



## FINANCIAL POLICY and GRANTS MANAGEMENT

### Town of Irvington, Virginia

Draft Version as of ~~February 23, 2025~~ December 2, 2024

**Commented [1]:** Comments from Town Treasurer and Town Attorney in Jan 2025 added.

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## **A. General**

1. The Town Council formulates financial policies and delegates administration of the financial policies to the Budget and Finance Committee, and the Town Office Manager, or Town Clerk, as identified by the Town Council at the beginning of the fiscal year.
2. The Budget and Finance Committee has management responsibilities including financial management.
3. Authorized signers
  - 3.1. Authorized signers on the town's general operating checking account include the Mayor, Vice Mayor, and Town Administrator, Office Manager, or Town Clerk.
  - 3.2. Authorized signers on the town's general savings account include the Mayor, Vice Mayor, and Town Administrator, Office Manager, or Town Clerk.
  - 3.3. Authorized signers on the town's certificate of deposit (CD) accounts include the Mayor, Vice Mayor, and Town Administrator, Office Manager, or Town Clerk.
4. Financial duties and responsibilities must be separated so that no employee has sole control over cash receipts, disbursements, payroll, reconciliation of bank accounts, etc. Possible employees to be involved include Town Administrator, Office Manager, Town Clerk, Zoning Administrator, or Town Treasurer.
5. Once a year, employees will do their back-up duties.
6. A blanket employee dishonesty policy with coverage in the amount of \$25,000 shall be maintained.
7. Professional financial service providers will be designated annually during the budget process to include, but not limited to, insurance, banking, bookkeeping or other Town Treasurer duties, and auditing.
8. This financial policy will be reviewed annually by the Budget and Finance Committee, with any material changes to be approved by the Town Council.

## **B. Mail and E-Mail**

1. The designated employee opens any postal mail address to the "Town of Irvington" and e-mails sent to [info@irvingtonva.gov](mailto:info@irvingtonva.gov) and forwards or shares the pertinent correspondence appropriately. (The Zoning Administrator serves as back-up.)

## **C. Cash Receipts (including checks)**

1. The Town Administrator, Office Manager, or Town Clerk will record receipt of checks or cash in the local spreadsheet and forward the spreadsheet and a copy of the deposit slip to the Town Treasurer for entry into the accounting system. [Note: This may change with a shift to online Quick Books.]
2. The Town Administrator, Office Manager, or Town Clerk will save the local

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spreadsheet of income and expenses on the shared drive used by the Budget and Finance Committee.

3. The Town Administrator, Office Manager, or Town Clerk will endorse all checks by rubber stamp to read:

PAY TO THE ORDER OF  
Chesapeake Bank  
FOR DEPOSIT ONLY  
Town of Irvington, Virginia

4. The Town Administrator, Office Manager, or Town Clerk will complete a deposit slip in duplicate.
5. The Town Administrator, Office Manager, or Town Clerk will deposit the funds in person on a weekly basis, or as needed.
6. Documentation for all receipts, e.g., letter, bank deposit record, duplicate deposit slip, will be attached to the deposit record and filed chronologically by the Town Administrator, Office Manager, or Town Clerk. [Note: This may change with a shift to online Quick Books.]
7. The Town Administrator, Office Manager, or Town Clerk will record each cash payment received in a numbered receipt book with a duplicate for the payer. Cash shall be locked in a secure location until taken to the bank.

## **D. Authorization of Cash Disbursements**

1. All invoices will be immediately forwarded to the Town Administrator, Office Manager, or Town Clerk who will review all invoices for mathematical accuracy, validity, conformity to the budget, and, where applicable, the Zoning Administrator, Mayor, or Town Council Member responsible for the invoice, who will also review for compliance with bid requirements.
  - 1.1. By approving an invoice, the approver indicates that it has been reviewed, conditions and specifications satisfactorily fulfilled, and is ready for payment.
2. All non-general operating expenses will be forward to the Town Council at their next regularly scheduled meeting, if funds were not previously appropriated.
  - 2.1. By appropriating funds for an invoice, the Town Council indicates that it has been reviewed by them and authorizes payment.
3. The Town Administrator, Office Manager, or Town Clerk will verify the availability of sufficient funds in the general operating checking account prior to releasing any payments to the Town Treasurer.
4. The Town Treasurer will enter all approved invoices into the accounting system.

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5. The Town Treasurer will prepare submitted check payments for approved invoices on a weekly basis, or as required.

## E. Checks

1. The Town Clerk will be responsible for inventory of all checks.
2. All checks will be signed by two of the authorized signatories.
3. Employees may not sign their own payroll check.
4. Voided checks will have "VOID" written boldly in ink on the face and have the signature portion of the check torn out. Voided checks will be kept on file.
5. In no event will:
  - 5.1. Invoices be paid unless approved by an authorized approver, as outlined in Section 4.1.1-4.1.2.
  - 5.2. Blank checks be signed in advance.
  - 5.3. Checks be made out to "cash," "bearer," etc. Exception: Checks may be made out to "Town of Irvington Petty Cash" for less than \$500.
  - 5.4. A check be made out to a contractor without a completed W-9 on file with the town office.
6. If it is necessary to issue a duplicate check in an amount over \$100, a stop payment will be ordered at the bank prior to the reissue.

**Commented [2]:** Recommend no checks be made out to "Petty Cash". The checks should be made out to "Town of Irvington". "Petty Cash" has many of the same problems as just making it out to "Cash"

## F. Bank Reconciliations

1. Bank statements will be filed by the Town Administrator, Office Manager, or Town Clerk.
2. The Town Treasurer will reconcile the bank statement monthly.
3. The Budget and Finance Committee will report to the Town Council on the status of the budget, including a discussion of expenses highlighting over- and under-expenditures and a discussion of revenue and the state of the budget on a quarterly basis.

## G. Purchases

1. The Town Administrator, Office Manager, Town Clerk, Zoning Administrator, and committee chairs are responsible for knowing if an item ordered or service performed is within the budget and guidelines.
2. All expenditures over \$500 not previously appropriated by Town Council must be authorized or appropriated by the Town Council prior to payment.
3. Bid requests, when issued, will contain clear specifications and will not contain features which unduly restrict competition.

4. The Town Administrator or Zoning Administrator will be responsible to ensure that all conditions and specifications of a contract, bid, or order have been satisfactorily fulfilled and will be responsible for timely follow-up of these purchases.
5. The Town Administrator, Zoning Administrator, or Committee Chair will request multiple bids wherever practical, written or oral, unless prior approval by the Town Council has been obtained. The bids, if oral, will be documented by the requestor.
6. Purchases over \$500 will not be fragmented or reduced to components of less than \$500 to avoid the bid process.

## H. Payroll

### 1. Payroll

- 1.1 Employees will be paid monthly; deductions should be itemized on each paycheck.
- 1.2 The Town Treasurer will enter payroll, print payroll checks, make direct deposit transfers, print payroll reports, and send reports to the Town Administrator, Office Manager, or Town Clerk.
- 1.3 The Town Administrator, Office Manager, or Town Clerk will distribute the payroll checks to the employees. Checks will not be released to any person other than the employee without written authorization from the employee.
- 1.4 All terminations will be paid on the regular pay date.

~~1.4.1.5~~ New employees will complete I-9s prior to the first day of work

### 2. Payroll Taxes

- 2.1 The Town Treasurer will prepare and transmit the payroll tax reports, W-2 forms, and ~~9411099~~ forms to meet all federal and state requirements and timelines.
- 2.2 The Town Administrator, Office Manager, or Town Clerk will verify payroll tax preparation and payment on a quarterly basis.

## I. Reimbursement of Travel and Expenses

1. Reimbursement will be based upon current [GSA travel reimbursement policies](#).
2. Expense reports will be submitted for payment within 30 days of expenses incurred and will include details, a total, and be signed by the submitter. The expense report will be authorized for payment by the Town Administrator, Office Manager, or Town Clerk.
3. Receipts must be attached to the expense report for lodging, common carrier transportation, and meals, where required.

**Commented [3]:** 1. Payroll. Recommend adding 1.5 stating I-9s will be completed by new employees prior to first day of work.

2. Remove 1099s. 1099s are not for payroll taxes. You can replace "1099" with "941".

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## J. Consultants

1. Consideration will be made of internal resources to accomplish services before contracting a consultant.
2. The qualifications of the consultant and reasonableness of fees will be considered in hiring consultants.
3. If estimates for services exceed \$600 in a fiscal year, the consultant will complete a W-9~~2~~ and provide copies of insurance. A contract may be required.
4. Consultant services will be paid for as work is performed or as delineated in the contract.
5. The Town Treasurer will prepare 1099 returns for consultants at year-end.

Commented [4]: 3. Change W-2 to W-9.

## K. Property

### 1. Fixed Assets

- 1.1. Fixed assets shall be defined as all items (purchased or donated) with a unit cost of \$5,000 or more and a useful life of more than one year.
- 1.2. The Town Administrator, Office Manager, or Zoning Administrator will maintain an inventory log, which shall list a description of the item, date of purchase or acquisition, price or fair value, and its location.
- 1.3. The Town Treasurer will record all fixed assets in an agreed upon the accounting system, such as a dedicated spreadsheet or dummy fund
- ~~1.3.1.4.~~ An entry must be made whenever property is disposed of or acquired.

Commented [5]: 1.1. Most localities have fixed asset capitalization threshold at \$5,000 (which is also the safe harbor amount by the IRS for most entities). In my opinion, \$500 is way too low.

1.3. This is against Government Accounting Standards. Fixed assets are not in the fund balances of non-proprietary funds. QuickBooks does not have the function for multiple balance sheets. Most localities either have their fixed assets on a dummy fund (their accounting system has the ability to have multiple types of funds) or in a spreadsheet (which is how most small localities, including Lancaster, keep their fixed assets). They are not in the fund balance. The Town right now shouldn't have fixed assets on the balance sheet, but it was never changed due to legal problems when we were first brought in to assist the Town. Any audit right now would probably give the Town a finding for having the fixed assets in their fund balance.

### 2. Leases

- 2.1 The Town Council will review proposed leases prior to submission to the Town Attorney for review.
- 2.2 All leases, clearly delineating terms and conditions will be approved by the Town Council and signed by the Mayor.
- 2.3 The Town Administrator, Office Manager, or Town Clerk will keep a copy of each lease on file.

## L. Insurance

1. Reasonable, adequate coverage will be maintained to safeguard the assets of the town. Such coverage will include property and liability, worker's compensation, employee dishonesty, and other insurance deemed necessary.
2. The Town Administrator, Office Manager, or Town Clerk will review insurance policies before renewal.
3. The Town Administrator, Office Manager, or Town Clerk will maintain insurance

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policies in town files.

4. Insurance policies will correspond to the fiscal year whenever possible.

## M. Books of Original Entry

1. Adequate documentation will be maintained and filed appropriately to support all entries.
2. Budget & Finance Committee will inform the Town Treasurer of reports and details to be provided monthly in the first month of each fiscal year. At a minimum, the Town Treasurer will provide a Statement of Net Assests~~Balance Sheet~~ and Statement of Activities for all general ledger accounts.
3. In the last month of the fiscal year, the Budget & Finance Committee will discuss with the Town Treasurer the basis for the accounting records, should it not be dictated by state policy.

**Commented [6]:** 3. Balance Sheet is not the correct term. Should be called Statement of Net Assets.

## N. Contracts

1. Town Staff will share any contractual agreement with the Mayor and Budget and Finance Committee prior to entering into any contract, even if the Town Council approved the service and appropriated funding. Together, they will make a determination of whether the contract needs to be reviewed by the Town Attorney or full Town Council.
2. All contracts clearly delineating terms and conditions will be approved by the Town Council and signed by the Mayor.
3. The Mayor will not sign any contract if the Town Administrator, Office Manager, or Town Clerk has not received (a) proof of insurance for the time period of the contract, (b) appropriate IRS forms, including a fully executed W-9, and (c) a copy of licensure, if appropriate.
4. The Town Administrator, Office Manager, or Town Clerk will maintain the originals of all contracts in town files.
5. The Town Administrator, Office Manager, or Town Clerk will prepare and maintain on a current basis a summary form documenting each contract awarded by the Town.
  - 5.1. This form shall include the name, address, contact person, and phone number for the contracted firm; all significant covenants (such as required licenses, bonding, and certificates of insurance), and restrictions on expenditures; record of appropriated funds, including date of appropriation; all required payment due dates; and, date and amount of payments.
6. Payments for projects for which the Town serves as fiscal agent shall be paid out upon receipt of invoice and processing by the Town Treasurer.
7. The Budget and Finance Committee will review each contract as part of the preparation of the budget for the upcoming Fiscal Year.

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## O. Budgets

1. The Town Administrator, Office Manager, or Town Clerk, and the Town Treasurer will work with the Budget and Finance Committee to prepare the financial budget ~~on a fiscal basis~~ and submit it to the Town Council.
  - 1.1. Two budgets will be prepared: (1) an operating budget and (2) a financial plan for a capital budget. The budgets, and their presentation, must match state requirements.
2. The Town Council will approve the balanced operating budget prior to the end of the prior fiscal year. ~~The balanced financial plan for the capital budget will be approved within two months of the end of the prior fiscal year.~~
3. The Town Administrator, Office Manager, or Town Clerk will ensure that budgets are on file at the town office and posted on the town website.

## P. Debt

1. The Town Council must approve all debt and follow any ordinances or charter processes related to debt.

## Q. Collection of Tax Revenue

1. The process described in applicable ordinances or charter shall be followed.

## R. Audits

1. The Town Council shall sign a contract with an independent auditing firm for a full audit of the books, as required by state law, grant requirements, or decided upon by Town Council.

## S. Other

1. Donations, whether cash or in-kind, will be documented by the Town Treasurer as appropriate.
2. Prior to applying for or receiving grant funds, staff and the Budget and Finance Committee need to review the reporting and financial requirements, making a recommendation to the Town Council.
  - 2.1. At a minimum, the grant will be a dedicated line item in the budget and ~~reappropriated~~carried over as appropriate, given the period of performance for the grant.

**Commented [7]:** 1. I'm not sure what "on a fiscal basis" means. If it is to mean fiscal year, I don't think it is needed as the Code requires government entities to pass budgets on a fiscal year anyway. If fiscal is to mean a GAAP basis, this would be incorrect. Budgets are to be passed on a modified accrual basis, which is the fund accounting basis as required by GASB.

2. I would make sure legal counsel agrees with this. I'm not sure if these two budgets can be approved at separate times. Additionally, I believe all budgets must be approved before the prior fiscal year ends. However, I'll defer to legal counsel.

From Town Attorney: Virginia Code Section 15.2-2500 et. seq. governs budgets for local governments. A budget may include reserve for contingencies and capital improvements. Budgets should be passed on the schedule set out in the state code (fiscal year beginning July 1). The Town can have a capital improvement budget, but that would need to be passed with the operating budget.

The CIP may be updated and amended yearly, as directed by the governing body. The CIP is governed by Virginia Code Section 15.2-2239. The CIP is needed for future planning and is often a requirement for certain grants. The CIP should include information that guides the capital budget and detail upcoming projects.

In Section O – Budgets of the financial plan, I would change 1.1 (2). It is a bit unclear as to whether you are preparing a "capital budget" or a plan for a budget. The use of the word "plan" makes me think you are updating the CIP (that may just be me). You really could just delete the second sentence in #2.

**Commented [8]:** 1. I would recommend adding "required by state law, grant requirements, or decided upon by Town Council."

**Commented [9]:** 2.1 I would recommend changing "carried over" to "reappropriated".



## T. Document History

1. Discussed in November and December 2024 Budget and Finance Committee meetings.

2. Shared with Town Council and Town Residents, via website, January 2025.

2-3. Updated in Suggestions/Track Changes to address comments from Town Treasurer and Town Attorney. Prepared a PDF for sharing with the Town Council and Town Residents in advance of the March 3, 2025, Budget & Finance Meeting.

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