy has been reviewed and finalized, the policy should be formally documented and communicated to the public.

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**Police**

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## POLICE

### TYPES OF CASH RECEIPTS

1. Fingerprinting
2. Pistol permits
3. Ordinance violations (tickets)
4. Parking tickets

### BACKGROUND

The Police Department collects monies for certain fees. Per Department policy, only checks are accepted. Checks are also collected for the State (pistol permits).

The Police Department also handles all appeals for ordinance violations. Ordinance violation tickets can also be paid at the Revenue Collector's Department. Since parking tickets are issued using a software program, all payments for parking tickets are sent to the Revenue Collector.

The Police Department has 2 police cars and various types of equipment and inventory (radar guns, pistols, and ammunition).

### FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Medium Police cars, equipment

### FRAUD RISK ASSESSMENT

Low

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### PD-1 - CONDITION (FR/IC):

During our review, we noted that receipts are not issued to the customer for payments received.

#### RECOMMENDATION:

We recommend that a receipt book system be implemented to document amounts collected and allow the balancing of activity.

#### PD-2 - CONDITION (FR/IC):

During our review, we noted that a spreadsheet is used to track receipts for ordinance violation tickets issued. Information is sent from the Police Department to the Revenue Collector and from the Revenue Collector to the Police Department to update the spreadsheet.

## POLICE

### RECOMMENDATION:

We recommend that a formal system be developed to properly account for and monitor the activity of ordinance violation tickets issued and collected. The sequence of the ticket numbers should be accounted on a periodic basis to ensure completeness.

We also recommend that the Police Department cease collecting the monies for the tickets that are issued. This will properly segregate duties.

We also recommend that if the spreadsheet continues to be the accounting system for ordinance violation tickets, that the spreadsheet be reconciled to the general ledger on a periodic basis.

### PD-3 - CONDITION (FR/IC):

During our review we noted that a hearing officer reviews and accepts or declines parking ticket appeals. Approved appeals are entered into the ticket software which voids the ticket.

We also noted that the system has multiple logins, but they are not formally assigned to an individual.

### RECOMMENDATION:

We recommend that exception reports be generated by user and the reports be reviewed and approved by a supervisor.

We also recommend that each user be assigned a unique user account and password in order that all transactions can be identified by user.

### PD - 4 - CONDITION (FR/IC):

Currently, the Town policy is that parking tickets must be paid by the 10<sup>th</sup> day or the ticket will double. The system does not appear to have the ability to adjust the 10 day period when the 10<sup>th</sup> day falls on a weekend or holiday. This creates a need to remove the penalty when determined appropriate.

### RECOMMENDATION:

We recommend that the Town set up formal policies and procedures, including the necessary approvals, reporting and monitoring for these adjustments.

We recommend that exception reports be generated by user and the reports be reviewed and approved by a supervisor.

### PD - 5 - CONDITION (FR/IC):

Police vehicles are not taken home by police officers and they are parked at the Town Garage. Currently, there are no formal policies and procedures to manage equipment and other inventory.

### RECOMMENDATION:

We recommend the Town develop and implement formal policies regarding the use of the equipment and inventory.

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**Human  
Services**

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## HUMAN SERVICES

### TYPES OF CASH RECEIPTS

1. Donations
2. Gift cards
3. Inventory (food, supplies)

### BACKGROUND

The Human Services Department collects monies for donations (social services) and also accepts and logs gift cards to be used for residents who demonstrate need. In addition, donations of food and supplies are accepted and distributed to residents. When the gift cards are distributed, the recipient signs the donation form along with the Department employee. Donors are acknowledged with a letter from the Town.

The Department does have some formal policies regarding the general dollar limits for each of the types of support they provide. The Department also uses a tracking system to monitor use of the Food Bank, donation and gift cards.

The Town does not manage a fuel bank fund. The Town will support residents to maximize the benefit they can receive from outside organizations.

### FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Low Inventory, Gift cards

### FRAUD RISK ASSESSMENT

Low

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### HS- 1 - CONDITION (FR/IC):

We noted that although the Department operates with some guidelines regarding the amounts, frequency and authorization of assistance that can provided to residents, not all of the policies are formally documented. We understand the current policies are in the process of being updated.

#### RECOMMENDATION:

We recommend that all polices be formally documented and that the policies include the development of forms to document activity and the required approvals.

## HUMAN SERVICES

### HS- 2 - CONDITION (FR/IC):

We noted that the Department does not use a formal intake form to document a resident request for assistance.

### RECOMMENDATION:

We recommend that all requests for assistance be documented on an intake form or application form. The form can also be used to formally approve assistance provided as required by the Department's formal policies recommended above.

### HS- 3 - CONDITION (FR/IC):

We noted that the Department currently accounts for donations on a spreadsheet and also provides recognition letters to donors.

### RECOMMENDATION:

We recommend that the spreadsheet be reconciled to the recognition letters to ensure completeness. The reconciliation should be reviewed and approved and forwarded to the Finance Department on a period basis.

### HS- 4 - CONDITION (FR/IC):

Currently, the Department issues a receipt for all cash and checks received. No receipts are issued for gift cards received.

The spreadsheet is used to prepare the transmittal report, but the collections are not reconciled to the receipt book.

### RECOMMENDATION:

We recommend that the transmittal/deposit be reconciled to the receipt book. The transmittal should identify the applicable receipt numbers.

We also recommend that a receipt be provided to the donor of gift cards and that a separate receipt book be used for that purpose and reconciled to the gift card inventory form.

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# Planning and Zoning/Wetlands

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## PLANNING AND ZONING/WETLANDS

### TYPES OF CASH RECEIPTS

1. Planning permits
2. Zoning fees, including State portion
3. Copies

### BACKGROUND

The Planning and Zoning/Wetland Department collects monies for permit fees and zoning fees. Currently, the process is manual, as there is no software program in place to manage the process.

The Department is interested in the capabilities of the new software that was installed by the Building Department to also be implemented in this department.

### FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Low Pooled car.

### FRAUD RISK ASSESSMENT

Low

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### PZW 1 - CONDITION (FR/IC):

Currently, the collection of cash receipts is documented by noting the receipt on the application. The notation also includes the payment type. Only customers who pay in cash are provided a receipt, unless it is requested by the customer.

#### RECOMMENDATION:

We recommend that the department begin using a pre numbered receipt book for all transactions and that the receipt book be reconciled to the transmittal reports and the related deposit.

We also recommend that the capabilities of the new software installed by the Building Department be reviewed and considered to manage the permits and application in the department.

#### PZW 2 - CONDITION (FR/IC):

Currently, the applications and permits issued are not prenumbered (all permits).

## PLANNING AND ZONING/WETLANDS

### RECOMMENDATION:

We recommend that all permits be prenumbered and that the accountability for all permits issued be performed on a period basis, but at least annually.

### PZW 3 - CONDITION (FR/IC):

Currently, transmittal reports are not being prepared and cash transmitted is not being forwarded to the Revenue Collector on a standard basis.

### RECOMMENDATION:

We recommend that transmittals and deposits be completed on a daily basis, but no less than weekly.

### PZW 4 - CONDITION (FR/IC):

Currently, there is no reconciliation performed when preparing the transmittal reports to the applications received for the same period.

### RECOMMENDATION:

We recommend that at the time the preparation of the transmittal report, a reconciliation be performed to balance the activity being reported. This reconciliation should be retained and attached to the transmittal sent to the Revenue Collector.

### PZW 5 - CONDITION (FR/IC):

Currently, there is no log of permits issued by type maintained.

### RECOMMENDATION:

We recommend that a log of permits and applications be developed and implemented to monitor the activity of the department. The log can also be used as part of the accountability and balancing of activity noted above.

### PZW 6 - CONDITION (FR/IC):

Currently, there is a quarterly report prepared and sent to the Town Manager that includes the number of permits issued. This report does not contain any financial information (amounts collected for the permits).

### RECOMMENDATION:

We recommend that the report be modified to include amount of monies collected. This report should also be provided to the Finance Department for review and monitoring.

## PLANNING AND ZONING/WETLANDS

### PZW-7 - CONDITION (FR/IC):

Currently, the permits issued are not prenumbered. The permit number is assigned after the permit is issued. In addition, there is no accounting for the sequence of the permits issued.

### RECOMMENDATION:

We recommend that permits be prenumbered and that at least annually, the sequence of permit numbers be accounted for.

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**Parks  
and  
Recreation**

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## PARKS AND RECREATION

### TYPES OF CASH RECEIPTS

1. Membership fees
2. Program fees
3. Rental fees (facility, gym, pavilion, kayaks)
4. Sales of merchandise

### BACKGROUND

The Parks and Recreation Department/Community Center collects monies for various fees and programs. The Department uses a popular recreation department software program to process all cash receipt transactions. Only managers have the ability to void/adjust transactions. Managers also recount the cash dropped into the safe by the receptionist and prepare the deposit.

### FRAUD RISK EVALUATION

Level of receipts: High

Internal Controls Medium

Use of Resources: Medium Facility use, services, merchandise

### FRAUD RISK ASSESSMENT

High

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### PR-1 - CONDITION (FR/IC):

The managers are the only employees who can void/adjust transactions. Currently, there is no adjustment report generated as part of the balancing process. Therefore, the adjustments are not reviewed and approved by the Recreation Director.

#### RECOMMENDATION:

We recommend that an adjustment report be generated as part of the daily balancing process and that the report be reviewed and approved by the Recreation Director.

#### PR-2 - CONDITION (FR/IC):

Currently, the prices for merchandise for sale is programmed into the register system by the managers. The prices are not reviewed and approved by the Recreation Director.

#### RECOMMENDATION:

We recommend that, after the prices are programmed into the register, they be reviewed and approved by the Recreation Director.

## PARKS AND RECREATION

### PR-3 - CONDITION (FR/IC):

Although limited, in certain circumstances the managers (back office) will accept customer payments. The transaction is logged under the manager's user ID, but the manager then balances their own deposit.

### RECOMMENDATION:

We recommend that the Town develop and implement a formal policy regarding the processing of transactions by the managers from the back office. The policy should address whether the practice is acceptable and if determined to be acceptable, the circumstances under which it is permissible. The policy should also then require that the other manager perform the recount and verification of the deposit.

### PR- 4 - CONDITION (FR/IC):

The Department uses two different rental forms. One form is for the rental of a room for a party or event and another for rental of the facility. The Department also rents the pavilion. In addition, rentals can be done through the website. Currently, none of the rental forms are prenumbered. Rentals require payment in full at the time of registration.

### RECOMMENDATION:

We recommend that all rental applications be prenumbered and that, at least annually, the sequence of applications approved be reconciled with the amounts recorded as revenue in the general ledger.

We also recommend that the amounts deposited and recorded in the general ledger be reconciled to the calendar/binder that is used to manage the rentals.

### PR- 5 - CONDITION (FR/IC):

Currently, certain transactions such as rental reservation and prepayments are entered into the Parks and Recreation software as household credits on customer accounts. Household credits cannot be transferred between customer accounts, but can be processed as a refund and then a payment to the new account. Only managers can apply household credits. When the payment is entered, the software system allocates it the "unknown" category. When the transaction is processed, a note is added to the description to identify what type of revenue the payment should be classified as when applied.

The system has the ability to generate reports of the balances of household credits. Currently, these reports are not being reviewed and approved by the Recreation Director nor are they being provided to the Finance Department to ensure proper recording of these balances during the year or at year end.

### RECOMMENDATION:

We recommend that the software be reviewed to identify a more efficient process for applying household payments and to eliminate the need to add notes and reenter the transaction to the proper category. It is not clear why a payment would be classified as unknown.

## PARKS AND RECREATION

### RECOMMENDATION:

We recommend that the report of the activity for household credits be reviewed and approved by the Recreation Director along with the other adjustment reports.

### RECOMMENDATION:

We recommend that the report of the activity for household credits be provided to or produced by the Finance Department on a periodic basis to ensure that the activity is being properly recorded and accounted for.

### PR- 6 - CONDITION (FR/IC):

Currently, there are non-active customer accounts with credit balances. Some of the balances have been inactive for many years.

### RECOMMENDATION:

We recommend that the Town develop and implement a policy for credit balances. The policy should address the procedures for resolving credit balances that are over \$X and X days of inactivity. The policy should address the resolution of the balance such as forfeit, used for benefit of Department or escheated to the State.

We recommend that the report of the activity for credit balances be provided or produced by the Finance Department on a periodic basis to ensure that the activity is being properly recorded and accounted for.

### PR- 7 - CONDITION (FR/IC):

Currently, rosters for programs are provided to the Department program managers. If any adjustments are necessary they are initiated by the program manager. The Department managers will process the credit in the software system based upon the roster provided by the program manager. The roster is then noted with the credit processed and returned to the program manager.

### RECOMMENDATION:

We recommend that any credits that are required to be processed be formally requested and approved. A credit request form should be developed and implemented to document approval of the credit and the processing in the software.

We also recommend that a report of the credits processed be generated and that it be reviewed and approved by the Recreation Director.

### PR- 8 - CONDITION (FR/IC):

Currently, certain independent contractors are paid based upon enrollment and other contractors are paid based upon the class.

## PARKS AND RECREATION

### RECOMMENDATION:

We recommend that the Town review the contractors that are being paid by class to determine if they can be paid by enrollment. If a contractor is paid by enrollment, there is an incentive to verify that all customers in the program have been enrolled.

### PR- 9 - CONDITION (FR/IC):

Currently, the Department conducts an annual physical inventory during the summer. The documentation of the physical inventory is not retained.

### RECOMMENDATION:

We recommend that the documentation of the physical inventory be retained. Any adjustments necessary based upon the inventory should be documented and approved by the Recreation Director. A copy of the physical inventory should be also provided to the Finance Department.

### PR- 10 - CONDITION (FR/IC):

Currently, the Department uses certain inventory items for promotional items.

### RECOMMENDATION:

We recommend that the use of inventory for promotional items be recorded through the register software to ensure the inventory balances are accurate.

### PR- 11 - CONDITION (FR/IC):

Currently, the Department does not have any formal policies or procedures to update the inventory balance when performing test counts or after the physical inventory is taken.

### RECOMMENDATION:

We recommend that the Department develop and implement formal policies, procedures and forms to document all adjustments of inventory balances. The policies and procedures should include the specific procedures and authorization required to update the software system balances.

### PR- 12 - CONDITION (FR/IC):

Currently, the Department sells gift certificates for use at the Community Center. The gift certificates are prenumbered and the numbers are entered into the software program when sold. The software program has the ability to generate reports on the balances of gift certificates that have not been redeemed.

### RECOMMENDATION:

We recommend that the report of the activity for unredeemed gift certificates credit balances be provided or produced by the Finance Department on a periodic basis to ensure that the activity is being properly recorded and accounted for.

## PARKS AND RECREATION

### PR- 13 - CONDITION (FR/IG):

Currently, the Parks and Recreation software has accounts receivable balances dating back to 2008. In many cases the balances are very small amounts. The Department does send collection letters directly, but also uses a collection agency for certain delinquent accounts. The Finance Department is sending any account overdue by 120 days to collections.

The Finance Department has been working with the Recreation Department on the accounts receivable balance. Currently, the accounts receivable balance is recorded on the Town's financial statement net of an allowance for uncollectible amounts.

### RECOMMENDATION:

We recommend that the Town develop formal policies and procedures regarding delinquent accounts receivables and when they are sent to collections. The policy should also include the process, documentation required and the authority to write off receivable balances. The balance authorized to be written off should be processed through the register software and reconciled to the authorization.

The policy should also include/consider guidelines and required approvals to write off balances under \$X amount.

We recommend that the Town continue to work with the Department to determine the collectible balances and write off the remaining balances. This will allow the proper review, monitoring and management of the receivable balances and the calculation of the allowance.

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**Senior  
Center**

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## SENIOR CENTER

### TYPES OF CASH RECEIPTS

1. Registration fees - Classes
2. Special meals
3. Trips
4. Meals on Wheels (for service provider)

### BACKGROUND

The Senior Center currently does not charge a membership fee. There is also another legally separate organization called Senior Center Associates that conducts activities at the Senior Center. The activities include trips, sales of jewelry, events and coffee sales. The monies collected for these activities are deposited into the Senior Center Associates account.

The Senior Center also provides opportunities to the membership to access wellness providers (massage, nails, haircut, etc.). The membership pays the vendors directly for any service provided.

The Senior Center uses a software program to manage the registration for the classes. The Senior Center does not accept credit cards.

### FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Low Facility

### FRAUD RISK ASSESSMENT

Low

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### SC-1 - CONDITION (FR/IC):

Currently, the collection of cash receipts for the Meals on Wheels program is counted by 2 individuals before it is deposited, but is not documented.

#### RECOMMENDATION:

We recommend that the counting and verification of the amount received be documented by employees on the transmittal form.

## SENIOR CENTER

### RECOMMENDATION:

We recommend that the Town develop a policy regarding the Town collecting monies for outside vendor programs. The policy should address the policies and procedures for accounting for and the security of the amount received.

### SC-2 - CONDITION (FR/IC):

A receipt is issued at the time of collection for all receipts collected noting the payment type (cash or check). The payments are then entered into the Senior Center software program. Currently, there is no reconciliation performed between the receipt book, the deposits and the software program.

### RECOMMENDATION:

We recommend that the activity of the receipt book be balanced and reconciled to both the amount entered into the Senior Center software program and the transmittal/deposit.

### SC-3 - CONDITION (FR/IC):

Currently, one employee is responsible for the collection of receipts, entering the receipts into the Senior Center software and preparing the deposit.

### RECOMMENDATION:

We recommend that functions of collecting, recording and preparing the deposit be segregated to strengthen internal controls.

This balancing process should be documented and reviewed and approved by either the Office Manager or the Director or an employee not involved in the cash receipt process.

### RECOMMENDATION:

We recommend that responsibilities for the receipt of cash and the preparation of the deposit be segregated to the extent possible. If possible, an employee should be designated that has primary responsibility for the cash receipt process and another employee for the preparation of the deposit and transmittal to the Revenue Collector.

### SC-4 - CONDITION (FR/IC):

Currently, a separate organization is providing programs and services at the Senior Center to the membership. There are no current policies and procedures or agreement related to this activity.

### RECOMMENDATION:

We recommend that the Town develop a policy regarding separate organizations providing programs and services at the Senior Center. The agreement should address any Town expectations and responsibilities for both parties.

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**Tax  
Collector**

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## TAX COLLECTOR

### TYPES OF CASH RECEIPTS

1. Property taxes
2. Interest and lien fees
3. Bounced check fees
4. Warrant fees
5. Copies

### BACKGROUND

The Tax Collector/Revenue Collector's Office has 2 full time employees and 1 part time employee. Payments can be accepted in the office, on line, and dropped in the mailbox outside of Town Hall.

Reports are prepared on a daily basis and forwarded to the Finance Department.

### FRAUD RISK EVALUATION

Level of receipts: High

Internal Controls Medium

Use of Resources: Low None

### FRAUD RISK ASSESSMENT

High

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### TXC-1 - CONDITION (FR/IC):

Currently, access to the tax register software is not controlled by a user ID or password, therefore, transactions are not identified by user. There are certain functions that are controlled by passwords.

#### RECOMMENDATION:

We recommend that each Tax Department employee be assigned a unique login ID and that the login be used for all transactions processed by that employee.

We also recommend that each employee log off after processing each transaction or when another employee will be responsible for processing transactions (break, lunches, end of day, etc.).

## TAX COLLECTOR

### TXC-2 - CONDITION (FR/IC):

During our review, we noted that all users can void transactions.

### RECOMMENDATION:

We recommend that the ability to void transactions be limited to certain employees or that the available void report be run and approved by the Tax Collector on a periodic basis (monthly).

### TXC-3 - CONDITION (FR/IC):

During our review we noted that the tax collection software can also produce other exception reports such as an override code report. The report is not currently being produced and reviewed.

### RECOMMENDATION:

We recommend that void and other exception reports be reviewed and approved by the Tax Collector. We also recommend that these reports be forwarded to the Finance Department on a periodic basis.

### TXC-4 - CONDITION (FR/IC):

During our review, we noted that the Town processes all mailed tax payments manually through the tax software in the office.

### RECOMMENDATION:

To improve efficiency, cash flow and investment earnings, and allow additional time to be allocated to the Revenue Collector function, we recommend that the Town consider implementing a lockbox service for tax payments.

### TXC-5 - CONDITION (FR/IC):

During our review, we noted that there is a lack of segregation of duties with respect to the processing of tax payments, balancing, preparing the deposit and going to the bank.

### RECOMMENDATION:

We recommend that the Tax Collector's office implement procedures to segregate duties with respect to the cash receipts function.

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**Revenue  
Collector**

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## REVENUE COLLECTOR

### TYPES OF CASH RECEIPTS

1. Property taxes (taxes, interest, lien fees, warrant fees)
2. Sewer use fees
3. All other department cash receipts
4. Trash service
5. Parking tickets
6. Medical insurance contributions (retiree, COBRA, FMLA)
7. Copies and bank fees (bounced checks)

### BACKGROUND

The Tax Collector/Revenue Collector's Office has 2 full time employees and 1 part time employee. In the role of Revenue Collector, the department does the billing for the various revenues noted above.

### FRAUD RISK EVALUATION

Level of receipts: High

Internal Controls Medium

Use of Resources: Low None

### FRAUD RISK ASSESSMENT

High

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### RC-1 - CONDITION (FR/IC):

Currently, there is no counting of cash or receipts provided at the time the departments transmit cash receipts to the Revenue Collector's department. A signed copy of the transmittal report is returned to the Department once the cash is counted.

#### RECOMMENDATION:

We recommend that as transmittals are submitted, the cash is counted in the presence of the employee transmitting the receipts and that a receipt be issued or the transmittal be signed by both the Revenue Collector's Department and the employee agreeing to the amount of cash receipts transmitted. The count should also be used to verify the amount of cash and checks.

#### RC-2 - CONDITION (FR/IC):

Currently, the Revenue Collector's department performs the billing and collection for retiree medical insurance contributions. The data is obtained for the various departments and the Revenue Collector generates the invoices. The department is not provided a billing register to verify the billings. The Revenue Collector's office also processes the cash receipts.

## REVENUE COLLECTOR

### RECOMMENDATION:

We recommend the billing and collection process be properly segregated between two different employees.

We also recommend that the billing register be reviewed and approved by the responsible department prior to the billing being processed.

### RC-3 - CONDITION (FR/IC):

During our review, we noted that although currently infrequent, there is no formal policy, procedure or form to process corrections to the sewer billings.

### RECOMMENDATION:

We recommend that the Town develop and implement formal policies and procedures, including a correction form and the required authorizations.

### RC-4 - CONDITION (FR/IC):

Currently, for ticket fine payments made to the Revenue Collector, a receipt is provided to the customer from a prenumbered receipt book. The information from the receipt book is then posted to the parking ticket software system. It was noted that since this is a two-step process, in certain instances, the activity of the receipt book was not posted to the ticket software on a timely basis.

In addition, there is no reconciliation between the ticket fine receipt book and the amount collected and posted into the ticket software.

### RECOMMENDATION:

We recommend that the Town implement formal procedures to ensure that all ticket fines paid are posted on a timely basis. This will reduce the adjustments necessary when fines are automatically doubled and increase efficiency of processing.

We also recommend that the activity from the prenumbered receipt book be reconciled to the amount collected and the amount posted to the ticket software system. This reconciliation should be documented.

### RC-5 - CONDITION (FR/IC):

During our review of the ticket fine collection process, we noted that there are no software controls regarding the increasing or decreasing of fines and no exception reports available from the system to allow monitoring of these types of transactions.

### RECOMMENDATION:

We recommend that the Town review the software capability related to the controls over the adjustment of fee amounts to determine if reports can be generated or developed. If no exception reports can be generated, then the Town should implement formal policies and procedures over adjustments to ticket amounts, required approval and documentation.

## REVENUE COLLECTOR

### RC-6 - CONDITION (FR/IC):

During our review, we noted that not all departments are providing supporting documentation for the deposit along with the transmittal report.

### RECOMMENDATION:

We recommend that all departments be required to provide supporting documentation for the amount being deposited along with the transmittal report.

### RC-7 - CONDITION (FR/IC):

During our review of various Town departments, it was noted that various other departments are currently responsible for billings generated by their department. In many cases the billings are not provided to the Finance Department or the Revenue Collector. In certain instances, this also has created a lack of segregation of duties over the billing and collection function.

### RECOMMENDATION:

We recommend that the Town consider centralizing the billing and collection of all other Town departments to the Revenue Collector's office. This will increase efficiency in other departments and strengthen internal controls over billing and cash receipts.

The Town should also consider separating the billing and collection functions within the Revenue Collector's office to properly segregate that activity.

### RC-8 - CONDITION (BP):

During our review, it was noted that the Assistant Tax Collector's salary is charged 50% to the Public Works department for the estimated volume of work to process billing and collections for the trash service and sewer user fee. The current estimate (not documented) of the actual time necessary to process this activity is greater than 50%.

It was also noted that due to the current workload, which includes the amount of time spent working with the Town Department to correct the information provided to the Revenue Collector, other activities such as delinquent tax collection efforts may not be receiving the level of effort that is desired.

### RECOMMENDATION:

In conjunction with the several previous recommendations, we recommend that the Town review the desired role and responsibilities of the department. This would include where salaries should be budgeted. For any proprietary fund activities, consideration should be given to allocating the applicable cost to those activities.

It should also include a time study as to where the department is actually spending its time and where the Town desires the level of effort for each area of responsibility of the department.

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**Library**

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## LIBRARY

### TYPES OF CASH RECEIPTS

1. Fines
2. Lost/damage materials
3. Printing/copies
4. Replacement cards
5. Donations
6. Sales (misc)

### BACKGROUND

The Library uses a software program that tracks the materials that are checked out. The software automatically calculates the fines that are due or the charge for lost materials. The Library charges for public printing. The printer job is not released until payment is received.

The Library does not accept credit cards.

The Library has a petty cash fund.

### FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Low Library materials, miscellaneous items for sale

### FRAUD RISK ASSESSMENT

Low

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### LB-1 - CONDITION (FR/IC):

Currently, the Library software is not being utilized to manage, balance and reconcile financial activity. Due to the nature of operations, weather, hardships and other reasons, certain fees and charges are waived or adjusted.

We also noted that the Library software system has the capability to identify the payment type received (cash vs check), but payments are not being entered by type. The system currently defaults to cash as a payment type and, therefore, all transactions are noted as such.

## LIBRARY

### RECOMMENDATION:

We recommend that the Library develop and implement formal policies and procedures for any fee or fine waivers.

We recommend that the Library investigate the financial capability for the Library software and begin to account for the collection of all fines and other cash receipts using the software. Collections should be balanced to the report on a daily basis. The register report should be attached the transmittal report.

We also recommend that the capabilities of the software be reviewed to determine the type of reports that could be run, especially with respect to reports that relate to voided transactions or adjustments (fee waivers).

We also recommend that the Library immediately implement a policy to correctly identify each transaction by the appropriate payment type as the transaction is being processed.

### LB-2 - CONDITION (FR/IC):

Although the printer has a counter, there is no reconciliation of the number of pages to the charges for printing. In addition, it was noted that in some cases the fees are waived (elderly, tax forms) and that in some instances Library staff also print to the public printer.

### RECOMMENDATION:

We recommend that procedures be implemented to document the number of pages printed, the fees charged and the fees waivers.

We also recommend that a formal policy be development and implemented on the waiver of fees including who has the authority to do so.

### LB-3 - CONDITION (FR/IC):

The Library software program tracks the activity of each user's library card. This included any fines, lost book charges or adjustments.

### RECOMMENDATION:

We recommend that the library software capabilities be reviewed for the ability to produce exception reports such as a voided transaction report or adjustment report.

If these reports are available, they should be reviewed and approved on a period basis to properly monitor these types of transactions.

### LB-4 - CONDITION (FR/IC):

During our review, we noted that refunds to customers for lost books that were subsequently found are refunded through the Library's petty cash fund.

## LIBRARY

### RECOMMENDATION:

We recommend that the Library develop and implement a formal refund form and that all refunds be processed through the Finance Department as they are for other departments.

### LB-5 - CONDITION (FR/IC):

Although the Library operates using certain policies for things such as grace period to find lost book, waiver of fines or print charges and employee use of material, these policies are not written and formally communicated.

### RECOMMENDATION:

We recommend that the Library formally document the current policies in place and communicate them as appropriate to employees and the public.

### LB-6 - CONDITION (FR/IC):

Currently, sales of miscellaneous items are accounted for on a manual tally sheet. The transactions are not processed through the Library software. Sales of these items are approximately \$200 annually. No formal inventory records are maintained for these items.

### RECOMMENDATION:

We recommend that the sales for miscellaneous items be recorded through the register system and that an inventory control sheet be maintained and updated for purchases and sales.

### LB-7 - CONDITION (FR/IC):

Currently, access to the Library software is not controlled by a user ID or password, therefore, transactions are not identified by user. The Circulation desk uses a general login ID.

### RECOMMENDATION:

We recommend that each Library Department employee be assigned a unique login ID and that the login be used for all transaction processed by that employee.

We also recommend that each employee log off after processing each transaction or when another employee will be responsible for processing transactions (break, lunches, end of day, etc.).

## LIBRARY

### LB-8 - CONDITION (FR/IC):

Currently, the Library bookkeeper/manager counts the monies and prepares the deposit as well as the related transmittal form. The transmittal does not list the amounts of cash and checks being transmitted.

### RECOMMENDATION:

We recommend that the Library implement procedures to segregate duties with respect to the cash receipts function. If segregation is not possible, we recommend that the Library Director review and approve the transmittal and related supporting documentation. This review and approval should be documented.

We also recommend that the cash and check amounts be detailed on the transmittal form for verification by both the Library Director and the Revenue Collector.

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# Building

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## BUILDING

### TYPES OF CASH RECEIPTS

1. Building permits
2. Housing fees
3. Fire Marshall fees

### BACKGROUND

The Building Department collects fees for the building department and the Fire Marshall. The housing fees billed are required by ordinance. The department is in the process of implementing new software to manage the building operations, including cash collections and billings. The building permit fees and housing fees are set by ordinance and are on the Town's website.

### FRAUD RISK EVALUATION

Level of receipts: Medium

Internal Controls Medium

Use of Resources: Low 3 assigned vehicles. Testing equipment use that is logged

### FRAUD RISK ASSESSMENT

Medium

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### BD-1 - CONDITION (FR/IC):

Currently, the calculation for new construction projects is performed by the Building Inspector. The department does not require a standard form to document the calculation, nor is the calculation reviewed and approved by the Building Official.

#### RECOMMENDATION:

We recommend that the Town develop and implement a standard form to calculate building permit fees. The form should be approved by the Building Official and retained in the permit file.

#### BD-2 - CONDITION (FR/IC):

Currently, the value used to calculate the permit fee for renovations/alterations is based upon the estimate provided by the homeowner or contractor. It is reviewed by the Building Department, but the review is not formally documented or approved by the Building Official. The Building Department does not require the contractor/homeowner to provide any supporting documentation to support the estimated value.

## BUILDING

### RECOMMENDATION:

We recommend that the Town require supporting documentation for the estimated value of the project. The documentation should be a written estimate or contract and should be retained in the permit file.

We recommend that the Town implement a formal policy/form to document the review and approval of building permit fees. The form should be approved by the Building Official and retained in the permit file.

### BD-3 - CONDITION (FR/IC):

Currently, the Fire Marshall fee is added to the fees charged to the customer by the Building department when determined to be due.

### RECOMMENDATION:

We recommend that the Fire Marshall be required to review and approve the applications to verify/approve that fees are being charged appropriately.

### BD-4 - CONDITION (FR/IC):

Currently, the Town has two developer agreements in place that set the building fees for the projects permitted by these developers.

### RECOMMENDATION:

We recommend that permit charges for the two developers with formal agreements with the Town be formally approved by the Building Official.

### BD-5 - CONDITION (FR/IC):

Currently, the building permits issued are not prenumbered. The building permit number is assigned after the permit is issued. In addition, there is no accounting for the sequence of the permits issued.

### RECOMMENDATION:

We recommend that building permits be prenumbered and that, at least annually, the sequence of permit numbers be accounted for.

### BD-6 - CONDITION (FR/IC):

Currently, the building permits issued are accounted for on an excel spreadsheet. The spreadsheet then is designed to generate the transmittal. One employee maintains the spreadsheet. The spreadsheet is not reviewed by the Building Official or other supervisory employee.

### RECOMMENDATION:

We recommend that the Town review the reporting capability of the new software and use the reports generated from the software to balance collection activity.

## BUILDING

### BD-7 - CONDITION (FR/IC):

Building permits are now being entered into the newly implemented Building Department software system. The software system generates the building permit, tracks inspections and also logs each entry. Permits can be deleted, but the permit number will not be deleted.

### RECOMMENDATION:

We recommend that only the Building Official and Assistant Building Official have the administrative rights to be able to void/delete/rollback permits.

We also recommend that an exception report (void/deleted/rollbacks) be produced on a monthly basis and be reviewed and approved by the Building Official. If a report is not currently available, the Town should work with the vendor to develop this type of report.

### BD-8 - CONDITION (FR/IC):

Currently, when entering payments for building permits, the system allows the type of payment to be entered (cash or check). The daily register report currently being produced does not show separate amounts for cash and checks collected.

### RECOMMENDATION:

Although we were able to find a detailed transaction report that listed each transaction by payment type, we recommend that the software be reviewed to determine if a report can be produced that will present the total collected by payment type.

### BD-9 - CONDITION (FR/IC):

Currently, the cash receipts are being balanced and reconciled to the excel spreadsheet and not to the new building department software. Since the excel worksheet is created from the permits issued, it does not ensure completeness.

### RECOMMENDATION:

We recommend that the cash receipt activity be reconciled to the reports generated from the software program.

### BD-10 - CONDITION (BP):

Currently, if a check is received for an incorrect amount, it is returned to the customer with a request to ask for a new check with the correct amount.

### RECOMMENDATION:

We recommend that the Town review this policy and develop a formal policy regarding this type of transaction.

## BUILDING

### BD-11 - CONDITION (BP):

Although the department has implemented the new software, they are still working to develop formal procedures for use of the software as well as working with the vendor to ensure that it is working properly. Therefore, the department is still currently using a receipt book to record certain, but not all, collections.

### RECOMMENDATION:

We recommend that all collections be reconciled to the software system reports. While those policies and procedures are being developed, we recommend that all collections be documented with the receipt book and that the receipt book activity be reconciled to the transmittal report and deposit.

### BD-12 - CONDITION (IC/FR):

Currently, one employee in the Building Department prepares the billing for the housing fee, accepts the payments and maintains the accounts receivable records.

In addition, the billing and accounts receivable balances are not reported to the Finance Department.

### RECOMMENDATION:

We recommend that the functions of billing, collecting and accounting be properly segregated.

We also recommend that all billings be provided to the Finance Department.

### BD-13 - CONDITION (BP):

Currently, the certificates of occupancy are collected in a folder which is picked up by the Assessor's Department on a periodic basis. We also noted that the newly implemented software has the ability to generate certificate of occupancy reports.

### RECOMMENDATION:

We recommend that the certificate of occupancy reports from the software system be provided to the Assessor's Department on a periodic basis, but at least monthly.

Consideration can also be given to providing the Assessor's Department read only access to the software to be able to obtain the reports directly.

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**Public  
Works**

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## PUBLIC WORKS

### TYPES OF CASH RECEIPTS

1. Engineer fees
2. Driveway permits (Right of way)
3. Sewer connection fees
4. Trash pickup fees
5. Performance bonds
6. Sales of recycling bins, composting kits, etc.
7. Sale of recyclables

### BACKGROUND

The Public Works Department manages the public works operations and the Transfer Station. They do not currently use a software program to manage operations, but are planning to implement the public works portion of the same software recently implemented by the Building Department.

Customers for trash service may sign up in person (form) or on-line. Renters must pay a security deposit before service is started. Public Works verifies the application to determine if a security deposit is required.

A spreadsheet is maintained by Public Works that details the service level requested by the customer. The spreadsheet is shared with the Revenue Collector. The Revenue Collector sets up the customer in the billing system.

The gas fuel pumps are controlled by user logon and keys. The diesel fuel pump is not controlled electronically, but a manual log is used to document usage. There are no cameras at the fuel pumps.

### FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: High Equipment, fuel, material inventory, vehicles

### FRAUD RISK ASSESSMENT

Medium/High (use of resources)

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### PW-1 - CONDITION (FR/IC):

Currently, the department accepts performance bonds and driveway bonds. All cash bonds are sent to the Finance Department. The department does not maintain and update a listing of bonds (cash and surety).

## PUBLIC WORKS

### RECOMMENDATION:

We recommend that Public Works Department develop a list of both performance bonds and driveway bonds and update the listing for new bonds and to document releases in accordance with the Town policy.

### PW-2 - CONDITION (FR/IC):

Currently, the department documents cash collections by the use of a receipt book. The transmittal reports that are prepared are not reconciled to the receipt book.

### RECOMMENDATION:

We recommend that the transmittal/deposit be reconciled to the receipt book. The transmittal should identify the applicable receipt numbers.

### PW-3 - CONDITION (FR/IC):

Currently, the permits issued are not prenumbered. The permit number is assigned after the permit is issued by the employee accepting payment for the permit. In addition, there is no accounting for the sequence of the permits issued.

### RECOMMENDATION:

We recommend that permits be prenumbered and that, at least annually, the sequence of permit numbers be accounted for.

### PW-4 - CONDITION (FR/IC):

Currently, the permits issued are accounted for on an excel spreadsheet.

### RECOMMENDATION:

We recommend that the spreadsheet be reconciled to the receipt book to ensure completeness.

### PW- 5 - CONDITION (FR/IC):

Currently, the Department also collects fees for trash service if a customer comes to the Public Works department to pay. Customers are only given a receipt if they pay in cash.

Payments are also accepted by the Revenue Collector.

### RECOMMENDATION:

We recommend that the Public Works Department cease accepting payments from customers for trash service. All customers should be directed to the Revenue Collector to make payments.

If that recommendation is not implemented, we recommend that the transactions be recorded directly into the trash service billing software. Collections should be balanced and reconciled to the trash service software.

## PUBLIC WORKS

### RECOMMENDATION:

Finally, if the recommendation above is not or cannot be implemented, we recommend that all collections be documented by issuing a receipt from the receipt book.

We also recommend that the receipt book be reconciled to the transmittal and deposit.

### PW- 6 - CONDITION (FR/IC):

Currently, the Department uses an excel spreadsheet to manage customer service changes and requests.

### RECOMMENDATION:

We recommend that the changes to service be required to be documented in writing from the customer and formally reconciled to the actual billing system.

### PW- 7 - CONDITION (FR/IC):

Currently, the Department purchases and sells recycling bins and composting kits. Most of the items are purchased based upon preorders.

### RECOMMENDATION:

We recommend that purchases and sales of these items be formally accounted for. Items purchased should be inventoried and the sales accounted for the total value of the purchase. This accounting should be formally documented and the inventory balance should be verified on a periodic basis.

### PW- 8 - CONDITION (FR/IC):

Currently, the Department receives the monies (checks) for the sale of recyclables. In some instances, employees from the Transfer Station deliver the scrap metal to the dealer who then gives the check to the employee. The amounts received are tracked and reviewed analytically.

### RECOMMENDATION:

We recommend that the checks received for recyclables be sent directly to the Finance Department and not to the Public Works Department nor provided to the employee dropping off the materials.

We also recommend that the Town implement procedures to control the materials being sold and to estimate the expected volume to be able to compare the actual receipts.

## PUBLIC WORKS

### PW- 9 - CONDITION (FR/IC):

Currently, the Department equipment is located at the Public Works garage. The keys to the equipment are also kept unlocked in the garage. The equipment is not formally inspected or compared to logged usage.

### RECOMMENDATION:

We recommend that the keys to the vehicles be controlled via a locked key cabinet. The cabinet should be locked at the end of each business day and only selected supervisory employees should have the keys.

We also recommend that the equipment usage logs be compared to the actual usage on a periodic basis. This review and comparison should be documented.

### PW- 10 - CONDITION (FR/IC):

Currently, the fuel pumps user/login is the Town assigned employee number. The fuel pump also requires that the user enter the estimated mileage of the vehicle. The key for the fuel pump is also programmed to a specific vehicle.

### RECOMMENDATION:

We recommend that the user/login be changed to something other than the employee's employee number. That number does not provide the same security as a password.

### PW- 11 - CONDITION (FR/IC):

Currently, the fuel pumps are able to produce a usage report. This report is used by the Finance Department for billing purposes, but it is not reviewed by the Public Works Director.

For diesel fuel, the usage log is maintained manually.

### RECOMMENDATION:

We recommend that the Public Works Director or Assistant Public Works Director review and approved both the fuel system report and the manual diesel fuel log on a weekly basis.

### PW- 12 - CONDITION (FR/IC):

Currently, there are no cameras located at the either the gas or diesel fuel pumps.

### RECOMMENDATION:

We recommend that the Town consider installing cameras at the fuel pump locations.

## PUBLIC WORKS

### PW- 13 - CONDITION (FR/IC):

Currently, the Public Works garage does not have a fence to protect the equipment at the location or to prevent access to the garage after business hours.

### RECOMMENDATION:

We recommend that the Town consider installing a fence to increase the physical security and access to the Town's public works equipment.

We also recommend that the Town consider installing a keyless entry at the garage with each employee having a unique access code to further strengthen the security of the Town's assets at the garage.

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**Transfer  
Station**

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## TRANSFER STATION

### TYPES OF CASH RECEIPTS

Dump fees

### BACKGROUND

The Transfer Station is open 3 days a week. There is a cash register in the shack to record cash collections. The employee at the Transfer Station reviews what is in the customer's vehicle and calculates the fee. There is no scale at the site, so the calculation is based upon the employee's judgment. There is a camera on site focused on the shack

Recently, new procedures and a form were implemented to assist in documenting and balancing the register. At the end of the day the cash is counted both by the employee and a supervisor. The monies are secured in a drop safe. The supervisor then brings the cash receipt to the Revenue Collector.

The Transfer Station accepts cash, checks and credit cards.

The Town had a review of this department in August 2012. We reviewed the report and the suggested controls recommended. We have included our recommendations based solely upon our interview with the Public Works Department.

### FRAUD RISK EVALUATION

Level of receipts: Medium

Internal Controls Medium

Use of Resources: Low None

### FRAUD RISK ASSESSMENT

Medium

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### TS-1 – CONDITION (FR/C)

#### RECOMMENDATION:

We also recommend that the Town consider eliminating collection of receipts at the Transfer Station and implement the use of tickets or vouchers that would be sold at Town Hall and then used to dispose of items at the Transfer Station.

## TRANSFER STATION

### TS-2 - CONDITION (IC):

Currently, the Town does not have a scale at the transfer station and therefore the standard analysis regarding the weight of trash accepted vs the weight of the trash that is hauled out cannot be performed.

### RECOMMENDATION

We recommend that the Town consider implementing a scale at the Transfer Station.

We recommend that the Town consider performing a formal analysis of the amount recorded as revenue based upon the weight hauled out.

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**Mansfield  
Superintendent's  
Office**

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## MANSFIELD SUPERINTENDENT'S OFFICE

### TYPES OF CASH RECEIPTS

1. Suzuki – Violin/Cello Program
2. Reimbursement for substitutes from UCONN
3. Cobra checks and FMLA checks for medical insurance
4. Retiree checks for medical insurance
5. State Teachers Retirement Board quarterly checks for Teachers' medical insurance

### BACKGROUND

The Mansfield Superintendent's Office receives monies for certain programs and for medical insurance coverage from various groups. The program monies received are matched by the Town and paid to the teachers who operate the program.

The medical insurance billings for retirees are billed through the Revenue Collector, but the other groups are billed and accounted for by the Human Resources Department.

The mail is opened and then distributed by the office secretary, but no log is maintained.

### FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Low None

### FRAUD RISK ASSESSMENT

Low

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### MSO-1 - CONDITION (FR/IC):

Currently, the billings for medical insurance invoices are not being provided to the Revenue Collector or the Finance Department. In addition, there is no segregation of duties between the billing, collection and accounting for these revenues/receivables. The Finance Department is not provided the balance outstanding at year end to record as accounts receivable.

#### RECOMMENDATION:

We recommend that the Revenue Collector perform the billing for all groups that are required to pay the Town for medical insurance coverage as they currently do for retirees.

This will allow the proper segregation of duties, the proper recording of accounts receivable at year end and the proper monitoring of activity.

## MANSFIELD SUPERINTENDENT'S OFFICE

### MSO-2 - CONDITION (FR/IC):

Currently, the mail is opened and distributed by the office secretary. The checks received are not logged and reconciled to the transmittal and deposit reports.

### RECOMMENDATION:

We recommend that all checks received be logged by the office secretary before distribution and that the amount transmitted to the Revenue Collector be reconciled to the log.

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# Cafeteria Program

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## CAFETERIA PROGRAM

### TYPES OF CASH RECEIPTS

1. Lunch sales
2. Federal and state grants
3. Catering sales

### BACKGROUND

The Mansfield Cafeteria program operates using prepaid lunch cards. Elementary school students are required to use the cards to pay for meals. Middle and High School students are allowed to pay cash for lunches.

The program accepts cash, checks and credit card payments through a website. Credit card payments are then posted to student accounts.

Register reports are run daily and the managers include the reports with the deposit. The reports are not formally balanced.

The Cafeteria Director goes to the elementary schools and picks up the deposits and brings them to the Revenue Collector. The Cafeteria Director does not count the deposits. The Revenue Collector picks up the deposit from the Middle School. The High School brings the deposit to the Revenue Collector.

### FRAUD RISK EVALUATION

Level of receipts: Medium

Internal Controls: Medium

Use of Resources: Low Food supplies and inventory

### FRAUD RISK ASSESSMENT

Medium

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### CAF-1 - CONDITION (FR/C):

Currently, when the monies are picked up from each school, the receipts are not counted at that time and no receipt is provided to the managers to document the amount of cash transmitted.

Also, the Cafeteria managers do not prepare a transmittal report as do other departments. The transmittal is prepared by the Revenue Collector.

## CAFETERIA PROGRAM

### RECOMMENDATION:

We recommend that the Cafeteria managers formally reconcile the register reports to the amount collected and research/explain any differences. This reconciliation should be documented and noted on the register report and the transmittal.

We recommend that before cash is transmitted to the Revenue Collector, the monies be counted by the employee who is accepting custody of the monies and a receipt be prepared or the counting documented in some way such as by a sign off on the transmittal.

### CAF-2 - CONDITION (FR/IC):

Currently, although a register system is being used to process the lunch sale transactions, the cafeteria lunch sales are being recorded in the general ledger on a cash basis (the amount deposited).

### RECOMMENDATION:

We recommend that the sales be recorded based upon the register reports and that the difference between the register report and the actual amount of cash be recorded as cash short/over. This amount should be documented on the register report and transmittal as noted above.

We recommend that a cash short and over account be established for each school in order to monitor the amount of differences and allow for adequate monitoring and review when necessary.

We also recommend that each Cafeteria operation be reviewed for any undeposited monies and if any exist, they be deposited immediately.

### CAF-3 - CONDITION (EFF/IC):

Currently, the Revenue Collector is picking up the cash receipts from the Middle School. The Revenue Collector then reviews the register reports, prepares the transmittal report and makes the deposit.

### RECOMMENDATION:

We recommend that the Middle School cafeteria cash receipts be transmitted to the Revenue Collector after proper balancing and preparation of the transmittal report.

This will properly segregate duties and increase efficiency in the Revenue Collector's office.

We recommend that the each school have locked bank bags and a safe to ensure undeposited monies are secured before they are deposited and during the transfer to the Revenue Collector.

### CAF-4 - CONDITION (IC):

Currently, the cashiers have the ability to make corrections in the register system.

## CAFETERIA PROGRAM

### RECOMMENDATION:

We recommend that only the Cafeteria Manager has the ability to make corrections. The corrections should be logged by user and a correction report should be produced on a monthly basis and reviewed by the Cafeteria Director or bookkeeper.

### CAF- 5 - CONDITION (IC):

Currently, the managers at the elementary and middle Schools do not recount the cash receipts before they are picked up to be deposited. Elementary schools only collect checks to be applied to the card and cash for .25 or .50 cents for ice cream.

### RECOMMENDATION:

We recommend that the process for balancing the registers with each cashier include the recounting of the cash by the Cafeteria Manager and a sign off by the cashier agreeing to the amount of cash collected.

For elementary schools only, consideration should be given to require all payments to be applied to the students card be sent directly to the Cafeteria office to be processed.

### CAF- 6 - CONDITION (IC):

Currently, the Town does not record à la carte sales separately from lunch sales.

### RECOMMENDATION:

We recommend that all cafeteria revenues be recorded by type in order to allow for proper monitoring and reconciliation. This would include student lunch sales, adult lunch sales, a la carte sales, catering and state and federal grants.

### CAF- 7 - CONDITION (IC):

Currently, the Cafeteria bookkeeper does the billing for catering. Most catering is done for internal organizations and payment is processed through a journal entry done by the Finance Department.

There is a catering request form, but the form is not prenumbered.

### RECOMMENDATION:

For billings related to outside organizations, we recommend that the invoice be provided to the Finance Department at the time the invoice is produced for proper recording and monitoring.

We also recommend that the catering request form be prenumbered or that the requests be approved by the Cafeteria Director and then forwarded to the Finance Department.

## CAFETERIA PROGRAM

### CAF- 8 - CONDITION (IC):

Currently, the Cafeteria software accounts for the balance of each student's lunch card. The program has formal policies for when the balance falls below \$0, as well as the capability to notify parents before the balance goes negative. In certain cases, balances are transferred between siblings both during the year, if one balance is negative and when a student graduates. The student balance reports are not provided to the Finance Department at year end.

### RECOMMENDATION:

We recommend that the Cafeteria program provide the Finance Department a student school lunch balance report on a quarterly basis in order that the balances can be monitored and properly recorded at year end.

We also recommend that the Cafeteria program develop and implement a balance transfer policy and form. All balance transfers should be approved by the Cafeteria Director. If available, a balance transfer report should be produced and reviewed on a monthly basis.

### CAF- 9 - CONDITION (FR/IC):

Currently, the policy is to do a physical inventory every quarter.

### RECOMMENDATION:

We recommend that the inventory be documented and the Cafeteria program develop written policies and procedures that address the frequency of inventory counts, the required documentation and approvals for disposal of inventory and employee responsibilities related to food inventory and supplies.

### CAF- 10 - CONDITION (FR/IC):

Currently, the policy is that cashiers are not permitted to pay any vendors or other amounts from the cash receipts in the register.

### RECOMMENDATION:

We recommend that a policy prohibiting pay out from the register be formally documented and communicated.

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**Mansfield  
Downtown  
Partnership**

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## MANSFIELD DOWNTOWN PARTNERSHIP

### TYPES OF CASH RECEIPTS

1. UCONN and Town of Mansfield Support (annual check)
2. Memberships – 5 types or levels
3. Sponsorships/ donations for events
  - a. Town Square
  - b. Summer Concert Series
  - c. Movies on the Square
  - d. Festival (recorded in Town Special Revenue Fund)

### BACKGROUND

The Downtown District is a legally separate nonprofit organization. It is funded jointly by the Town of Mansfield and UCONN.

In addition, memberships are sold and average about \$15,000 annually.

Sponsors provide support for the various events noted above. There are no sales of any kind by the Downtown District at these events.

### FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Low None

### FRAUD RISK ASSESSMENT

Low

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### DD-1 - CONDITION (FR/IC):

Currently, the memberships and sponsorships are being accounted for and managed using an excel worksheet. The membership forms are not prenumbered and memberships can be purchased on-line. There is no reconciliation of the excel worksheet to the amount recorded for memberships and sponsorships to the general ledger

#### RECOMMENDATION:

We recommend that the date of the deposit be noted on the membership form to allow for reconciliation to the transmittal report.

We also recommend that a reconciliation be performed on a periodic basis of the membership revenues and the sponsorship revenues to the amount recorded in the general ledger.

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**Region 19  
Superintendent's  
Office**

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## REGION 19 SUPERINTENDENT'S OFFICE

### TYPES OF CASH RECEIPTS

1. E.O. Smith Foundation monies
2. Student out of district tuition
3. Student activity receipts (when necessary)

### BACKGROUND

The Superintendent's Office often collects monies that are to be deposited into the E.O. Smith Foundation, a separate nonprofit organization. The Foundation supports activities at the High School. The foundation has 2 large fund raisers annually.

The Superintendent's Office also does the billing and collection of tuition for out of district students. The District is currently only billing for 2 students.

Finally, the Superintendent's Office will accept receipts for student activity funds in the absence of the student activity bookkeeper.

The Superintendent's Office also manages a petty cash fund.

### FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Low None

### FRAUD RISK ASSESSMENT

Low

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified,

#### RSO-1 - CONDITION (FR/IC):

Currently, the District is collecting monies for a separate legal entity. No receipts are provided to the individual transmitting the cash receipts to the District.

#### RECOMMENDATION:

We recommend that a receipt book be used to provide the individual a receipt for the amount of cash and checks transmitted. The amount of receipts should be counted in the presence of the individual transmitting the receipts.

We also recommend that the Town consider developing a formal agreement with the separate legal entity to define rights, responsibilities and liability.

## REGION 19 SUPERINTENDENT'S OFFICE

### RECOMMENDATION:

We also recommend that the District require documentation to be submitted with the deposit for the amount of monies transmitted and the sources of the monies. The documentation could include information such as the number of tickets sold or other units of measure to evaluate completeness and accountability.

### RSO-2 - CONDITION (FR/IC):

Currently, the District is billing out of District students for tuition. The billings are not provided to the Finance Department.

### RECOMMENDATION:

We recommend that the Finance Department be provided a copy of all billings or that the Town manage the billing and collection process.

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**Agricultural  
Education  
Program**

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## AGRICULTURAL EDUCATION PROGRAM

### TYPES OF CASH RECEIPTS

1. Christmas tree sales
2. Poinsettia sales
3. Plant and vegetable sales
4. Centerpieces (live flowers)

### BACKGROUND

The Agricultural Education (AG) Program generates monies to support the program by sales of the various products generated by the program. The program also purchases additional Christmas trees for sale in addition to the trees harvested from the program tree farm.

All sales are supervised by a teacher advisor and the cash receipts are brought to the AG Program office by the advisor and locked in the safe to be counted the next school day by the program bookkeeper.

There is no cash register used (reportedly broken) to record sales. The accounting for the program's cash receipts is done by fundraiser on an excel spreadsheet.

### FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Low None

### FRAUD RISK ASSESSMENT

Medium

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### AGED-1 - CONDITION (FR/IC):

Currently, the sales are being accounted for by either a receipt book or a paper receipt that was implemented in fiscal year 2015 for the tree sales. If the customer is provided a paper receipt, they are not provided a receipt from the receipt book. The paper receipts are not prenumbered to allow proper accountability. They also do not document whether the payment was made by cash or check. In addition, the program does have a cash register, but it is not functioning and has not been replaced. Based upon the current procedures, there is no accountability for sales and, therefore, no ability to reconcile cash collected to sales.

## AGRICULTURAL EDUCATION PROGRAM

### RECOMMENDATION:

We recommend that the cash register be repaired or a new one purchased to properly record the sales of all types of items noted above.

In lieu of the cash register, a receipt book should be used to account for all sales. The receipt book should document the type of payment (cash or check).

Where possible for all items sold, particularly for the Christmas trees, there should be a system of inventory control. The total amount of trees for sale should be documented and reconciled with sales. Trees that are unsalable should be documented by the teacher advisor when disposed.

### AGED-2 - CONDITION (FR/IC):

Currently, the cash is counted by the student and teacher advisor and documented on the envelope. The cash receipts are brought to the AG program office, locked in the safe and then counted by the AG program bookkeeper the next school day.

### RECOMMENDATION:

We recommend that the amount of cash collected be independently documented by the teacher advisor. We also recommend that the amount left in the safe be e-mailed to the Student Activity bookkeeper.

### AGED-3 - CONDITION (FR/IC):

Currently, the cash receipts collected by the AG program are counted by the AG program bookkeeper and then is transmitted to the Revenue Collector directly vs being provided to the Student Activity bookkeeper.

### RECOMMENDATION:

We recommend that the cash collected by the AG program be forwarded to the student activity bookkeeper for deposit like all other student activity funds. This will provide additional control, monitoring and accountability for these monies.

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# Student Activities

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## STUDENT ACTIVITIES

### TYPES OF CASH RECEIPTS

1. Student Activities
2. Sales
3. Donations

### BACKGROUND

The Student activities funds are designed to account for the various activities of the students. Although the Town/School District has custody of these monies, they belong to the student clubs and activities that raised the monies. Student activities also include the monies raised from various events such as plays, yearbook sales, prom, etc.

The funds are managed by the student activity bookkeeper and are recorded in the Town's general ledger system. Disbursements are controlled through the use of a \$50,000 imprest account that allows the bookkeeper to write checks as needed. The checks and supporting documentation are then sent to the Town to be recorded in the general ledger and to reimburse the imprest account.

The bank reconciliation is completed by the Finance Department.

### FRAUD RISK EVALUATION

Level of receipts: Medium  
Internal Controls Medium  
Use of Resources: Low Tickets, merchandise

### FRAUD RISK ASSESSMENT

Medium

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### SA-1 - CONDITION (FR/IC):

Currently, student activity advisors and others bring monies to be deposited to the student activity bookkeeper in the Superintendent's office. The advisor completes a deposit form noting the amount of the deposit and the activity the receipts are for. The advisor then signs the form and logs the date and amount of the deposit on the deposit log. The monies then are transmitted to the District. The monies are not counted by the student activity bookkeeper at that time. When they are counted, if there is any discrepancy, the advisor is contacted to review. The monies for that activity are not deposited until the difference is resolved.

## STUDENT ACTIVITIES

### RECOMMENDATION:

We recommend that the monies be counted in the presence of the advisor and that the advisor be given a receipt for the amount transmitted (cash and checks).

The receipt book then should be used to balance the amount deposited and the amounts recorded in the general ledger.

### SA-2 - CONDITION (FR/IC):

Currently, not all activities provide the bookkeeper supporting documentation with the monies being deposited.

### RECOMMENDATION:

We recommend that detailed supporting documentation be provided to the bookkeeper to support the amount being deposited. The documentation should include receipt book numbers, counts for number of sales of merchandise or tickets, register reports or other documentation that documents completeness.

The supporting documentation should include details on the payment type (cash vs check).

### SA-3 - CONDITION (FR/IC):

Certain types of activities are able to be verified using a min/max or reasonability test. Examples of these type of activities would be any event with ticket sales, dues, sales (yearbook), etc. where there is a known quantity available.

### RECOMMENDATION:

We recommend that the District require the use and formal documentation of a min/max or reasonability test for activities where the data is available.

The accountability for the total potential value should be compared to the revenues recorded and the balance remaining of the merchandise or number of tickets.

We also recommend that any comp tickets or merchandise be formally approved, documented and accounted for to allow for this type analysis.

### SA-4 - CONDITION (FR/IC):

During our review we noted that certain activities are being accounted for through the school bank. Transactions recorded through the school bank creates detailed records of the payments received by student. The school bank software creates a detailed report for the payment made by each student for a particular time period that supports the deposit.

## STUDENT ACTIVITIES

### RECOMMENDATION:

We recommend that the District require all activities to use the school bank for student specific payments to increase accountability and provide adequate supporting documentation for deposits. Use of the school bank also provides the details needed to verify payments made by each student if a refund becomes necessary.

### SA-5 - CONDITION (FR/IC):

Currently, the District does not use a formal software program to account for the activity for each student activity fund. The bookkeeper accounts for the activity for each fund using excel. The activity is tracked by the Town's general ledger software system by fund, but is not capable of accounting for the balance of each fund.

### RECOMMENDATION:

We recommend that the District consider the purchase and use of a student activity software program to increase the efficiency of accounting for each fund. The software can be used to produce monthly reports for the Town to record the student activity funds' transaction.

### SA- 6 - CONDITION (FR/IC):

Currently, the monies collected for the agricultural education program are processed by the student activity bookkeeper, but are deposited directly by the agricultural education bookkeeper.

### RECOMMENDATION:

We recommend that all monies be processed/deposited by the student activity bookkeeper. This will increase efficiency and monitoring over the activity of this program.

### SA- 7 - CONDITION (FR/IC):

Currently, the student activity advisors are not formally provided activity reports on a specific periodic basis for the funds they are responsible for.

### RECOMMENDATION:

We recommend that on a monthly basis, each advisor be provided a report that details the activity of the fund they are managing and that the advisor be required to sign and return the report as evidence of review.

### SA- 8 - CONDITION (FR/IC):

During our review of the listing of student activity funds, we noted the following:

- The District has custody of class funds going back to 1994
- Old scholarship funds are recorded in the student activity fund ledger
- There are many inactive activity funds that have not had activity in several years
- There are accounts with negative balances
- There are funds that do not appear to be student related

## STUDENT ACTIVITIES

### RECOMMENDATION:

We recommend that the District immediately disburse all monies related to the graduating classes to the class officer or obtain an authorization from the class that the monies be donated to the District or the Foundation.

### RECOMMENDATION:

We recommend that all scholarship monies be removed from the student activity fund and bank account and be properly reported as private purpose trust funds or transferred to the Foundation.

### RECOMMENDATION:

We recommend that the District review all current accounts to determine the following:

- Accounts that are not active and should be closed.
- The plan to address the funds with negative balances. A formal policy and procedures should be developed and implemented to prevent accounts from being overspent.
- Accounts that are not "student activities". These amounts should be segregated from actual student monies and recorded properly and reported under the proper fund type.

### SA- 9 - CONDITION (FR/IC):

During our review of the listing of student activity funds, we noted that there are accounts labeled principal's account and interest.

### RECOMMENDATION:

We recommend that the District develop and implement a formal policy for the principal account and the interest account. The policy for the principal account should include a detailed policy on what the funds in that account can be used for and any required approvals.

The policy for the interest account should include how the interest will be allocated to the various activities or the specific purposes that the monies can be used for.

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**Eastern Highlands  
Health District**

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## EASTERN HIGHLANDS HEALTH DISTRICT

### TYPES OF CASH RECEIPTS

1. Fees (collected on site)
2. Fees (collected by District members)
3. Grants

### BACKGROUND

Eastern Highland Health District (EHHD) collects fees directly from customers and the fees forwarded to the District office collected by the District member towns. Certain towns send the District a check for the amount collected and other member towns send the actual cash and checks.

The District has purchased a new software program that will allow on-line permitting and the tracking of permits.

### FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Low Vehicles, laptops/IPADs, smart phones

### FRAUD RISK ASSESSMENT

Low

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### EHHD-1 - CONDITION (FR/IC):

Currently, the deposit is prepared by the clerk. The deposit and transmittal are not reviewed by the Department head before sending it to the Revenue Collector.

#### RECOMMENDATION:

We recommend that the Department head review the deposit and transmittal before it is sent to the Revenue Collector.

#### EHHD-2 - CONDITION (FR/IC):

Currently, certain towns send the actual cash and checks collected to the District to be deposited vs sending a check for the amount collected.

## EASTERN HIGHLANDS HEALTH DISTRICT

### RECOMMENDATION:

We recommend that the District require the member towns to provide the District a check for the amount collected. Supporting documentation for the deposit should also be forwarded with the check to review for completeness and proper recording.

### EHHD-3 - CONDITION (FR/IC):

Currently, there is no min/max or reasonability calculation performed on permit revenue as a method to ensure completeness.

### RECOMMENDATION:

We recommend that a min/max or reasonability calculation be performed on a periodic basis, but no less than annually, to ensure all permit revenues have been properly recorded.

### EHHD-4 - CONDITION (FR/IC):

Currently, the applications for permits are not prenumbered.

### RECOMMENDATION:

We recommend that all permits be prenumbered and that the accountability for all permits issued be performed on a periodic basis, but at least annually.

### EHHD-5 - CONDITION (FR/IC):

Currently, a prenumbered receipt book is used for all payments processed in the District office, including the applications accepted in Ashford where the District has office hours. A receipt is also issued for the total receipts transmitted by other towns when they are brought to the District office.

### RECOMMENDATION:

We recommend that the activity of the receipt book be balanced and reconciled to amounts entered into the permit tracking database and the transmittal/deposit.

### EHHD-6 - CONDITION (FR/IC):

Permits are entered into a database that is used to track permits and prepare the transmittal to the Revenue Collector. Currently, there is no reconciliation of the permit database to the amount recorded in the general ledger.

### RECOMMENDATION:

We recommend that the permit database be reconciled to the general ledger on a quarterly basis, but at a minimum annually.

## EASTERN HIGHLANDS HEALTH DISTRICT

### EHHD-7 - CONDITION (FR/JC):

The District has vehicles that are used by District employees. Per policy, only the Director takes a vehicle home. The other vehicles are not located at Town Hall, therefore, actual monitoring of the policy is not possible. There is a vehicle log, but it is not reviewed during the year, only at year end.

### RECOMMENDATION:

We recommend that the vehicle use log be compared to the actual mileage on a periodic basis, but not less than quarterly.

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**Discovery  
Depot**

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## DISCOVERY DEPOT

### TYPES OF CASH RECEIPTS

1. Day care fees
2. Fundraising
3. State grants
4. Book sales

### BACKGROUND

Discovery Depot is a separate legal entity that operates a day care facility. The day care program is funded through parent fees, state grants to the Town and various fundraisers conducted throughout the year.

Fees are based upon a sliding scale based upon income. The fees are accounted for through a day care related software program.

### FRAUD RISK EVALUATION

Level of receipts: Medium

Internal Controls Medium

Use of Resources: Low Services

### FRAUD RISK ASSESSMENT

Medium

### CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

#### DDDC-1 - CONDITION (FR/IC):

Currently, a customer is issued a receipt from the receipt book only when a payment is made for the enrollment fee or when a cash payment is received. Other payments are processed through the day care software and the receipt is left in the parent's mailbox.

#### RECOMMENDATION:

We recommend that all transactions be processed directly through the register software or that the receipts issued be reconciled to the register report. The reconciliation should be documented and provided with the transmittal report to the Revenue Collector.

## DISCOVERY DEPOT

### DDDC-2 - CONDITION (FR/IC):

Access to the day care software system was limited to the Director and Assistant Director. Certain other employees had read only access. The day care operation is currently without a Director. Currently, the acting Director, the former Assistant Director, is processing all the transactions in the day care software program. The Acting Director then also balances the activity and prepares the deposit and transmittal.

### RECOMMENDATION:

We recommend that the procedures be revised to correct the lack of segregation of duties over the cash receipt process. We recommend that an employee be assigned to process the transactions in the software system, balance the activity and prepare the deposit. The balanced reports and the deposit should then be reviewed and approved by the Director or Assistant Director.

### DDDC-3 - CONDITION (FR/IC):

Fees are charged to customers based upon income and State determined guidelines. The fees calculated are not reviewed, recalculated or formally approved.

### RECOMMENDATION:

We recommend that an excel based form be developed and implemented to calculate the fee to be charged to each customer and that the calculation be formally reviewed and approved by the Director or Assistant Director.

### DDDC- 4- CONDITION (FR/IC):

Currently, the Day care requires customers to sign a one year contract when their child is registered. The contract also requires a deposit at the time of registration. The deposit varies based upon the amount of the fees to be charged. The information is entered into the software system and a report can be generated detailing the deposits that have been paid. This report is not produced and reconciled on a periodic basis and is not being provided to the Finance Department.

### RECOMMENDATION:

We recommend that the customer deposit report be reviewed and reconciled. The report should be generated and provided to the Finance Department on a monthly basis to be sure amounts are properly recorded and reported.

### DDDC- 5- CONDITION (FR/IC):

Currently, customers are invoiced fees on a weekly basis. Reminders are sent to customers for delinquent fees. Based upon discussion, any accounts receivable write offs would need to be approved by the Board, but there is no formal written policy. The software has the ability to produce an accounts receivable report. This report is not currently being provided to the Finance Department.

## DISCOVERY DEPOT

### RECOMMENDATION:

We recommend that the accounts receivable report be produced on a monthly basis and sent to the Finance Department to ensure proper recording, reporting and monitoring.

We recommend that the formal procedures be developed and implemented for accounts receivable write offs (bad debts). The Depot Board should initially approve the amounts to be written off and then forwarded to the Town for final approval.

### DDDC- 6- CONDITION (FR/IC):

The Day care receives certain state grants that require periodic reporting. The reports contain both financial and nonfinancial data. The reports are not currently being prepared or reviewed by the Finance Department before being submitted to the State.

### RECOMMENDATION:

We recommend that the grant reports be reviewed and approved by the Finance Department before being submitted to the State.

### DDDC- 7- CONDITION (FR/IC):

The Day care program has a function to process customer refunds when necessary for overpayments and to return customer deposits. The Day care does not currently have a formal refund policy or refund form to document the request and approval of the refund.

The software program has a refund function and, therefore, can produce refund and/or adjustment reports. These reports are not currently being produced and, therefore, not provided to the Finance Department for review.

### RECOMMENDATION:

We recommend that the Day care develop and implement a formal refund policy including a refund form. The policy should include the process for requesting and obtaining a refund including the required documentation and approvals.

Once approved, the refund requests should be forwarded to the Finance Department to process, along with the report from the software to support the amounts requested to be refunded.

Any other adjustments that are processed through the software should be supported with documentation and proper approval. A software report of all adjustments should be reviewed and approved by the Director and sent to the Finance Department to ensure proper recording.

## DISCOVERY DEPOT

### DDDC- 8- CONDITION (FR/IC):

The Day care charges additional fees for extended day or late pick up. The fee is assessed to the customer using a form when late pick up occurs. These forms are not prenumbered.

### RECOMMENDATION:

We recommend that all additional billing forms be prenumbered and that the accountability for all additional fees issued be performed on a periodic basis, but at least annually.

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## Fraud Policy

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## FRAUD POLICY

### BACKGROUND

Best practices are for organizations to implement a fraud policy in addition to any personnel policies, code of conduct and conflict of interest policies.

Written policies which directly address fraud and the related consequences have proven to be deterrent.

The Town currently has a Fraud Prevention and Reporting Policy and a Whistleblowers Policy.

### RECOMMENDATION:

Based upon our review of the Town's Fraud Prevention and Reporting Policy, we recommend that the Town consider the following update to the current policy.

1. Updating the prohibited acts to include the following items:
  - a. Theft, misuse, or diversion of equipment and/or materials
  - b. Worker's compensation fraud
  - c. Intentional failure to report damage
  - d. Intentional failure to provide product or services that are a part of your job
  - e. Intentional misrepresentation of Town's or governmental policies

2. Update to include the definition and prohibition of abuse

**Abuse** entails the exploitation of "loopholes" to the limits of the law, primarily for personal advantage. For example, an employee abuses a system of travel allowances by intentionally and unnecessarily scheduling meetings in another Town on a Friday afternoon and on the following Monday morning in order to claim per diem over a weekend.

3. Include clear responsibility for management and employee with respect to being aware of fraud and to monitor and report suspicious activity.

#### **Management Responsibilities**

- a. Management is responsible for being alert to and for reporting fraudulent or related dishonest activities in their areas of responsibility.
- b. Each manager should be familiar with the types of improprieties that might occur in his or her area and be alert for any indication that improper activity, misappropriation, or dishonest activity is or was in existence in his or her area.
- c. When an improper activity is detected or suspected, management should determine whether an error or mistake has occurred or if there may be dishonest or fraudulent activity.

## FRAUD POLICY

- d. Management must give full and unrestricted access to all necessary records and personnel. All Town furniture and contents, including desks and computers, are open to inspection at any time. There is no assumption of privacy.
- e. In dealing with suspected dishonest or fraudulent activities, great care must be taken. Therefore, management should not:
  - 1. Make unfounded accusations.
  - 2. Alert suspected individuals that an investigation is underway.
  - 3. Treat employees unfairly.
  - 4. Make statements that could lead to claims of false accusations or other offenses.
- f. In handling dishonest or fraudulent activities, management has the responsibility to:
  - 1. Make no contact (unless requested) with the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to "what you did", "the crime", "the fraud", "the misappropriation", etc.
  - 2. Avoid discussing the case, facts, suspicions, or allegations with anyone outside the Town, unless specifically directed to do so by the Town Attorney.
  - 3. Avoid discussing the case with anyone inside the Town other than employees who have a need to know such as the Town Manager or Town Attorney or law enforcement personnel.
  - 4. Direct all inquiries from the suspected individual, or his or her representative, to the Town Attorney. All inquiries by an attorney of the suspected individual should be directed to the Town Attorney. The alleged fraud or audit investigation shall not be discussed with the media by any person other than the Town Manager, Police Chief or his designee, and the Town Attorney.

### **Employee Responsibilities**

- 1. A suspected fraudulent incident or practice observed by, or made known to, an employee must be reported to the employee's supervisor for reporting to the proper management official.
  - 2. When the employee believes the supervisor may be involved in the inappropriate activity, the employee shall make the report directly to the next higher level of management or contact the Town Attorney.
4. Add statement that there are no exceptions to the policy

### **EXCEPTIONS**

There are no exceptions to this policy unless provided and approved by the Town Manager and the Town Attorney.