



THE CITY OF AVON PARK

**ACCOUNTING & BUDGETING/FINANCE
PROCEDURES MANUAL**

Last Revised Date
July 30, 2012



CITY OF AVON PARK
Highlands County, Florida

Finance Department 110
East Main Street
Avon Park, Florida 33825

July 30, 2012

City Manager, Department Heads and Employees
of The City of Avon Park, Florida:

I am furnishing you with a copy of the Manual of Accounting Procedures. This contains the official financial management and accounting procedures of the Corporation.

This Manual was developed to codify the organization's procedures to strengthen its internal accounting controls. This Manual also contains our procedures on processing payroll, purchases, employee travel and entertainment expense reimbursements, etc. In this period of increased auditor scrutiny, this Procedures Manual and the observance of these procedures are essential to safeguard the organization's assets and practice.

These procedures are intended to be observed. In order to process accounting forms, you will need to abide by the processing instructions in this Manual.

It is our intention to keep this Manual up to date. For your part, after reading it, we would appreciate your input on how these procedures could be made more relevant to your job and your suggestions for new or modified procedures.

It is our goal to keep The City of Avon Park a strong and viable operation, and we consider this Manual to be an important step in that direction.

Sincerely,

Julian Deleon

THE CITY OF AVON PARK

ACCOUNTING PROCEDURES MANUAL

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GENERAL ACCOUNTING PROCEDURES

In this section, procedures are described for the overall accounting system design, General Ledger activity and General Ledger closeout.

OVERALL ACCOUNTING SYSTEM DESIGN

Control Objective

To establish a coding structure that supports financial reporting and decision-making.

Major Controls

A. Establishment of Control Accounts

In order to perform reconciliations, subsidiary account detail will be aggregated to General Ledger control accounts.

B. Use of Contra Accounts

The coding structure will provide for offsetting contra accounts, like an allowance for doubtful accounts and a reserve for accumulated depreciation, to adjust historical cost to current levels for financial reporting purposes.

C. Segregation of Costs

Accounts will be established to capture and segregate operating and non-operating costs. Separate accounts will be established for all Federal and State funded projects.

GENERAL LEDGER ACTIVITY

Control Objective

To ensure that all General Ledger entries are current, accurate and complete.

Major Controls

A. Timeliness of Entries

All entries will be made soon after the underlying accounting event to ensure the financial records and reporting are current.

B. Authorization of Transactions and Entries

The Finance/Accounting Supervisor or City Manager will authorize each transaction and entry in writing. Transactions include journal entries and budget adjustments. All budget adjustments will be authorized by the City Manager.

C. Adequate Support Documentation

All entries will be supported by adequate documentation that clearly shows the justification and authorization for the transaction.

Procedures

1. Financial data on source documentation will be retranscribed to original documents (e.g., requisition, check request, etc.) of The City of Avon Park by an Accounting Specialist before entering into the accounting system.
2. Each entry in the accounting system will be reviewed and approved by a designated employee with responsibilities independent of the initiation of the entry.
3. When initializing an entry, provision will be made for using recurring General Journal entries for such transactions as recording depreciation, amortizations and accruals of interest expense on bonds or notes.
4. Non-recurring entries, such as for correcting entries, recording accruals and recording non-cash transactions, will be prepared as circumstances warrant and on a monthly basis.
5. All entries in the accounting system (e.g., General Journal, Sales Journal, Purchases Journal, Payroll Register, Cash Receipts Journal and Cash Disbursements

Journal) will be made soon after the accounting event from authorized forms prepared by qualified accounting personnel.

6. General Ledger control accounts will be periodically re-totaled based upon any updating posting.
7. All General Journal entries will be supported by documentation attached and be approved by the Finance/Accounting Supervisor.

GENERAL LEDGER CLOSE-OUT

Control Objective

To ensure the accuracy of financial records and reports.

Major Controls

A. Trial Balance

Monthly, a trial balance will be prepared to ensure the accuracy of the General Ledger account balances.

B. Reconciliations of General Ledger Control Accounts with Subsidiary Ledgers

Reconciliations will be prepared on a periodic basis.

Procedures

1. Soon after/at the end of each month, a trial balance of all General Ledger accounts will be prepared by the Finance/Accounting Supervisor.
2. Reconciliations between the General Ledger control accounts and the subsidiary ledgers will be completed by the Finance/Accounting Supervisor or his designated employee.
3. Soon after/at fiscal year end, all temporary income and expense accounts will be closed and the fiscal year's financial reports will be prepared by the Finance/Accounting Supervisor.

CASH MANAGEMENT PROCEDURES

In this section, procedures are described for cash receipts, cash disbursements, petty cash funds, trust accounts, prepaid items and investments.

CASH RECEIPTS

Control Objective

To record cash receipts completely and accurately and to prevent the diversion of cash assets.

Major Controls

A. Cash Budgets

The City of Avon Park will annually prepare and monthly review the budget for operations, cash flow and financial condition.

B. Internal Accounting Controls

- (i) Opening of mail assigned to an employee with responsibilities independent of access to files or documents pertaining to accounts receivable or cash accounts
- (ii) Listed receipts and credits compared to accounts receivable and bank deposits
- (iii) General Ledger control accounts reconciled with Accounts Receivable Subsidiary Ledger
- (iv) Periodic statements sent to customers noting any differences assessed

General Procedures

1. Mail will be opened and a detailed listing of cash and checks received will be prepared by an employee with responsibilities independent of accounts receivable or cash accounts.
2. All checks will be endorsed immediately.

3. Cash receipts will be posted to the Cash Receipts Journal on a daily/weekly basis.
4. All cash sales and check payments will be deposited intact daily or by the end of the next banking day.
5. Cash receipts will be compared to deposit slips and bank statements by an employee with responsibilities independent of handling cash receipts.
6. The General Ledger control account will be reconciled with the Accounts Receivable Subsidiary Ledger.
7. A monthly statement will be sent to customers with an outstanding balance or account activity, with customer-noted differences being assessed.

General Government Receipts

Overview

Checks and payments received daily are sorted into two different payment categories: General government and utilities.

General Government is all receipts excluding water-sewer and utilities.

General government payments are coded according to the type of payment received. A **payment type inquiry menu** can be viewed for a code listing. The Finance /Accounting Supervisor opens and codes all state and federal checks received.

Examples of general government payments are:

1. State and Federal: Grant reimbursements, utility tax, franchise fees, sales tax and other miscellaneous payments from the State of Florida and other government agencies.
2. Police Department: Money collected at the police department and sent to City Hall for processing. Payments include police reports for insurance companies, any violation the officers have issued to private citizens and payment for background checks.

3. Fire Department: Fire inspection fees.
4. City Airport: Include payments for hanger rental and annual taxes. These payments are processed differently because they are assigned account receivable account numbers which correspond to their account. Hanger customer accounts can be viewed by inquiring in the cash receipts entry menu in cash receipts.
5. Local Business Tax Receipts.
6. Code enforcement fines.
7. Other miscellaneous receipts include:
 - a. Health insurance payments
 - b. Miscellaneous rentals
 - c. Photo Copies
 - d. Payment for personal phone calls
 - e. Reimbursements

All checks are photocopied and kept with the daily reports. Copies are made for department heads if needed.

Processing of payments is as follows.

1. A cash receipt batch is created separate from utilities, and named General Government. Payments are processed in this batch. (A batch is created in the **cash receipts batch selection**). When you post a payment you choose a code to apply the payment by scrolling through a **code-listing menu**.
2. Once payments are posted into the system at the end of the day a **cash edit listing** is printed. This report lists payments which were processed and the revenue account to which they were recorded. A description can be added to these payments if needed.
3. Balancing the daily receipts is performed by adding all checks and comparing the totals to the report. If total checks and payments agree to the total on the cash edit listing then you have balanced. If the totals do not

agree you must find the error by examining the report and comparing your checks to the report.

4. After any corrections are made another clerk reviews and verifies the totals. After the receipts are verified, a deposit slip is prepared. The deposits are kept overnight in a locked safe. The following morning a police officer transports all deposits to the bank. Posting is the final step in cash receipts which makes the receipts final and post to the correct revenue account.
5. After posting in cash receipts. An update is performed which records the cash receipts total to the **GMBA general ledger**. The system then creates a batch as an adjusting journal entry, (an adjusting journal entry is the final step in applying or separating and sending the money collected to the correct revenue accounts).
6. A printout is obtained for these batches (adjusting journal entries). A finance employee will print these adjusting journal batches, balances and checks the totals of each batch created with the deposit made for that day's work, once that is done and correct; the final step is updating (posting) each of the AJ batches. This is the final step to the cash receipts in general fund.

Cash Receipts - Utilities

Overview

In Utilities, cash receipts include all monies received for payment of utility bills as well as customer deposits, meter tap fees, sewer tap fees, water and sewer impact fees, service charges and other fees deemed necessary for the implementation of new service.

Also included in the utility receipts are all garbage charges, both residential and commercial, including dumpster rental fees and charges for requested extra pickups, as detailed by the Sanitation department.

Cash receipts are accepted in the form of cash, check, money order, credit card, bank drafting and online services. These receipts are received through customer service directly from the customer at the counter in the office, by mail, by phone and from

the payment drop box located outside City Hall.

Procedures

Procedures for the drop box are as follows:

- A. The drop box is routinely opened immediately after the office opens on a daily basis by the inside service man on duty. He brings the payments into the office to the customer service staff. The payments are opened by a customer service person. The payments not having bill stubs to identify them are looked up and a matching stub prepared. The payments are then totaled and balanced to the check total and posted into the cash receipts system. They are routinely identified in the daily receipts as AVPK___ - Batch 05 - LB (Lock Box). This provides for easy identification in the customer history of the manner in which the payment was received, as well as the date.

Checks received in the drop box are not individually validated by printer, but are hand stamped with the *For Deposit Only* stamp, identifying the bank account number they are deposited to.

Exceptions:

1. In the event that the service person is not readily available to open the drop box, a member of the office staff retrieves the payments from the drop box outside.
2. If the staff members at the front counter are too busy with customers, another member of the staff may proceed with handling and entering the lock box payments.
3. When a cash payment is received in the drop box, it is logged manually in a ledger, including the date, customer name, customer account number, where received, and the amount of the cash payment. The person making the entry initials the entry. A notation is made on the bill stub showing this is a cash payment received in the drop box, and it is posted by a cashier as an over-the-counter payment.

Procedures for the mail are as follows:

- A. The incoming mail is delivered directly to Utility Billing personnel. Upon receipt, the utility payments are separated from the other mail. The City Managers' office is notified that the mail is ready and they complete the sorting and disbursal of the mail. The payments are opened by a customer service person. The payments not containing bill stubs to identify them are looked up and matching stub prepared. The payments are totaled and balanced to the check total and scanned or posted into the cash receipts system. They are routinely identified in the daily receipts as AVPK___ - Batch 2 - MA (Mail). This provides for easy identification in the customer history in the manner in which the payment was received, as well as the date it was received.

There are some automated checks that are sent to us directly from the bank, these checks come with the customer's name, address and account number but no stub, and in this case, since they come in large quantities we run a separate batch AVPK___ 04. No stubs are issued for these payments but an edit is printed and saved with the rest of the day's payments for record keeping.

Checks received in the mail are not individually validated by printer, but are hand stamped with the *For Deposit Only* stamp; identifying the bank account number they are deposited to.

Exceptions:

1. If the staff members at the front counter are too busy with customers, another member of the staff may proceed with handling and entering the mail payments.
2. At various times of the month, the mail flow may become extremely heavy; i.e., after a holiday weekend. At these times, the mail receipts may be

separated into two or more batches and posted in as AVPK___ - Batch 3 - MA, etc.

3. If a cash payment is received in the mail, it is logged manually in a ledger, including the date, customer name, customer account number, where received, and the amount of the cash payment. The entry is initialed by the person making the entry. A notation is made on the bill stub that this is a cash payment received in the mail, and it is posted in by a cashier as an over-the-counter payment.

Procedures for bank draft payments are as follows:

- A. When the final arrangements were completed making bank drafting available to our customers, we put informative articles in the local papers and printed the information in the message area available on the water bills. Customers were asked to come in and apply for this service.
- B. The Authorization Agreement for ACH Debits is available upon request from any customer service person. The necessary information includes the customer's name, social security number, the name of the depository, the branch name or number, the city and state where the bank is located, the bank transit number and the customer's bank account number. The bank draft is available through checking or savings accounts. When applying for this service, the customer is required to sign and date the application and include a voided blank check (or deposit slip, if from savings).
- C. The individual bank codes are set up as needed in the SunGard Public Sector System, and are easily identifiable to the customer service person. All that is required is to go to the Customer File Maintenance screen, select 'Y' for bank drafting, identify the bank used by the customer, and add the bank account number. There is an option to select what type of bank draft is requested, either checking or savings. Once that identification is made, the customer is identified as a bank draft customer.
- D. When the bills are updated, those persons who have opted for bank drafting receive their bills as usual; however, there is a message at the bottom of the bill

that specifies "Bank Draft - Do Not Pay." There is a Bank Draft Listing generated with the update that identifies which accounts are scheduled for drafting. This report is filed with the Cashier's Daily Report sheet for the day of the bank drafting. For example, bills that are generated on the 10th of the month would have a due date of the 25th of the month. This would also be the bank draft date. The Bank Draft Listing generated on the 10th is attached to the Cashier's Daily Report dated for the 25th, and the drafted amount would be added to the total receipts for the day. This makes for easy tracking of the amounts that are added to the bank account, even though the cash does not come directly into the office.

Bank drafts are transferred to the bank on Thursday of the week before they actually come due. The Customer Account Specialist does this on a routine basis. Other personnel are trained and available to complete the transfer if necessary.

Procedures for over-the-counter payments are as follows:

- A. Payments received over-the-counter from customers are scanned or posted into the system. They are individually identified as to whether they are cash or check payments. Money orders are identified as check payments. The individual check number is added to the receipt, which aides in identifying lost or mis-directed payments. In the case of cash payments, change is counted back to the customer. Customers who do not bring in a bill with their payment are provided a written receipt, the original of which is kept in the office and the yellow copy given to the customer.

Checks received as over-the-counter payments are individually validated with the printer associated with the Cash Receipts system. The *For Deposit Only* validation includes the name of the city and the name of the bank, as well as identifying the cashier, batch number, date, check number, amount of payment, and the system assigned *receipt number*.¹ The corresponding receipt number also appears on the validated receipt

¹ Our cash receipts system automatically numbers each receipt in consecutive order. The numbers begin with 0000001 on October 1st of each year and continue in consecutive order through the last payment posted at the end of the fiscal year on September 30th or the last calendar work day of September.

along with the same identifying information that appears on the check.

Procedures for Online Payments are as follows:

- A. Customers have an option to pay online with Visa, Master Card or American Express through our Click2Gov online system.
- B. When payments are made online thru our web site www.avonpark.cc, a batch identified as C2G_CXUSER is created in cash receipts.
- C. When it's time to close out the current day, a cashier balances C2G_CXUSER batch separate from the other batches. The Utility Billing Supervisor posts the C2G_CXUSER batch.
- D. The total amount posted is written down on our Daily cashier's report.

Daily balancing procedures:

- A. When it is time to close out the current day, each cashier balances her *batches*² in the system by entering a transaction count and payment amount that matches the computer count and amount.
- B. A Cash Edit Listing is printed for these specific batches, which gives the cashier a detailed list of all payments in these batches, as well as a totals page which identifies the total received for each payment type; i.e., utility payments, deposits, service charges, etc. It also specifies how much of the cash received was paid by check and/or cash. These figures are used to balance the total of the checks on hand. The necessary cash is removed from the drawer for the deposit, and the balance on hand should total a cash base of \$200.00. This amount would include all cash on hand, any paid out petty cash slips and, depending on which drawer is being checked out, the change on hand in the vault.

² The batches are routinely identified as AVPK____ (initials) - Batch 01 - OC; AVPK____ - Batch 06 - GM; AVPK____02-MA; etc.

- C. When the cashier has balanced her drawer, she turns over her checks and cash to the Utility Billing Supervisor to be combined with the total days' work and added to the deposit.
- D. The Utility Billing Supervisor is responsible for preparing the deposit and is given all the cash receipts, including each cashier's receipts, the mail receipts and checks, and the drop box receipts and checks. A Cash Edit Listing is pulled from the system which details all batches entered for that day and provides a totals page for all cashiers which lists the totals of all receipts, by category/code as well as defining the cash and check totals for the day. These totals are balanced with the cash and checks submitted by the cashiers.
- E. When all cashiers' batches are balanced, a print out of the computer screen with all the batches and batch totals for that date is printed. The actual totals for Accounts Receivable and the GM batches are written on this sheet, including any overage or shortage, and totaled. The amount of the cash and checks in the deposit are also written in. These amounts must balance. This sheet is used to wrap and file the actual receipt stubs for that day.

Exceptions:

The current office policy allows cashiers to cash small personal checks for employees only. The maximum amount cashed is \$50.00³ per employee daily. In the event that one or more checks have been cashed, the cash and check totals have to be recalculated to balance.

- F. The Cashiers' Daily Report is a handwritten report completed daily by the cashier balancing the days work. The left side of the report identifies all new deposits by customer name and amount, as well as any service charges, meter taps, sewer taps, impact fees, other related charges and any overage or shortage for the day. The right side details the amount of utility payments received by each cashier as Over the Counter payments (OC), the batch totals for mail (MA) and lock

³ The employee checks referred to are generally in smaller amounts; i.e., \$5.00/\$10.00/\$20.00, with the maximum allowable being \$50.00. This is not necessarily a daily occurrence, but does happen frequently and is a standard office practice.

box payments (LB), and the total of deposits, service charges, meter taps, impact fees, etc. entered by each cashier. The Accounts Receivable is totaled and the GM (General Miscellaneous) receipts are added to get the Total Daily Receipts. The Bank Deposit is broken down into Total Cash and Total Checks and added to get the Total Deposited. These figures will match with the bank deposit for that day.

Two separate line items are included at the bottom to identify any Interdepartmental Billing (IDBM Total), Bank Transfers, Septage Payments, Online Payments and Bank Draft Total that should apply to the General Ledger that day. This final figure is identified as the Total G/L Receipts.

Accounting for Overages and Shortages:

In the event a cashier is out of balance when she has completed checking out the assigned cash drawer, a thorough recap is done to locate the cause of the outage. If the cashier is unable to balance, a separate batch is set up under that cashiers' number. This batch is identified as GM/OS (Over/Short). The amount of the outage is posted in as a debit or credit entry, depending on the nature of the outage, and is included in the Cashier's Daily Report. It is also added to or subtracted from the total bank deposit for that day. All such occurrences are immediately brought to the attention of the Utility Billing Supervisor for review prior to posting.

Procedures for Follow Up:

The nightly back up of the days work is called the *Update*. This procedure pulls together all the work for the day; this includes cash postings, utility billing, deposit posting, any miscellaneous charges, adjustments, etc. This creates an adjusting journal group in GMBA. The figures and the corresponding General Ledger account numbers are compared to the amounts reported on the Cashiers' Daily Report and are verified on a daily basis. In addition, any deposit refunds are verified, and the charges billed verified as posting to the correct accounts.

The figures from the Cashiers' Daily Report are also entered on a spreadsheet titled Month End Utilities Cash

Reconciliation. These figures are balanced against the cash and general ledger accounts to track the transactions on a monthly basis, and are balanced to the Trial Balance, which prints with each update, at the end of each month.

CASH DISBURSEMENTS

Control Objective

To disburse cash for authorized purposes and record cash disbursements completely and accurately.

Major Controls

A. Cash Disbursement Policies

Check preparation and signature will be delayed until the due date, consistent with available discounts.

B. Internal Accounting Controls for paper checks

- (I) Pre-numbered checks
- (II) Checks require two signatures
- (III) Adequate control over the custody and use of signature plates
- (IV) Maximum dollar limits set for each check payment, by vendor
- (V) Match disbursement records against accounts payable/open invoice files
- (VI) Bank statements reconciled to cash accounts and any outstanding checks evaluated by the Finance/Accounting Supervisor
- (VII) Supporting documentation cancelled to prevent resubmission for payment. All invoices are marked paid
- (VIII) Detailed comparison of actual vs. budgeted disbursements.

- (I) **C. Internal Accounting Controls for Electronic Transfer Funds (EFT)** The Accounting Specialist does not have access to the EFT processing in the NaviLine. The creation of the EFT file is done by the Finance/Accounting Supervisor. Match disbursement records against accounts payable/open invoice files.
- (II) Bank statements reconciled to cash accounts and any outstanding checks evaluated by the Finance/Accounting Supervisor.
- (III) Supporting documentation cancelled to prevent resubmission for payment. All invoices are marked paid.
- (IV) Detailed comparison of actual vs. budgeted disbursements.

General Procedures

1. When transactions are completed and approved by the proper departments and payment is due, a purchase order or check requisition is attached with all supporting documentation: vendor invoice, purchase order, payroll record, petty cash voucher, and loan repayment schedule or remittance advice.
2. A prenumbered check is prepared by the Accounting Specialist. If vendor(s) is set up for EFT, an EFT preliminary register is ran by the Finance/Accounting Supervisor with each vendor listed and total amount to be paid to each vendor.
3. Checks are signed by the Administrative Services Director or City Manager and the Mayor or Deputy Mayor after examining the supporting documentation. The EFT preliminary register is signed and approved by the Administrative Services Director or City Manager and the Mayor or Deputy Mayor.
4. After having been signed (Step 3), checks will be mailed directly to the payee by the Accounting Specialist and all EFT transactions will be submitted to the bank for direct deposit to the vendors' bank account.
5. All supporting documents will be marked paid.

6. On a periodic basis, cash disbursement records will be matched against accounts payable/open invoice files for any discrepancies.
7. Bank statements will be reconciled soon after receipt by the Finance/Accounting Supervisor or designated employee.
8. Bank reconciliations and proposed adjustments will be reviewed and approved by the Finance/Accounting Supervisor

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PETTY CASH FUNDS

Control Objective

To control the use of petty cash funds for valid transactions.

Major Controls

Internal Accounting Controls

- (I) Segregate custodial and recordkeeping duties
- (II) Reconcile petty cash funds by employees with responsibilities independent of cash receipts, disbursements or custody.

Procedures

1. A log of all disbursements made from the petty cash fund is maintained by the fund custodian.
2. When the fund needs to be replenished, a check request is prepared by the fund custodian, attaching the log of disbursements and the supporting vouchers.
3. Any differences between the check request to bring the fund up to the designated amount and total disbursements made will be reviewed and a justification prepared.
4. Funds disbursements will be entered into the General Ledger when the fund is replenished.

Utility Deposit Refunds

Control Objective

To ensure all refunds are accurately recorded on a timely basis.

Major Controls

A. Refund Policy

Deposit refunds are issued only when an account is closed and the customer no longer needs service with the City.

Procedures for Deposit Refunds

At the time a customer requests service to be disconnected, the customer service clerk entering the request in the system selects the option to apply and refund the deposit. The two instances in which we hold deposits are:

1. Customer is the owner and will need to continue paying monthly garbage charges.
2. At the request of the customer, for future uses.

When a deposit is to be refunded on an account, during the final billing process, the system will deduct any outstanding charges on the account and create an entry in accounts payable for a check to be issued for the remaining deposit balance.

TRUST ACCOUNTS

Control Objective

To avoid exposing the organization to financial risk concerning the accountability over trust account funds and other property.

Major Controls

A. Separate Recordkeeping over Trust Accounts

The City of Avon Park will maintain a separate accounting system over trust accounts.

B. Trust Funds Maintained in Separate Trust Bank Accounts

To avoid the appearance of commingling trust funds with the organization's own funds, separate bank accounts will be maintained for trust funds.

C. Reconciliation between the General Ledger and the Trust Bank Statements

Monthly reconciliation is completed between the General Ledger and trust bank statements.

Procedures

1. Upon receipt, trust funds will be deposited in a separate trust checking account, with the receipt being recorded to the trust's Cash Receipts Journal.
2. Checks in payment of trust debts will be made from the trust bank account, with a recording to the Trust Cash Disbursements account. All such transactions will be initiated and approved by the trustee and completed by the Accounting Department.
3. Interest earned in an interest-bearing trust account will be credited to the trust account as trust income.
4. Monies held on behalf of third parties will be recorded as a liability in the Trust Account Subsidiary Ledger and a General Ledger control account.
5. The General Ledger control account will be reconciled with the Trust Account Subsidiary Ledger.

PREPAID ITEMS

Control Objective

To ensure proper accounting for prepaid expenses. Prepaid items include insurance payments for all funds.

Major Controls

A. Internal Accounting Controls

- (I) Preparation and updating of an amortization schedule to reflect the incurring of expenses for prepaid items
- (II) Detailed prepaid expenses reconciled with the General Ledger control account

Procedures

1. All invoices will be reviewed by the Accounting Specialist to identify all required prepayments.
2. For payment of prepaid items, a journal entry is made to reflect the appropriate portion of the payment representing an asset.
3. A schedule is prepared to reflect the incurring of an expense for prepaid items.
4. A standard journal entry is prepared by the Finance/Accounting Supervisor to record the monthly expense.
5. Reconciliation is performed between the subsidiary ledger and the prepaid asset General Ledger control account.

INVESTMENTS

Control Objective

To maximize return on investments and to control all investments according to The City of Avon Park's investment policies.

Major Controls

A. Investment Policies

Investment activities will be controlled according to The City of Avon Park's investment policies adopted in a resolution by the City Council and recorded in its Minutes regarding the use of different types of investments. Designated personnel will have specific authorities to approve transactions and have access to investment certificates.

B. Internal Accounting Controls

- (i) Investment account balances reconciled monthly with the General Ledger control account
- (ii) Investments held by authorized agent(s)
- (iii) Investment account balances reconciled with bank/broker statements
- (iv) All investment certificates maintained in a secure storage area and periodically inventoried by an authorized official.

Procedures

Investment Activity

1. All proposed investment transactions will be authorized by the City Manager.
2. A check requisition or bank transfer will be prepared for investment purchases accompanied by an investment purchase authorization.
3. For investment sales, an investment sales authorization will be completed to execute the transaction. Authorization will be given for the investment certificate to be delivered to the agent.
4. An investment control log will be maintained with an adjustment made for each investment purchase/sale.
5. Investment sales gains or losses will be calculated from the broker's sales notice.

6. The receipt of all investment sales proceeds will be reconciled with the investment sales authorization.
7. Investment account balances will be reconciled with the General Ledger control account monthly/weekly.
8. The investment account support detail will be reconciled with bank/broker statements.

Physical Custody of Investment Certificates

1. An investment certificate or safekeeping receipt will be received and support each check or bank transfer.
2. The location of each investment certificate will be noted on the investment control log when trades are made.
3. All investment certificates kept on the premises will be stored in a secure location to prevent unauthorized conversation and periodically inventoried by two authorized officials.

Investment Earnings

1. A worksheet will be prepared monthly listing the interest and dividends earned for the previous period so a journal entry to the various investment income General Ledger accounts can be prepared.
2. Premiums and discounts on bonds and notes receivable will be amortized over the applicable holding period for each investment according to a schedule prepared by the Finance/Accounting Supervisor. This will be used to prepare the annual entry to the various investment premium/discount General Ledger accounts.
3. Using the investment schedule of marketable equity securities, the market value of each security will be updated on an annual basis and an adjustment prepared to record the difference between cost and market value of such securities.
4. An annual report of investment results will be prepared and distributed to management.

ACCOUNTS RECEIVABLE PROCEDURES

In this section, the procedures are described that cover revenue recognition and invoicing, billing, customer orders, accounts receivable, customer returns and allowances, cost estimating, credit and collections and other revenues.

REVENUE RECOGNITION AND INVOICING

Control Objective

To ensure all services rendered are accurately recorded on a timely basis.

Major Controls

A. Invoicing Policy

Invoices are prepared for water, sewer and garbage for five billing cycles.

Procedures for Utility Accounts Receivable

Overview

Utility Billing Reconciliation includes reconciling Utility billings, cash collections, reverse payments and adjustments to General Ledger.

At the end of each month the Customer Accounts Specialist prints the Trial Balance (UT) from the update. This report for Utility Billing Reconciliation is given to the Finance Department. This report contains the receivable amount in utility billing.

- Water
- Sewer
- Garbage
- Service fees

The following steps are then taken to reconcile Accounts Receivable:

1. The Customer Accounts Specialist retrieves the totals from the nightly update⁴ She turns it in to Finance/Accounting Department for reconciling.
2. The Finance/Accounting Department takes the daily totals and prints an account activity listing for the following receivable accounts:
 - Water/Sewer receivable account
 - Garbage receivable account
 - Garbage Lien receivable account
 - Sebring Ridge receivable account
 - Septage Receivable account
 - Water/Sewer Lien receivable account
 - Crystal Lake Water/Sewer Receivable account
3. A total of cash collected, billings, adjustments, reverse payments and transfer balances for each receivable account are entered into a spreadsheet.
4. Once the figures are entered in the spreadsheet, the ending total accounts receivable from the General Ledger is balanced to the Utility billing Trial balance. from UT billing.
5. If the ending accounts receivable is not in balance with the General Ledger, the Finance/Accounting Supervisor then refers back to the reports and reviews for errors.

⁴ Update is a group of reports printed at end of each business day. These reports contain a detail of each transaction for that day, such as all adjustments, cash collections, reverse payments, deposit transactions, charge updates, trial balance and general journal entries. The Customer Accounts Specialist runs an update nightly.

BILLING

Control Objective

To ensure that utility billings are adequately supported and reflect the requirement of all terms and conditions.

Major Controls

A. Segregation of Costs

Accounts are maintained in the enterprise funds for each type of revenue.

B. Internal Review

Supporting documentation for a sampling of invoices is reviewed periodically.

C. Internal Accounting Controls

- (i) Separation of duties between the preparation of the invoice and its review and approval.

Procedures

Overview:

Utility Billings include charges for water, sewer, garbage, irrigation and tax only on water usage. There are 5 billing cycles, which includes 2 to 5 routes. The cycles are billed each month.

A. Readings:

1. Meter routes are downloaded into a disc. A "download" is when the route to be read, is selected from the NaviLine Financial Software, to be transferred to MVRS (Meter Vendor Reader System). The Routes selected are downloaded into a handheld for the meter reader to start collecting the readings using the computer set up in the service man truck. Once he is done the information in the handheld is then transferred to the MVRS. When all readings are collected a detail reading report is printed also for record keeping. Now readings will be uploaded to NaviLine.

2. An "upload" is performed to obtain reads from the MVRS to the NaviLine. The process of an upload is when the handheld data is read and is received by the NaviLine.

3. To verify that reads have been successfully uploaded into NaviLine system you select the Meter reading entry option, enter route being billed and system automatically shows you accounts. If reads have not been uploaded you would then start upload process over from the beginning adding a restore function to your procedure.

B. Checking route for errors: (Cycle billing menu)

1. A Meter reading exception listing is printed to determine which accounts have error message. There are many error messages. For example, these are a few that are commonly seen:

- a. Current read date is less than previous read date
- b. Current reading date prior to service start date
- c. Negative consumption after non-estimated read
- d. No current reading
- e. No meter set
- f. Set/initial read date prior to start date
- g. Consumption too high/ low

2. An account with an error message will need to be corrected. The message tells you exactly what the problem is. If needed, a service order is printed so that service man can go out and complete work assigned to particular work order. Work orders are completed in system, correcting accounts that needed attention.

3. A Delinquent cut off listing is a report printed by the Customer Service Clerk each month. This report lists customers that are two (2) months or more past due on utility payments. These customers' services are turned off in the field, but are still active accounts in the system. Last month's Delinquent cut off listing is reviewed for customers in the current billing route who have not paid past due balances. Those customers' accounts are terminated; the system automatically sends those customers to a final bill (see Final Bills) and removes them from the regular cycle billing. This procedure prevents us from billing customers for services not in use.

C. Posting

1. When the exception listing is all clear of errors, the reads from the route are posted. A Meter Reading Posting report is generated. The Meter reading posting report is not printed. It is held in the system and then deleted. The report is not printed because it would be a duplicate of the Cycle Billing Register (see Creating Charges). This process is done to tell the system these are the readings that we want to keep, so save them.

D. Creating Charges

1. In the cycle billing menu there is an option called cycle billing charge creation, this option creates a Cycle Billing Register. The register gives you a total consumption charged for water, sewer and also charges for garbage. The Customer Accounts Specialist reviews the report for errors. After the Customer Accounts Specialist reviews the report, it is given to Utility Billing Supervisor to be reviewed. The Supervisor determines if the report is correct and instructs to complete billing process.

E. Deleting Accounts not being billed

1. Accounts not to be billed are accounts that are inactive or if there has been a new tenant. The system will not bill a customer if their service has not been active for more than 15 days. Those accounts would be billed on the next bill run.

F. Update

1. An update is performed each night. The update is a report printed by the Customer accounts specialist, which consists of all the transactions for the day, such as, billings, adjustments, reverse payments, payments on accounts, etc. This report tells you exactly what monetary transactions happened in the office. If there is a bill run there is an option to select update with billing. This tells the system to create the bills. Billing procedure is complete until the following day.

G. Printing Bills

1. Bills are printed on preprinted forms.

H. Mailing Bills

1. The update also generates a report called the Zip code listing. This printout is used to fill out the postage statement. The postage statement is a form requested by the post office that we complete stating the number of bills within the City of Avon Park being mailed by bulk mail and the cost. All bills mailed outside of the City limits are separately bundled. A money log is maintained by the Customer Accounts Specialist to record the total balance in the account at the Post Office. When the account balance is low, the Customer Account Specialist creates a Purchase Requisition in the NaviLine or prepares a written check requisition and submits it to the Accounting Specialist for a check written to Postmaster, to add additional money to the City's postal account.
2. Returned bills are checked in the system for alternate addresses. If there is an alternate address we re-mail bill to address. When there is no alternate address we look in system to see if the customer might have another location active and mail the bill to that address requesting correct mailing address. In instances where the customer has no alternate address or active locations we try contacting the customer by phone. Where customers cannot be located the bills are kept for 2 months and then discarded.

I. Final Bills

1. The Final bills are handled differently from the regular bills. Final bills charge customers for services from the last bill date to their cut off or final date of service. The system prorates amount so you won't have to calculate totals.
2. A final bill register is printed by first selecting what date you want to run final bill charges. Final bills are done two times a month, around the 15th and 30th of each month. For example, if you are billing final bills for April on your first final bill run for that month you would select "Final bills through 04/15/01." The system then generates a final

billing register. This register gives error messages just like the exception list except the final bills do not have an exception listing it only runs a register. You would have to check for errors and request work orders if necessary. Work orders are already fielded by the service man when cut off of service is done. After the Customer Accounts Specialist has reviewed the register, it is then given to the Utility Billing Supervisor to be reviewed. After the register has been reviewed and approved, the bills are then ready to be updated. The process of the update is followed again. The update is selected with a final bill option. The procedure is the same from here forward as the regular billing cycle.

J. **General Ledger**

1. The update processing generates a report called Current Charges Update. This report gives a breakdown of all charges per service. Each service has a separate revenue account number. An Account Activity Listing is printed for each revenue account and is verified for correct posting. The total of each revenue account is reconciled to the accounts receivable account. The accounts receivable account may not balance with revenue accounts, in such instances there might be credit balances on customers' accounts. Credit balances are held in a liability account. These are due to customers who have paid in advance. The system will not charge for those accounts with credit balances so amount is subtracted from billing charges. The credit balance total can be found on the Current Charges Update report. After accounts have been reconciled, the bill run is complete.

ACCOUNTS RECEIVABLE- MISCELLANEOUS RECEIVABLES.

Control Objective

To ensure the accuracy, completeness and timeliness of customers' accounts receivable balances.

Major Controls

A. Separation of Duties

The responsibility for posting invoices such as quarterly billings to the Department of Transportation, rentals and leases of City property and airport hanger rentals, will be kept separate from those with responsibilities for cash functions. The General Ledger control account will be posted by those with responsibilities independent of accounts receivable and cash receipts.

B. Use of Control Accounts

The City of Avon Park will employ a General Ledger control account to pinpoint errors.

Procedures

1. The monthly charges (invoice) will be entered into the Accounts Receivable Ledger by the Utility Billing Supervisor.
2. Monthly customer statements will be mailed by the Utility Billing Supervisor and any differences resolved by the Finance/Accounting Supervisor or her designee.
3. Payments, allowances, credits and other adjustments will be posted to the Accounts Receivable Ledger by the Finance/Accounting Department.
4. The Accounts Receivable Ledger will be reconciled with sales and cash receipts transactions by the Accounting Specialist and the Finance/Accounting Supervisor.
5. The Accounts Receivable Ledger will be reconciled monthly to the General Ledger control account.
6. Periodically, the correspondence file authorizing returns and allowances will be reviewed for any discrepancies.
7. Monthly ageing reports are printed and reviewed by the Finance/Accounting Supervisor and/or City Manager and/or Administrative Services Director.

COST ESTIMATING

Control Objective

To provide for the development of cost estimates that is current, accurate and complete.

Major Controls

A. Organization and Assignment of Responsibilities

The City of Avon Park provides for a written description of the organization, duties and responsibilities of (i) personnel who prepare, review and approve cost estimates and (ii) the various functions that contribute to the estimating process such as accounting, planning, etc.

B. Cost Estimate Development

Estimating source data are applied appropriately and the basis for estimating elements are disclosed by providing written guidelines for developing and supporting consistent and verifiable proposals.

C. Compliance Reviews

Management is to ensure that the estimating system policies and procedures are up-to-date, periodically reviewed, and implemented.

Procedures

Cost Estimate Development

1. The sources of data, the estimating methods and the rationale used in developing cost estimates will be identified:
 - a. Procedures and instructions on the extent of documentation required for a proposal will be provided, such as:
 - (1) Conditions, assumptions, qualifications
 - (2) Basis of each cost element
 - (3) Milestones for contract performance, or
 - (4) Reconciling the detail and summary level data.

- b. Procedures are established to ensure that all documentation supporting proposals is contained in the bid file or readily available by the contract certification date.
 - c. Procedures are established to ensure that all updates of the documentation supporting proposals are contained in the bid file or readily available by the contract certification date.
2. Estimating techniques will be applied consistently.
- a. The estimating system documentation will include or reference all related policies and procedures, such as formats for proposal preparation and the required detail for support; general cost estimate development procedures and specific estimate development by cost element; and separate guidelines for special treatment areas (make-or-buy policies, spare parts pricing, special tooling and test equipment, etc.).
 - b. Uniform formats will be established, described, and utilized for submission of data in support of proposals.
 - c. Where electronic data processing capabilities are used for cost estimating, current documentation, including any capabilities for summarizing the detailed supporting data, will be maintained.
 - d. Internal controls will be established over estimating systems relating to:
 - (1) The identification and detection of direct and indirect cost duplications
 - (2) The detection and timely correction of errors, and
 - (3) The protection against cost duplications and omissions.
3. Clear identification of the pricing policy will be provided for sensitive areas as identified by the Government and contractor, which may include areas such as start-up costs for the follow-on contracts, inventory items, for State and Federal projects.

4. Historical experience will be used where appropriate, including the results of negotiations with subcontractors and suppliers as to price adjustments of initial bids or proposals.
5. Appropriate analytical methods will be required.
6. Information available from other management systems will be integrated as appropriate.
 - a. Responsibility will be assigned for estimating each indirect cost pool and allocation base and procedures established for the dissemination of the rates to estimating segments on a current basis.
 - b. Methods and support used to develop indirect rates, pools and bases will be documented.
7. Procedures will be provided to update cost estimates in a timely manner throughout the proposal evaluation and negotiation process.
8. Responsibility for review and analysis of subcontract prices will be addressed.

Compliance Reviews

1. Policies and procedures for compliance with applicable Federal regulations will be periodically reviewed and updated.
2. Internal reviews of the estimating system will be required, such as:
 - a. Testing employee compliance with supervisory and organizational responsibilities.
 - b. Performing tests of the adequacy of training methodologies.
 - c. For a representative sample, comparing cost projections with actual results and analyzing differences.
 - d. Performing post-award reviews of a representative sample to determine that cost or pricing data were current, accurate and complete at the time of contract certification.

3. Procedures for action and follow-up on recommendations resulting from internal reviews will be required.

CONTRIBUTIONS

Control Objective

To ensure The City of Avon Park complies with state rules on soliciting contributions and to properly account for contributions received/made.

Major Controls

A. Separate Fund for Restricted Contributions

Contributions received for restricted purposes will be accounted for in separate funds.

E. Internal Accounting Controls

- (i) Separation of duties between managing contributions and accounting for contributions.

Procedures

General

Contributions of Checks and Cash

1. All contributions in the form of checks or cash received in the mail will be recorded and delivered on the day they are received to the Finance/Accounting Supervisor.

Contributions of Real Estate

1. Real estate in the form of a residence, business, commercial building, undeveloped land, etc., may be accepted provided an environmental and toxic waste review has been conducted and the property can be sold or used in the mission of the organization. A certified appraisal performed within 60 days of the contribution will be provided by the donor.

2. Upon acceptance, a contribution acknowledgement form will be completed by the Finance/Accounting Supervisor and sent to the donor.

Accounting for Contribution Revenue

1. Contributions received for restricted purposes will be entered in a separate revenue account by the Finance/Accounting Supervisor.
2. Reports will be prepared to donors, if required, on the deposit, management and disposition, and use of the funds.

OTHER REVENUES

Control Objective

To ensure that other revenues are accurately and completely recorded on a current basis.

Major Controls

A. Preparation and Analysis of Other Revenue Schedule

For rental transactions, interest, and deferred income, a schedule will be prepared to reflect when income is earned vs. when cash or other assets are received.

B. Review of Other Revenue Schedule

The other revenue schedule will be reviewed and updated on a periodic basis and the books of account adjusted to reflect any changes in revenue.

Procedures

Rental Income

1. On a monthly basis, an entry to accounts receivable and to the other income account will be recorded for rental income earned based upon a schedule of rents.

2. Rent prepayments will be recorded as an unearned income/liability until the designated time when the prepayment is earned.

PAYROLL PROCEDURES

Payroll procedures are organized under six categories: personnel requirements, personnel standing data, timekeeping and labor distribution, preparation of payroll, payroll payment and handling payroll deductions.

PERSONNEL REQUIREMENTS

Control Objective

To ensure that The City of Avon Park hires only those employees full or part-time it needs and exerts tight control over hiring new employees and promoting existing employees.

Major Controls

Payroll Policies

The City of Avon Park has adopted payroll policies for installing new employees on the payroll system and removing terminated employees from the system as well as handling vacation and sick pay.

Procedures

New Employees

1. Requests for new employees will be initiated by Department Head/Supervisor and compared with the approved annual personnel budget. All requests will be approved by the City Manager.
2. A "payroll status change" form will be initiated by the department head when hiring a new employee. This form contains the employee's rate of compensation, the effective date for paying salary, and departmental information. These forms are to be sent to Human Resources and the Payroll Department for verification and then approved by the City Manager.

3. All new employees must complete the following:

I-9 Employment Eligibility Verification
W-4 Withholding Allowance Certificate
City of AP Florida Drug Abuse Prevention Policy - signed
Direct Deposit Authorization Form
Education Assistance Program Information
Florida New Hire Reporting Form
Workers' Compensation Employee Handbook - signed
City of AP FMLA Policy
Outside Employment or Business Activity Policy
Personnel File Data Sheet
Group Life insurance and Dental Enrollment Form
Blue Cross/Blue Shield Health insurance Enrollment Form
Police Pension - (if applicable)
Fire Pension - (if applicable)
General Employees Pension (if applicable)

Human Resources will provide new employees of the following:

Overview of Employee Assistance Program
Overview of Advance Pay - requirement information
Overview of Payroll - pay period, time sheets, etc.
Overview of Pre-Tax Deductions
Overview of Step/Grade Increases - probationary periods
Overview of Cost of Living Raises
Overview of Union **(to be discussed with employee by union representative)**
Overview of Open Enrollment Benefits Fair
Colonial New Employee Information Form
New Hire Benefit Information Letter

New Hire System and File Set-up

1. After the paper work has been completed, the employee and employee information will be entered in the computer system. The new employee information will be set-up in the Payroll/Personnel Files as follows:

-	Status/position	-	Tax
-	Demographics	-	Deduction
-	Miscellaneous Information	-	Benefit
-	User defined misc.	-	Direct Deposit
-	Medical	-	Relationship
-	Accrual	-	To-date
-	information	-	
-	Additional Pay	-	Status History
-	Adjustment before tax (ABT)	-	

The system set-up allows for inputting deductions, benefits, and payroll deductions etc., for the new employee.

New Employee Files:

Personnel File
Training File
Medical Folder
Payroll Folder

Vacation and Sick Pay

1. Employees' earned vacation balances will be adjusted each pay period to reflect vacation earned/taken.
2. Sick leave taken will be recorded against each employee's available sick time.
3. Before vacation or sick time is paid, an authorization request is to be prepared by the employee, reviewed and approved by the employee's supervisor, and routed to the Payroll Department.

Terminations

1. A termination form will be completed by the Department Head and routed to the Human Resources Department for approval for each terminating employee.
2. The approved termination form will be routed to the Payroll Department.
3. The approved termination form will be maintained in the terminated employee's personnel file.

PERSONNEL STANDING DATA

Control Objective

To calculate and record payroll data accurately and completely for all employees.

Major Controls

Internal Accounting Controls

- (i) A precise paper trail covering all transactions
- (ii) All changes in standing personnel data approved by management

Procedures

1. Changes to standing personnel data must be initiated with a payroll status change form when making changes in pay rates or payroll deductions.
2. A change to payroll standing data must be authorized by a department head, and City Manager.
3. A copy of the payroll status change form will be retained in the employee's personnel file.

TIMEKEEPING

Control Objective

To ensure that payment for salaries and wages is made in accordance with documented time records and employee time is properly distributed.

Major Controls

A. Time Card Preparation

Hours are to be accurately recorded and any corrections to timekeeping records including the appropriate authorizations and approvals are documented.

B. Internal Reviews

The City of Avon Park City Manager and Finance/Accounting Supervisor will monitor the overall integrity of the timekeeping and labor distribution system.

C. Internal Accounting Controls

- (i) Periodic checks on the way employees prepare timesheets
- (ii) Reconciliation of hours charged in time cards to attendance records
- (iii) Segregation of responsibilities between timekeeping and payroll and those responsible for operating within budgets

Procedures

Time Card Preparation

1. Each employee will prepare his/her own time card on a bi-weekly basis.
2. Employees who punch in on a time clock will present the time card to the department head and will prepare the time sheet.
3. Time Cards are maintained at the facilities and kept on file. The timesheet is maintained in the payroll department.
4. In preparing time cards, each employee will:

Hard copy system:

- a. Enter his/her own hours in ink and sign the completed timekeeping record
- b. Keep timekeeping documents under the employee's control
- c. Make corrections in ink by crossing-out the error and initialing the change.
- d. Submit the completed time card to the supervisor/manager for approval

- e. Time cards and time sheets must be signed by the employee

Distribution, Approval and Collection of Time Sheets

1. Before the beginning of a pay period, one preprinted time sheet will be distributed to each employee.
2. Each employee's time sheet will be approved in writing by an assigned supervisor.
3. All time sheets must be signed by the employee and the supervisor and/or department head.
4. Completed time sheets will be returned to the Payroll Department.

Overtime Approval

Overtime is approved by the employee's supervisor.

PREPARATION OF PAYROLL

Control Objective

To ensure payment of salaries and wages is accurately calculated.

Major Controls

A. Accuracy of Transactional Data

Cross-checks have been built into the payroll system with the use of control totals and other means to reconcile timekeeping data with payroll data.

B. Internal Accounting Controls

- (i) Time records periodically reconciled with payroll records
- (ii) Responsibility for checking the accuracy of payroll calculations will be kept separate from responsibility for payroll preparation.

Procedures

1. Total time recorded on time cards and number of employees will be totaled by the Department's designee.
2. Recorded hours from the time records will be posted to the Payroll Register.
3. Rates will be entered in the Payroll Register by the Human Resources Specialist.
4. Gross pay and payroll deductions will be checked by the Finance/Accounting Supervisor.
5. The completed payroll (e.g., calculations, payrolls and payroll summaries) will be compared with timekeeping, rate, payroll deductions, etc. by the Finance/Accounting Supervisor or designated employee with responsibilities independent of payroll.
6. Total hours and number of employees will be compared with the totals in the Payroll Register by the Finance/Accounting Supervisor or designated employee with responsibilities independent of payroll.
7. The Payroll Register will be reviewed and approved by the Finance/Accounting Supervisor prior to release of payroll.

PAYROLL PAYMENT

Control Objective

To ensure payment for salaries and wages by check, direct deposit, cash or other means is made only to employees entitled to receive payment.

Major Controls

Internal Accounting Controls

- (i) Use of pre-numbered checks with the Payroll Department accounting for all check numbers

- (ii) Erroneous checks voided by permanent notation and filed in numerical sequence with canceled checks
- (iii) Destruction of obsolete or surplus checks in the presence of authorized personnel and the destruction evidenced by their signatures
- (iv) Separation of duties of timekeeping, paymaster and employees preparing payrolls, with periodic rotation of duties
- (v) Complete audit trail on all payroll checks and direct deposit with authorizing signatures at each juncture
- (vi) Extensive documentation regarding the receipt of checks and the handling of unclaimed payroll checks.

Procedures

1. Payroll payments by check or direct deposit will be distributed by the Human Resources Specialist who does not approve time reports, and is not responsible for personnel actions.
2. Subsequent payment of unclaimed payroll checks or cash requires employee evidence of employment and signature on the list of undelivered checks.
3. Endorsements on checks and signatures on the cash receipt log will be compared with employee signatures on file.
4. The Finance/Accounting Supervisor or designated employee will observe the distribution of payroll checks at unannounced intervals.
5. The payroll bank account will be reconciled monthly by the Accounting Specialist, Finance/Accounting Supervisor or designated employee with responsibilities independent of payroll.

PAYROLL DEDUCTIONS

Control Objective

To ensure that payment deductions are correctly reflected and paid to the appropriate third parties.

Major Controls

A. Reconciliation of Payment and Payroll Deductions

Payroll deductions will be recorded in appropriate General Ledger control accounts and reconciled with payments made to third parties.

B. Exceptional Events

Any late and other notices received from third parties will be available for review by the Finance/Accounting Supervisor.

C. Internal Accounting Controls

Employees calculating payroll deductions will be different from those who make payments of payroll deductions to third parties and review payroll deduction payments to third parties.

Procedures

1. Payroll deductions will be calculated for each employee by the Payroll/Human Resource Department.
2. Payroll deductions when required to be paid will be reconciled monthly by pay period by the Human Resources Department and the amounts recorded in the control accounts by the Accounting Specialist, Finance/Accounting Supervisor or designated employee with responsibilities independent of payroll.
3. The Finance/Accounting Supervisor will review for accuracy and timeliness payments made to third parties for payroll deductions.
4. Original deduction/benefit elections will be reviewed and approved annually and at open enrollment time.

Payroll Data Entry Procedures:

Payroll is set-up on a Bi-weekly pay schedule for all general employees and a monthly pay schedule for all council members. All departments are required to turn in their timesheets on the Monday following the closing of the pay period. The pay period normally closes on Sunday.

The Department Heads must review and sign all employees' time sheets before turning in to payroll. Time sheets will be tallied and payment codes, such as regular time, sick time, vacation time, comp time etc. The Police and Fire department have specialty codes, which apply only to them, according to union contract guidelines. Each department will assign an employee to enter all hours into the NaviLine payroll application. After all time has been entered an Hours entry report will be printed and reviewed against the time sheets by the Human Resources Specialist. A Finance designated employee will review the time sheets and hours entry for accuracy. All time sheets must balance against the hour's entry report.

The Calculation report is then printed and the employee(s) changes are reviewed to ensure payroll grade changes, pay level changes adjustment has been processed correctly.

When the review process is complete the payroll checks are ready to be printed. The manual checks are printed first and then electronic funds direct deposits are processed. After the checks are printed, the electronic funds are downloaded from the payroll application and transferred to the bank. ***(Printing of the checks produces the payroll register reports)***. After the transfer is complete it is necessary to confirm that funds have been received at Highlands Independent Bank. A confirmation number will be given if funds were successfully transferred. The checks are then prepared and given to the Administrative Services Director or City Manager to be signed and then to the Mayor to be signed. Once the checks have been signed, they will be placed in Interoffice Envelopes along with the time sheets and direct deposit slips, and placed in the Department's mailbox early Wednesday morning.

The next step is to run an update in Payroll to create the payroll reports. An adjusting journal entry is systematically generated after the update is completed. You use the Adjusting Journal Entry along with the payroll register to determine the amount of the payroll taxes. The VRS EFTPS - direct payment worksheet is completed with the amount taken from the reports.

After verifying the amounts are correct, the payment is submitted electronically into the Electronic Federal Tax payment System. Funds Transfer of the payroll taxes (***must be completed by the following day of payroll processing***) and a Journal entry is prepared and given to the Finance/Accounting Supervisor for approval. Once approved the entry is given to the Accounts Specialist for entry and updating.

The update will also generate an accounts payable batch which lists checks to print, which are printed by the Accounting Specialist and who then gives the checks to Human Resources for balancing to the invoices/bills and for mailing.

Payroll Deduction Payment Distribution:

The Accounting Specialist prints the deduction checks. The checks are matched to the matching invoices and copies of the Deduction Register amount will be attached to the check. One copy will accompany the check and one copy will be placed in the file. The checks will be given to the Administrative Services Director or City Manager and Mayor or Deputy Mayor for signatures. Once the checks are signed they will be mailed out accordingly.

Excel Spread Sheets with distribution allocation along with cover letter will be sent for the following Plans:

Fire Pension
Police Pension
General Pension

An accrual register is printed and distributed to the Department Heads after each pay period. Overtime reports are prepared by the Human Resources Specialist when needed.

All payroll reports must be filed. All absence and payroll status change forms are to be filed in the employee file.

Month-End:

The month-end process generates reports. The FRS report will be used to report the FRS employee and employer contribution amounts. The report is submitted electronically through the myflorida.com/frs website. The payment is called in to the Department of Management Services by phone.

INVENTORY PROCEDURES

In this section, inventory procedures are described under inventory control, perpetual inventory, periodic inventory and inventory obsolescence.

INVENTORY CONTROL

Control Objective

To ensure that inventory of raw materials, parts, work-in-process and finished goods is not diverted for unauthorized use.

Major Controls

A. Tight Physical Security Maintained over Inventory

The City of Avon Park will exert cost-effective controls over inventory in the form of locked storage area.

B. Assignment of Inventory Control Responsibility

Responsibilities for various duties in inventory control will be assigned to the Inventory Control Coordinator.

C. Internal Accounting Controls

- (i) Authorization for movement of inventory
- (ii) Physical count of transferred items by those without custody of inventory duties
- (iii) Separation of duties among receiving, purchasing, invoice processing and shipping
- (iv) Pre-numbered material forms.
- (v) Reconciliation of physical counts to inventory records and General Ledger control accounts.

Procedures

Material Receipt

1. The Receiving Department will maintain a record of all unfilled material purchase orders.
2. Materials received will be counted, weighed or measured by the Receiving Clerk or designated employee and compared with the bill of lading.
3. Material accepted will be documented by a designated entry into the PI computer system. The accounts payable clerk verifies items received before processing invoices.
4. The filled purchase order, receiving report, bill of lading, supplier's packing slip and freight invoice will be routed by hand and or electronically to the accounts payable department. Receiving reports are electronically received in the accounts payable department.
5. For defective or damaged material, returned material, claims against carriers and vendors, an advice will be prepared and routed by hand to the accounts payable department.

PERPETUAL INVENTORY

Control Objective

To ensure that the General Ledger accurately reflects the perpetual inventory.

Major Controls

A. The Perpetual System Supported by a Periodic Physical Count of Inventory

Any shortages or errors will be readily detected with the physical count.

B. Reconciliation of Subsidiary Records with General Ledger Control Accounts

Periodically, the subsidiary records will be reconciled with the General Ledger control accounts.

C. Review of Inventory Recordkeeping

All postings to the inventory will be reviewed and approved by appropriate supervisory personnel.

Procedures

1. The opening balance for the perpetual method of inventory will be the physical count of inventory, cost and summarized.
2. For each purchase of materials, an entry is electronically posted to the General Ledger control account by the posting of work orders noting items used.
3. For purchase returns and allowances, the General Ledger control account will be reduced with an entry recorded by the Accounting Specialist, Finance/Accounting Supervisor or designated employee with responsibilities independent of inventory.
4. Adjustments to the General Ledger control account will be made by the Accounting Specialist, Finance/Accounting Supervisor or designated employee with responsibilities independent of inventory to reflect actual physical counts.
5. The posting of all inventory transactions and adjustments will be reviewed and approved by the Finance/Accounting Supervisor.

PERIODIC INVENTORY

Control Objective

To control the conduct of the periodic and year-end physical count of inventory.

Major Controls

A. Trained Personnel Assigned by Area

Personnel who conduct the physical count will be selected early, given training in inventory procedures and be responsible for completing the physical count in an assigned area.

B. Frequent Physical Counts

Both scheduled and unscheduled physical counts will be conducted.

C. Internal Accounting Controls

- (i) Inventory sheets are preprinted from the computer system.
- (ii) Physical counts conducted by employees with responsibilities independent of inventory
- (iii) Reconciliation of physical inventory to the perpetual inventory.

Procedures

1. The Accounting Department and/or inventory clerk will produce a sufficient number of inventory sheets to record the physical inventory and perform a sheet control function by maintaining a sheet control log.
2. Department/area Team Leaders will assemble their count teams within the designated inventory count zone and distribute the sheets.
3. The actual count will proceed through the count area/zone counting all inventory items completing the sheets. A tag is attached to items or bins after they have been counted.
4. The completed sheets are routed to the Team Leader who will forward the sheets to the inventory clerk where all sheets will be accounted for and verified by the Finance/Accounting Supervisor.
5. If a second count is to be conducted, reconciliation between the first and second count will be completed and any discrepancies resolved.

6. Any obsolete inventory items will be noted on the sheet for later resolution by the inventory clerk or Finance/Accounting Supervisor.
7. Records for any inventory not on the premises will be reviewed to determine the cost basis of such items.
8. The inventory will be adjusted for any inventory whose title has passed to others.
9. The physical count will be reconciled with the perpetual inventory.

INVENTORY OBSOLESCENCE

Control Objective

To ensure the accuracy of the financial statement presentation of inventory.

Major Controls

A. Approvals for Revaluing Obsolete Inventory to Net Realizable Value

All reductions in the value of obsolete inventory will be reviewed and approved by the Finance/Accounting Supervisor.

Procedures

1. Annually, the demand and the current market value of inventory items will be assessed by the Finance/Accounting Supervisor.
2. A written recommendation will be presented to appropriate management to write down the carrying cost of excess or obsolete inventory.
3. The approved adjustment will be routed to the Accounting Department where an adjusting entry will be entered in the General Journal, with the review and approval of the Finance/Accounting Supervisor.

PROPERTY, PLANT AND EQUIPMENT (PP&E) PROCEDURES

This section is organized into six parts: PP&E acquisitions, recordkeeping over PP&E, depreciation of PP&E, inventory of PP&E, disposal of PP&E, and State and Federal Grant acquired property and equipment.

PROPERTY, PLANT AND EQUIPMENT ACQUISITIONS

Control Objective

To control the acquisition of PP&E and completely and accurately record fixed asset acquisitions in order to safeguard fixed assets from loss.

Major Controls

A. PP&E Acquisitions Tied to Capital Budgeting

All acquisitions of property, plant and capital equipment must be part of the approved capital budget.

B. Lease vs. Purchase Analysis

The decision whether to lease or purchase property, plant and equipment will be supported by a lease vs. purchase analysis.

C. PP&E Acquisitions Based on Approved Requests

Before a purchase is made, approval by an authorized official must be obtained. Authorizations can include the annual budget.

D. Internal Accounting Controls

- (i) Separate purchase orders are used for capital expenditures
- (ii) Reconcile fixed asset acquisitions with capital expenditure authorizations.

Procedures

1. Capital budget requests will be submitted annually for review and approval by the Finance/Accounting Supervisor and City Manager.
2. Each authorization request for the acquisition of PP&E in excess of \$1,000 will be reviewed and approved by the Finance/Accounting Supervisor or City Manager.
3. Each item of property, plant and equipment received will be identified and tagged in a visible area on the asset.
4. A copy of purchase orders for capital expenditures will be routed to the Accounting Specialist who will enter fixed assets in the Fixed Assets Subsidiary Ledger.
5. Information on each tagged asset will be entered in the Fixed Assets Subsidiary Ledger.
6. The Fixed Assets Subsidiary Ledger will be maintained by funds and departments of purchase.

RECORDKEEPING OVER PROPERTY, PLANT AND EQUIPMENT

Control Objective

To completely and accurately record fixed asset acquisitions, transfers and dispositions on a current basis.

Major Controls

A. Capitalization Policies

The City of Avon Park will observe its policies on the capitalization of equipment and distinguish between normal maintenance and betterments.

B. Fixed Asset Classification

Fixed assets will be maintained for the following classifications: land and buildings, land improvements, building improvements, leasehold improvements, plant machinery and equipment, furniture and fixtures, office equipment and data processing equipment.

C. Policy on Asset Accountability Units

The City of Avon Park will track its fixed assets separately by individual units/groups of assets with similar service lives/groups of assets with varying service lives.

D. Complete Record of PP&E Acquisition Costs

The Fixed Assets Subsidiary Ledger will contain the full history of each capital asset acquired: original acquisition cost, any costs incurred to prepare the asset for use, less cash discounts taken and accumulated depreciation.

Procedures

1. Asset acquisitions, transfers, dispositions and depreciation will be entered in the Fixed Assets Subsidiary Ledger on a monthly basis.
2. The Fixed Assets Subsidiary Ledger will be reconciled with the General Ledger for the original acquisition cost and accumulated depreciation.
3. Any differences will be analyzed and resolved by the Finance/Accounting Supervisor or designated person.

DEPRECIATION

Control Objective

To ensure that the depreciation of PP&E is correctly stated for booking purposes.

Major Controls

A. Depreciation of Individual Assets/Class of Assets

Detailed depreciation records will be maintained for each individual/class of asset so that the City's total depreciation amounts will be cumulative from each fixed asset's periodic and accumulated depreciation.

Procedures

1. Each new capital asset will be properly classified according to the type of asset and useful life and entered in the Fixed Assets Subsidiary Ledger by the Accounting Specialist.
2. Annually, the useful lives of fixed assets will be evaluated by the Finance/Accounting Supervisor. If a change is made, the remaining cost of the class of assets will be spread over their revised remaining lives.

INVENTORY OF PROPERTY, PLANT AND EQUIPMENT

Control Objective

To ensure that all recorded assets exist and are in use.

Major Controls

Internal Accounting Controls

- (i) All PP&E tagged when received
- (ii) Restricted access to facilities during non-working hours
- (iii) Physical inventories checked by independent personnel
- (iv) Differences between physical inventories and perpetual inventory balance analyzed and reconciled.

Procedures

1. A printout of all recorded fixed assets will be prepared by the Finance Department by location and by asset classification.
2. Inventory will be taken by those employees with responsibilities independent of the custody or recordkeeping of such assets.
3. The inventory of fixed assets will be compared to the detailed fixed assets printout.

4. Any differences will be resolved with the employee to whom the asset has been assigned.

DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Control Objective

To ensure that assets no longer in use will be disposed of in accordance with existing policies.

Major Controls

A. Disposal Policies

The City of Avon Park has adopted policies on the disposition of property, plant and equipment.

B. Internal Accounting Controls

- (i) Use of fixed asset disposal and transfer authorization forms
- (ii) Disposal or transfer of fixed assets only with proper authorization
- (iii) Periodic count of fixed assets that is reconciled with fixed asset records.

Procedures

1. A determination will be made by the Department Head as to the necessity of keeping a fixed asset.
2. With proper written authorization from the department head or manager, an asset disposal form will be prepared.
3. An asset will be disposed of by trade-in on a similar asset/sale to third parties/gift to a local charity/treatment as scrap/etc.
5. A copy of the asset disposal form will be routed to the Finance Department who will enter the disposed asset as a reduction in the General Ledger control account, the related accumulated depreciation account, treatment of any

proceeds from the disposition, and the recognition of any gain or loss on sale of the disposed asset.

GOVERNMENT GRANTS -ACQUIRED PROPERTY AND EQUIPMENT

Control Objective

To assure that Government-Grant-acquired property and equipment are properly obtained, used and managed during the performance of Government contracts.

Major Controls

A. Separate Record-keeping

The City of Avon Park will keep separate ledger accounts and records on Government-acquired property and equipment.

B. Purchases from grant funded projects will be accounted for and reviewed for grant compliance as needed.

ACCOUNTS PAYABLE PROCEDURES

This section is organized into five major parts: accounts payable, purchasing, travel and entertainment expense reimbursement.

ACCOUNTS PAYABLE

Control Objective

To ensure that invoices are accurately recorded on a timely basis for authorized purchases.

Major Controls

A. Control of Accounts Payable Documentation with Voucher

All accounts payable documentation (e.g., supplier invoice, packing slip, purchase order, requisition, receiving report and authorization of acceptance of goods or supplies) is verified before entering into accounts payable.

B. Reconciliation of Accounts Payable Records

Reconciliation of source data, subsidiary ledger totals and General Ledger control accounts will be performed periodically to ascertain the accuracy of accounts payable entries.

C. Internal Reviews

Internal reviews will be conducted to uncover duplicate or overpayments.

Procedures

Purchase Discounts

1. The Accounting Specialist will review the vendor's invoice for the purchase discount cut-off date.
2. The Accounts Payable Ledger will be maintained by purchase discount date to afford the City all purchase discounts it is entitled.

Handling Returns and Allowances

1. The City of Avon Park will issue a shipping order for returned goods.
2. Before making payment to a vendor, shipping orders will be matched with vendor credit memos.

Reconciliation of Accounts Payable Records

1. The Accounts Payable Ledger will be reconciled with purchase and cash disbursement transactions by the Finance/Accounting Supervisor or designated Accounting employee.
2. The balance in the Accounts Payable Ledger will be reconciled with the General Ledger control account.

3. Debit balances in the Accounts Payable Ledger will be resolved by either treating them as an offset against other amounts due the vendor or by requesting payment from the vendor.

PURCHASING

Control Objective

To ensure that goods and services are acquired at fair and reasonable prices and the highest personal standards of conduct are maintained in all relationships with vendors, suppliers and subcontractors.

Major Controls

A. Purchasing Policies

Written policies will provide guidance for employees in soliciting, pricing, negotiating, awarding and monitoring vendors, suppliers and subcontractors.

B. Purchase Requirements

The City of Avon Park will develop cost-effective and efficient purchase requirements in order to achieve full and open competition, meeting delivery schedules, ordering in economic order quantities, controlling inventory and material, and expediting and following up purchases.

C. Required Competition

All subcontracts, consulting agreements and purchase orders above \$10,000 will be competitively awarded. Otherwise, a single source justification will be prepared and approved by the City Manager.

D. Selecting the Source

The City of Avon Park will select the most responsive and responsible sources to provide required materials and services and promote competitive sourcing in order to obtain fair and reasonable prices.

E. Contract Administration

Proper types of subcontract agreements will be selected; appropriate clauses will flow down to subcontractors; and appropriate controls instituted over subcontracted effort.

F. Internal Review

The Finance/Accounting Supervisor will monitor the overall integrity of the purchasing system and the extent of competition, flow-down of clauses, contractor oversight, maintenance of the highest standards of conduct, and adequacy of purchasing documentation.

Procedures

Purchase Requirements

1. In connection with the annual budget process, and for the capital improvements over a five-year period, each fund will forecast its requirements for materials, equipment, real property, leased equipment, services contracting, etc.

Market Research and Vendor Qualifications

1. The accounts payable department will maintain and update a list of qualified vendors and suppliers based upon literature received, authoritative lists of suppliers (i.e., State of Florida), suppliers used and other sources.
2. The Supplier List will be purged annually of vendors the City of Avon Park no longer does business with or with which it chooses to avoid doing business.
3. Before issuing a purchase order to a supplier, the Buyer (Accounting Specialist) must ascertain that the supplier is a regular dealer of the materials, supplies or services and that the supplier is a responsible organization.

Re-occurring Monthly Requisitions:

Procedures:

This requisition form will serve as a source document for reoccurring monthly bills for utilities, telephones, gasoline, uniforms, etc. This payment procedure is handled like a check request.

1. The Accounting Specialist maintains requisitions for reoccurring bills.
2. Upon invoice the Accounting Specialist enters receipt amount on the prepared requisition.
3. The requisition is then placed in a packet for each department to review and approve. Signature and date of approval required by the Dept. Head.
4. Once approved by the Dept. Head, the requisition is reviewed by the Finance/Accounting Supervisor or City Manager and signed and dated for payment approval.
5. On a bi-weekly basis the approved requisitions are entered in the system creating an Accounts Payable Group.
6. An Accounts Payable Edit List is processed and checked against account numbers, amounts and vendors.
7. Once verified correct an Accounts Payable Update List is run.
8. When the update is complete, select the Journal Processing Menu to journalize entries.
 - a. Submit Journal Processng
 - i. Fiscal Year
 - ii. Journal date
9. Next select the Accounts Payable Listing by Due Date to verify date and cumulative total.
10. Submit Disbursements Processing, which creates an

Expenditure Approval List report. When submitting this information you are able to check for cash on hand. Verify Totals.

11. Print Check/Down Load, this selection creates an Accounts Payable Preliminary Check Register to verify check #'s and amounts.
12. Process Checks and verify check #'s and total amount against preliminary check register.
13. Run Check Reports.
 - a. Accounts Payable Check Register by Bank #
 - b. Bank Transfer List
 - c. Check Disbursement Journal
14. The check and its copy are attached to the corresponding requisition and invoice and sent to the Administrative Services Director or City Manager for their signature. Checks require two (2) signatures: One (1) from elected officials either the Mayor or Deputy Mayor and one (1) from Management; the City Manager or Administrative Services Director. For those vendors with ACH/EFT a preliminary EFT register list is ran and given to the Administrative Services Director or City Manager and the Mayor or Deputy Mayor along with the supporting documents for approval and signatures.
15. Once the signing is complete checks with accompanying documentation are returned to Accounting Specialist and mailed to Vendors. ACH/EFT transactions are submitted to the bank for deposit to each vendors bank account.
16. The check copy or proof of payment for ACH/EFT, requisition and invoice are filed alphabetically in the accounts payable office.

Field Purchase Orders (FPO)

1. Purchases \$100.00 or less can be made by a Field Purchase Order.
2. The Department enters Field Purchase Orders, and an automatically generated number can be reserved if the amount of purchase is not known, or the amount can be entered if it is known.
3. The Department Head approves the purchase in the system.
4. After the merchandise is acquired, the invoice number, amount and account number are entered.
5. A FPO Entry/ Receiving Report will automatically print.
6. Invoice is sent to the "Buyer".
7. Buyer sets payment date and invoices the FPO.
8. Weekly Accounting Reports are generated and AP Groups created.
9. Checks are printed.
10. The check and its copy are attached to the FPO documentation invoice and sent to the Administrative Services Director or City Manager for their signature. Checks require two (2) signatures: One (1) from elected officials either the Mayor or Deputy Mayor and one (1) from Management; the City Manager or Administrative Services Director. For those vendors with ACH/EFT a preliminary EFT register list is ran and given to the Administrative Services Director or City Manager and the Mayor or Deputy Mayor along with the supporting documents for approval and signatures.

PURCHASE ORDERS

1. Purchases over \$100.00 and not a reoccurring charge must be made with a Purchase Order or Blanket Purchase Order.

2. The Dept enters a requisition with the ability to view and charge against only the line item accounts they are authorized to. A request exceeding the budget gives a warning and does not let the Dept or Department Head override the account balance. (Authority to override account balance is restricted to City Manager, Finance/Accounting Supervisor and Buyer only).
3. Department Head approves.
4. The next approval level of a \$1,000. or less purchase is the Finance/Accounting Supervisor.
5. After the Finance/Accounting Supervisor approval the PO is ready for Buyer processing.
6. The "Buyer" (Accounting Specialist) reviews the requisition account number and budget balance and creates the PO and gives a copy to the Dept.
7. When the merchandise is physically received, there is a receiving process in the system that the department completes, and a Receiving Report generates. The Dept. then gives the packing slip when available and invoice to the Buyer. The invoice may be sent directly to accounts payable. In that case, the Buyer verifies receipt of merchandise by the Purchase Order Status (6) Received No Invoice or physically contacts the Department.

Upon receipt of the invoice the Buyer makes all adjustments such as credit allowances, credit for sales tax charged, freight charges, increase or decrease in price quoted. The system is set to allow spending of 15% over the Purchase Order amount without further approval. An invoice exceeding 15% over the Purchase Order amount requires a Change Order to the Purchase Order.

8. All documentation is attached to PO, invoices, credits etc. should the purchase be over \$1000.00 (step 3), after Finance approval it must be approved by the City Manager and then follow the remaining procedures.
9. Should the purchase exceed \$20,001.00, it must be bid. Bids are approved by City Council and awarded. After

receipt of merchandise or service (step 3) After Finance approval it must be approved by the City Manager, then City Council, and then it is ready for Buyer Processing for actual payment.

10. Upon completion of all levels of approval, the purchase order is invoiced. Once the invoicing is complete, daily accounting reports are run, Orders/Receipts Report, Issue>Returns Report and Adjustments/Transfers Report and Accounts Payable Groups are created.
11. Accounts Payable Edit Lists are processed to ensure they are in balance and matched against the purchase orders selected for payment. Also, vendors are checked at this time. During this review check requests and purchase orders are stamped with an AP which signifies they are prepared for payment.
12. Account Payable Updates are run when all items are determined to be correct.
13. Journal Processing is performed to transfer information to the general ledger.
14. Accounts Payable Listing by Due Date is printed to verify date and cumulative total of bill run.
15. Select Disbursements Processing and create an Expenditure Approval List.
16. From the Disbursements Processing Menu, Print Checks/download is selected and the check number for the first check is entered. (Checks used are pre-numbered.)
17. Accounts Payable Preliminary Check Register is printed, and checks numbers, amounts and vendors are reviewed.
18. Checks are printed and compared with Check Register.
19. Checks and check copies are attached to the Purchase Order along with all accompanying documentation, and presented to the Finance/Accounting Supervisor or City Manager for review and signature. Next the Mayor or Deputy Mayor signs the checks. Checks require two (2) signatures. One from Management City Manager or Administrative Services Director, the second signature

by an elected official either the Mayor or Deputy Mayor. If the Mayor or Deputy Mayor is not available to sign checks approval may be given by the Mayor to use his/her signature stamp. The signature stamp for the Mayor is kept in the office of the City Clerk.

20. At this time the checks are returned to the Accounts Specialist for mailing to the vendors. The check and remittance invoice copy is sent to the vendor. A check copy is attached to purchase order and invoice and is stamped PAID and filed alphabetically in the office of the Accounting Specialist.

Obtaining Bids and Quotations

1. The City Manager will request bids on purchases exceeding \$20,001 and in writing for all capital purchases.
2. In evaluating all bids received, the City Manager will perform and document a cost or price analysis.
3. When a vendor is given the opportunity to re-bid, as a requirement, all vendors still under consideration will be given an opportunity to reconsider and resubmit their bids.

Negotiation and Award

1. Award to vendor, supplier or subcontractor will be made to the lowest qualified bidder. The City Manager will enter all quotations received on a Bid Tabulation Sheet.
2. As opportunities arise, the City Manager will reconsider all prices received and seek opportunities to renegotiate a vendor/ supplier's price, delivery, payment, etc., to obtain purchase discounts or other concessions.
3. Any negotiations conducted will be documented in the purchase order/contract file.
4. Award may be made to other than the low bidder in circumstances where the higher bid demonstrates best value to The City of Avon Park. In such situations, the City Manager shall prepare a justification statement for such

awards, furnishing a brief explanation of the factors leading to such a decision. All proposed awards to the non-low bidder must be approved by the City Council.

Advertising for Bids

1. A project(s) shall not be advertised until all necessary permits have been received, all rights-of-way have been acquired and all railroad crossings, utilities and maintenance agreements have been executed. Building Department will not issue a Construction Permit without the above requirements being met.
2. Final department approved specifications are sent to the City Manager or designee for bid publication.
3. Legal advertisement is prepared by the City Manager or designee and sent to the local newspaper. Advertisement states the bid opening time and date, which is normally 30 - 45 days from date of advertisement, but a minimum of 30 days between issuing the bid and bid opening, and if needed, a non-mandatory pre-bid meeting is also stated in the advertisement with the time, date and location.
4. Notice to Bidders sent out to prospective contractors via US Mail, e-mail or fax on the day the legal advertisement runs in the newspaper.

Bid Opening and Tabulation

Bids are received in a sealed envelope, read aloud and entered by hand onto a bid abstract (bid tabulation sheet). The City Manager or designee will open the bids on the date and time specified in the advertisement. At the bid opening the bid amount for each Bidder will be read aloud and the apparent low Bidder will be identified.

1. Copies of each contractor's bid submittal are given to relevant City department representatives for evaluation.
2. Copies of the bid abstract are provided to City Council for approval.
3. Award Letter is mailed to the approved bidder.

Bid Analysis and Award of Contract

The bid submittals are reviewed by a team consisting of a minimum of three (3) City representatives (also a consultant if he/she is involved with the project) and all pertinent information is documented as it pertains to the bid specifications and Invitation to Bid requirements. The following factors are relevant in determining the lowest bidder:

1. Eligibility, capacity, and skill of the bidder to perform the contract and provide services and supplies required.
2. Whether the bidder can perform the contract or provide supplies and services promptly, or within the time specified, or without delay.
3. The quality of bidder's performance on previous contracts or services with the City of Avon Park.
4. The character, integrity, reputation, judgment, experience and efficiency of the bidder.
5. The ability of the contractor to provide further maintenance and service in a timely manner.
6. The financial stability and resources of the bidder, as related to his/her ability to perform the work.

When the award is not to the lowest bidder, the City Manager shall prepare a full and complete written statement of the reasons with the concurrence of his/her designee and file with all other information related to the transaction. If all bids received are for the same total amount or unit price, the City Manager shall request new bids unless the public interest will not permit this delay. In such a case, the City Manager will award the contract to one of the bidders by drawing lots in public in the presence of the City Clerk or Finance/Accounting Supervisor. All contracts of twenty five thousand dollars (\$25,000) or more shall be approved as to form by the City Attorney prior to award.

References are personally contacted and their responses are also documented. Determinations are made as to non-responsive and non-responsible bidders and a recommendation is then forwarded to the City Clerk. The City Clerk then sends out a Notification of Intent to Award to bidders that submitted, informing them of the City's selection. If the Low Bidder changes after the posting

original Bid Tabulation, another Bid Tabulation must be posted. Notice of Intended Decision (Posting of Bid Tabulations) to award a contract or to reject all bids shall be given by posting the bid tabulations on the date and place specified in the Bid Solicitation Notice (BSN) and/or advertisement prior to contract awards. For LAP projects, approval from FDOT will be sought and subsequently presented to city council for local approval.

Contract Time

The Contractor is required to provide the city with a horizontal bar schedule of construction activities. The following procedures will be used by the City of Avon Park in establishing contract durations:

- Review the project plans and specifications with special emphasis on maintenance of traffic. If the project has more than one phase, determine what work can be done in each of the phases.
- List the required activities for each phase. This list does not need to be exhaustive but does need to include all controlling items of work or activities on the critical path.
- List each quantity of the unit of work that will be used as a basis for estimating the duration of that activity. On a project with more than one phase, use only that quantity associated with that phase.
- Review the appropriate Utility Work Schedule and or Agreements to determine what part of the requested schedule potentially impacts the Contractor's work. A delay occurs only if the prime contractor cannot work as a result of utility conflicts.
- Assure good cooperation between the utility and the contractor during the actual construction of the project. Utility relocation duration should be handled as an activity if they will contribute to the project duration.

Contract time will commence to run on the thirteenth day after the Effective Date of the Agreement, or, if a Notice to Proceed is given, on the day indicated in the Notice to Proceed as per the General Conditions.

The city uses calendar days in its contracts per Section 17.2 and 17.3 of the General Conditions. These conditions state:

17.2 When any period of time is referred to in the Contract Documents by days, it will be computed to exclude the first and include the last day of such period. If the last day of any such period falls on a Saturday or Sunday or on a day made a legal holiday by the law of the applicable jurisdiction, such day will be omitted from the computation.

17.3 A calendar day of twenty-four hours measured from midnight to the next midnight shall constitute a day.

The contract will include language that specifies a "time is of the essence" clause and sets city compensation per calendar day beyond the last day of the contract.

Engineers Estimate

The Consulting Engineer will develop cost estimates for every project. If the project is on the National Highway System (NHS), the City of Avon Park will follow FDOT's method of estimating. The consulting engineer is responsible for establishing all pay items and continuously updating the jobs to ensure consistency of the plans. The consulting engineer provides information concerning those pay item tasks and/or materials that are altered for a particular job and therefore require special provisions other than those listed in the standard specifications.

The consulting engineer reviews the plans and specifications to determine if there are any unusual conditions that would affect the overall cost of the project or the cost of any individual pay item.

The estimate will include a list of all items on the project, along with quantities and prices for each pay item. A thorough estimate is very important as it is used for Federal or State authorization.

The bidder's estimators perform a role in the analysis and judgment of the scope of work required to complete the contract. All estimators must make a judgment as to the accuracy of the prices on each item. Does the computer generated price represent the project, or is the price too low or high in relation to the quantity of this particular pay item.

Project Supervision and Staffing

The City of Avon Park shall designate a staff member to insure compliance with the project plans and specifications. Those individuals who will be directly involved in the project shall have demonstrated experience in the areas delineated in the scope of work. At a minimum, one (1) full time employee will be assigned in responsible charge of the project. For most city LAP projects, the point of contact will be Maria Sutherland, Administrative Services Director.

7a. Warranty Clauses

The CONTRACTOR will provide a guarantee and warranty as follows:

1. Performance. The CONTRACTOR shall guarantee that the supplied materials shall perform as specified, for a minimum of One (1) year. Replacements or revisions required to meet specified performance shall be at the CONTRACTOR'S expense.
2. Performance. The CONTRACTOR shall guarantee that the supplied materials shall perform as specified, for a minimum of One (1) year. Replacements or revisions required to meet specified performance shall be at the CONTRACTOR'S expense.
3. The CONTRACTOR shall ensure the availability of labor and materials in the event of warranty failures. Immediate response to failures is essential. If materials fail during the warranty period, the CONTRACTOR shall provide replacement materials and labor at no cost to the OWNER.
4. The CONTRACTOR shall, in a good and workmanlike manner, perform all Work and furnish all labor and services, except as herein otherwise expressly set forth, necessary to perform and complete all the Work required by this contract, in accordance with the provisions of the Contract documents and any and all supplemental plans and drawings.
5. In the event the contract is awarded to the Bidder, he/she will, within thirty (30) days thereafter, enter into a written contract with the City of Avon Park, or accept a City of Avon Park purchase order. The successful Bidder shall also furnish within ten (10) days; a PUBLIC CONSTRUCTION BOND IN COMPLETE ACCORDANCE WITH SECTION 255.05 OF THE FLORIDA STATUTES in an amount equal to the contract price, as a guarantee of good faith that the Bidder will execute the work in accordance with the terms of the contract and that the Bidder shall make payments for all labor, material and supplies used directly or

indirectly for the work. Failure to do so will constitute forfeiture of the bid security as liquidated damages.

6. A Public Construction Bond and Payment Bond shall be secured from and countersigned by an agency of a surety company recognized in good standing, licensed and authorized to do business in the State of Florida and found to be acceptable to the City of Avon Park.

TRAVEL AND ENTERTAINMENT EXPENSE REIMBURSEMENT

Control Objective

To ensure the City pays for only authorized business travel and entertainment expenses.

Major Controls

A. Travel Policies

The City of Avon Park has adopted policies on the mode of travel, maximum lodging and subsistence reimbursement, travel advances and use of City vehicles. Travel policy is in compliance with Florida Statutes 116.021 (10).

B. Out-of-Area Travel Approvals

All out-of-area travel in the contiguous U.S. must be approved by the employee's supervisor/Department Head.

C. Employee Expense Reimbursement Documentation

All employees will be required to obtain and furnish documentation for individual expenses.

D. Internal Accounting Controls

- (i) Justification for travel approved by employee's supervisor
- (ii) Documentation for incurred employee expenses
- (iii) Audit of employee's travel and entertainment expense reimbursement form.

Procedures

Expense Reimbursement:

1. Soon after completing a trip, an employee who seeks reimbursement for authorized expenses will complete a travel and entertainment form detailing the expenses incurred, attaching originals of supporting documentation.
2. The employee's travel and entertainment form will be reviewed and approved by the employee's supervisor and routed to the Accounts Payable office.

Employee Expense Audit

1. For a reimbursement, the travel and entertainment form will be reviewed by the Finance/Accounting Supervisor for maximum lodging and subsistence reimbursement, supporting documentation and account classification.
2. For any reimbursement due to employee, the approved travel form will be route to the Accounting Specialist for payment.

PURCHASING CARD EXPENSES

Control Objective

To ensure the procurement with purchasing cards is accomplished in accordance with the policy and procedures established by the City and that the City pays for only authorized purchasing card expenses.

Major Controls

- A. The City of Avon Park has adopted policies and procedures for credit card purchases.
- B. All purchases for travel, training or others are to be approved by the Department Head.
- C. Controls are in place to ensure cards are only used for specific purposes and within specific limits.

Internal Controls:

The following limits can be uniquely established:

1. Spending amount per day, billing cycle, and month. The Cardholder can only incur transactions totaling a predetermined dollar amount within any defined period.
2. Number of transactions per day, billing cycle and month. The Cardholder can only incur a predetermined number of transactions within a predefined period.
3. Single Purchase Amount. A limited dollar amount for any single transaction. Cardholders shall not split transactions to stay within their limits.
4. Merchant Category Codes (MCC). The MCC are assigned by Visa to a merchant, which identifies the primary type of goods, or service they provide. The MCC are designed to offer every combination possible and restrictions are imposed at the point of sale if the blocked merchant requests authorization for the transaction.
5. The City Manager and Department head establishes different limits for all employees.

Payment Procedures:

1. Documentation- Any time a purchase is made that will be paid using the Purchasing Card; the Cardholder is to obtain a customer copy of the charge slip, which will become the accounting document. Insure all carbon copies are destroyed.
2. Missing Documentation -If for some reason the Cardholder does not have documentation of the transaction to send with the statement, he/she must attach an explanation with a reconciliation statement that includes a description of the item, date of purchase, merchant's name and why there is no supporting documentation. Instances of frequent abuse of this provision will result in cancellation of the Cardholder's Purchasing Card.
3. Payment and Invoice Procedures - Purchases made by employees will be paid by the accounting department once the Cardholder's certification and the approving official's verification has been completed and the account number has been assigned for each transaction.

- ❖ Receipts: The Purchasing Card receipt or vendor's sales receipt for purchases must be supplied. When purchases are conducted by telephone, request the vendor to forward the receipt to you. These receipts are to be stapled to the monthly statement. Failure to keep adequate receipts will lead to the loss of Purchasing Card privileges. If receipts are lost, attach a note indicating the item(s) purchased.
- ❖ The Purchasing Card Issuer will provide one copy of the billing statement to the Cardholder and one copy to the accounting department at the end of a billing cycle. The copy of the statement will be mailed to the individual Cardholder. This statement will have a listing of all items processed in the previous 30 days.
- ❖ The Cardholder is required to review the statement and to note any errors on the bill. The Cardholder signs the statement certifying items purchased and forwards to the supervisor within two workdays after it is received.
- ❖ The departments' supervisor reviews the statements and where applicable, a "Statement of Dispute" is attached. Once reviewed, the statement is forwarded to the accounting department. The accounting department will fax all "Statement of Disputes" to the bank.

APPROVAL

Approval of all transaction that a Cardholder has made using the Purchasing Card will not be totally defined in the procedures. Department Head and Supervisors are required to look at each purchase and the merchant who made the sale in order to determine if the items were for official use and if they were approved.

1. If for any reason the Department Head questions the purchase, it is his/her responsibility to resolve the issue with the Cardholder. If they cannot be satisfied the purchase was necessary and for official use, then the Cardholder must provide a credit voucher proving the items were returned for credit.
2. Should it be evident that an unauthorized purchase was knowingly made; the Finance/Accounting Supervisor and the City Manager will determine what action will be taken.

PROCEDURES FOR LIABILITIES

In this section, procedures for liabilities are covered under notes payable and long-term debt.

NOTES PAYABLE AND LONG-TERM DEBT

Control Objective

To ensure that notes and long-term debt are authorized and payments are made on time and properly recorded.

Major Controls

A. **Preparation and Maintenance of a Multi-Year Funds Flow Projection**

Serving as a framework and providing guidance for the annual cash flow projection will be a five-year funds flow projection. Financial resource requirements for capital outlays can be anticipated and provided for.

B. **Authorization of Notes Payable and Debt**

All transactions involving notes payable and debt must be approved by the City Manager and/or Finance/Accounting Supervisor. New debt must be approved by the City Council.

C. **Reconciliation of Debt, Accrued Interest and Interest Expense**

A summary of debt outstanding, accrued interest and interest expense will be reconciled with the General Ledger.

Procedures

1. Before issuance, debt instruments will be authorized by a resolution of the City Council and recorded in its Minutes.
2. All debt agreements and instruments will be kept in a secure place.

3. On an annual basis, any fluctuations in the price of bonds outstanding will be entered in the General Journal, with the discount or premium amortized periodically over the life of the notes or bonds.
4. Payment of notes and other long-term debt will be made through a check or bank transfer in the cash disbursements process with the approval of the Finance/Accounting Supervisor.
5. For each debt instrument outstanding, a summary of debt balances, accrued interest and interest expense will be prepared and reconciled to the General Ledger.

ADP CONTROLS

SYSTEM OPERATIONS CONTROLS

Control Objective

To ensure the computer facility and equipment are efficiently operated and adequate back-up and recovery are assured.

Major Controls

A. Back-Up Performed Daily/Soon After Change

To prevent loss of data files and programs, back-up will be performed daily. A "full system" back-up is performed monthly.

B. Contingency Plan for Back-Up Computer Facilities and Equipment

The continuity of applications processing will be provided for with a realistic contingency plan that is periodically tested in the event of an unexpected interruption.

Procedures

1. Program libraries will be periodically backed up.

2. All back-up tapes are maintained at an off-site storage facility that is secure.

COMPUTER SECURITY

Control Objective

To prevent access to data stored on the computer to an unauthorized user.

Major Controls

A. Use of Passwords

A system of user IDs and passwords with frequent revisions will be employed.

B. Access to Sensitive Files/Modules Restricted

The operating system will restrict access only to authorized files/modules.

C. Magnetic Tapes, Diskettes and Removable Hard Disks, and Sensitive Output Reports Will be Stored in a Secure Location

All off-line media will be stored in a secure location, with back-up media stored off-site storage facility.

D. Dial-Up Access Restricted

Dial-up access will be limited to those with authorized passwords.

Procedures

User IDs and Passwords

1. With as needed revisions, passwords will be assigned to employees needing to access the system.

2. Access privileges for terminated or transferred employees will be immediately cancelled by the Finance/Accounting Supervisor.

MANAGEMENT REPORTING PROCEDURES

In this section, procedures are covered for supporting the annual budget process and financial reporting.

ANNUAL BUDGET

Control Objective

To effectively support the preparation of the annual budget and its periodic review.

Major Controls

A. Budget Process Supported by Department Heads

Department Heads will be involved in the negotiation of the annual budget process.

B. Before Acceptance, Budgets Approved

All proposed budgets will be reviewed and approved by the Finance/Accounting Supervisor and City Manager.

Procedures

1. In preparation of the annual budget, the Finance/Accounting Supervisor will prepare a memorandum of guidance for budget preparers containing basic assumptions for the forthcoming fiscal period.
2. The budget memorandum and budget forms will be distributed 30 days before submission of each Department Head's budget.
3. To support budget estimating, the Finance department will prepare current year-to-date financial data with estimated year-end totals.

4. The budget forms submitted will be reviewed for completeness and reasonableness by the Finance/Accounting Supervisor.
5. Budget negotiations will begin between the City Council Members and each responsible department head, leading to acceptance or adjustment of budget estimates.
6. Once adopted, the approved budget totals will be entered in the General Ledger by the Finance/Accounting Supervisor for the new fiscal year, in order to track actual costs against budgeted levels.

PROCEDURES FOR AMENDING THE BUDGET

After the formal adoption of the budget in September for the fiscal year beginning October 1, changes may be made to the budget with a budget amendment. An amendment is a process to increase or to decrease an existing budget. At no time can the budget be amended so that it is no longer balanced. Most amendments are usually initiated by the individual department that is affected by the change. A budget adjustment form is completed by the department head or the Finance/Accounting Supervisor. The form must state the increase and decrease in specific accounts with justification why the action is needed. The Finance/Accounting Supervisor or the City Manager can approve all amendments under \$20,000 with the exception of amendments, which involve transferring contingency funds.

The City Council at any time during the fiscal year may amend the budget for that year as follows:

1. Appropriations for expenditures in any fund may be increased or decreased and other appropriations in the same fund are correspondingly increase or decrease. The total of appropriations of the fund are not changed.
2. The reserve for contingencies may be used to increase the appropriation for a particular expenditure in the same fund.
3. Revenues from a source not anticipated and received for a specific purpose such as grants, donations, or gifts may be appropriated and expended for that purpose.

POLICIES RELATING TO BUDGET

- I. **Balanced Budget:** The City's annual budget shall be balanced with the total of estimated receipts, including balances

brought forward to equal the total appropriations and reserves.

- II. **Budget Adoption:** The City's annual budget is adopted by the City Council at each department level.
- III. **Contingencies:** A reserve for contingencies may be established for each fund during the budget process. Florida Statutes require that reserves for contingencies not exceed ten percent of the total budget.
- IV. **Estimates of Receipts:** The estimated receipts shall include a minimum of 95% of the anticipated ad Valorem tax proceeds. State of Florida revenue sharing receipts are based on the projections provided by the Legislative Committee on Intergovernmental Relations. All other receipts are based on the source of the corresponding revenue.
- V. **Gas Taxes:** The use of gas tax revenues is limited to the construction and maintenance of the City's roads and related items.
- VI. **Sales Tax:** The use of sales tax revenues will be generally limited to the Infrastructure Surtax Fund. The fund accounts for the county wide one cent (1%) sales tax above the state sales tax rate of 6%. The infrastructure fund is used for capital improvement projects and public safety equipment.
- VII. **Grant Supported Projects:** The City has various projects, which depend on outside grants for partial funding. In the event of reductions in the outside funding, the program service levels will be reduced, unless other funding is obtained.
- VIII. **Operating Reserves:** The City strives to maintain adequate undesignated reserves in all of the operating funds to provide against revenue fluctuations and unforeseen emergencies.
- IX. **Budget Transfers:** Budget transfers over the amount of \$20,000 require the approval of the City Council. The City Manager and the Finance/Accounting Supervisor has the authority to approve interdepartmental transfers up to \$20,000.
- X. **Interfund Transfers:** Interfund transfers are fixed when the budget is adopted.

FINANCIAL REPORTING

Control Objective

To ensure the accuracy, completeness and timeliness of financial reporting to support decision-making.

Major Controls

A. Review and Approval of Financial Reports

Before release, all financial reports will be reviewed for accuracy and completeness and approved by the Finance/Accounting Supervisor.

B. Periodic Trial Balance

To facilitate statement preparation and ensure the accuracy of its financial reporting, The City of Avon Park will periodically prepare a trial balance.

C. Financial Statements Audited by a Qualified Public Accounting Firm

The annual financial statements of The City of Avon Park will be audited by a qualified public accounting firm.

Procedures

1. The Finance Department will prepare monthly trial balances.
2. The City of Avon Park will submit to a full scope audit of its financial statements by a qualified public accounting firm and make all adjustments in compliance with governmental accounting procedures.

TAX COMPLIANCE

Control Objective

To accurately prepare and file required tax documents on a timely basis.

Major Controls

A. Approval of Tax Returns

All tax returns will be reviewed and approved by Finance/Accounting Supervisor.

Procedures

1. The Finance/Accounting Supervisor will periodically compare the data requirements of all new tax return forms with The City of Avon Park's reporting and seek revisions, as appropriate, to its coding structure/chart of accounts in order to report all required tax data.
2. The City of Avon Park will maintain a listing to remind tax accounting staff of required filing due dates for:
 - (i) IRS Form W-2 - Wage and Tax Statement
 - (ii) RS Form W-3 - Transmittal of Income and Tax Statements
 - (iii) IRS Form 940 - Employer's Federal Unemployment (FUTA) Tax Return
 - (iv) IRS form 941-Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes
 - (v) Form 1099 MISC (also 1099-DIV, 1099-INT) - U.S. Annual Information Return for Recipients of Miscellaneous Income
 - (vi) IRS Form 5500 - Annual Return/Report of Employee Benefit Plan
 - (vii) Quarterly and annual state(s) unemployment tax return(s)

(viii) State sales tax filings

3. The City of Avon Park will prepare/have prepared by an outside preparer the various tax returns.
4. Before submission, all tax returns and the supporting schedules will be reviewed and approved by the Finance/Accounting Supervisor for accuracy and completeness.