

# **Operational Best Practices**

Ohio Government Finance Officers Association October 2022 Brian Camiller, Partner, CPA



- Write it all down!
- Keep it updated
- Have staff acknowledge they have read it (and subsequent updates)



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## Policy

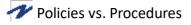
- The general principles by which a government is guided in its management of public affairs
- A plan or course of action intended to influence and determine decisions, actions, and other matters

### Procedure

- A fixed, step-by-step sequence of activities or course of action that must be followed in order to correctly perform a task
- An established way of accomplishing a task

## Policy Drives Procedure

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| Policies   | Procedures   |
|--|--|
| Long lived – Change is often slow<br>or incremental            | Subject to change and<br>continuous improvement                        |
| High level/Philosophy  | In the details/Step-by-step  |
| Sets the standard for how business is to be conducted          | Provides more specific guidelines<br>Who, What, Where, When and<br>How |
| Not constrained or dictated by<br>current business environment | Can be changed and improved upon as time passes                        |
| Has government-wide application                                | Tailored for specific system or application                            |

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# Policies and Procedures

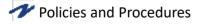
### Why are policies and procedures necessary?

 To avoid the "it's not my responsibility" trap and hold people accountable



- · Required by law in some instances
- Fill in the gaps where law or charter leave gray area
- Best practice shows that the government is in control
- Rules for key transactions are stated in "black and white" thereby saving time and creating efficiencies

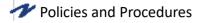
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### Policies & Procedures – Common Problems

- Not kept up to date
- Not readily accessible
- Written for the accounting and finance professional and are not easily understood by the non-financial professional
- Too much reliance on memos which are lost, disregarded after a while, or where the author is no longer an employee
- · Too many duplicative policies and procedures
- Too restrictive when written; difficult to implement or enforce

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- What makes a good policy?
- Concise short and clear
- Written in such a way that can be easily understood and implemented
- Easily enforceable
- Reviewed and updated on a regular basis



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https://ohioauditor.gov/publications/bestpractices.html

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www.ohioattorneygeneral.gov/Files/Publications-Files/Publications-for-Legal/Sunshine-Laws-Publications/2021-Sunshine-Manual.aspx

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# Current Ohio Investment Laws



Current Ohio Investment Laws

- ORC 135.14: Schools, Townships, Cities, etc.
- ORC 135.35: Mainly Counties or other agencies
- Charter City: May not follow state guidelines

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The purpose of an investment policy is to define the parameters within which funds are to be managed. This policy formalizes the framework for the investment activities that must be exercised to nervue effective and judicious fiscal and investment of the government's funds.

- Key Components:

   • Scope what financial assets will be accounted for

   • General Objectives

   • Safety credit and interest rate risk

   • Liquidity what amount will meet all operating requirements

   • Return desired return on investments
   Keturn – desired return on inv
   Standard of Care
   Prudence
   Ethics and conflict of interest
   Delegation of Authority

  - Safekeeping and Custody
    Internal Controls
    Suitable and Authorized Investments
  - Investment Parameters
  - Reporting

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# Credit Card Transactions Policy



Section 9.21 Ohio Laws & Administration Rules

The purpose of a credit card policy is to set forth instructions on how local units of government will handle credit card activity

## Direct Quote:

The policy shall include provisions addressing all of the following: (1) The officers or positions authorized to use a credit card account;

(2) The types of expenses for which a credit card account may be used; (3) The procedure for acquisition, use, and management of a credit card account and presentation instruments related to the account including cards and checks;

(4) The procedure for submitting itemized receipts to the fiscal officer or the fiscal officer's designee;

(5) The procedure for credit card issuance, credit card reissuance, credit card cancellation, and the process for reporting lost or stolen credit cards; (6) The political subdivision's credit card account's maximum credit limit or limits

(7) The actions or omissions by an officer or employee that qualify as misuse of a credit card account.





#### Uniform Guidance - Procurement policy

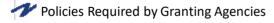
The OMG's uniform guidance requires policies and procedures surrounding the management of award funds.

#### Key Components:

- Y Components: Document own procurement procedures Micro-purchases Small purchase Sealed bids Competitive proposals Non-competitive proposals Recordregening Rationale for method of procurement Selection of contract type Contractor selection or rejection Basis for the contract price Standards of conduct for conflicts of interest

ARPA – Be wary!

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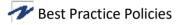
#### **Conflict of Interest Policy**

Conflict of interest policies address situations and circumstances in which an employee's personal interests are - or can appear to be - in conflict with the government's interest

#### Key Components:

- Describe the policy and procedures for employees, board members, management, vendors and other related parties
   Includes examples of conflict of interest
- Assigns responsibilities for identifying and resolving conflicts
- States possible disciplinary action





Fund Balance Policy GASB 54 requires certain actions by a governing body in order to establish a means to segregate fund balance for reporting purposes and to ensure that governments maintain adequate levels of fund balance to mitigate risks and provide a back-up for revenue shortfalls.

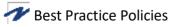
#### Key Components:

Fund balance classification (i.e. non-spendable, restricted, committed, and assigned)

- Delegate ability to assign fund balance?
- Spending prioritization and replenishment
- Spearing promation and level of General Fund unrestricted fund balance (i.e. 15-20% of the budgeted expenditures)<sup>a</sup>
   Also include a maximum level of unrestricted fund balance?

#### \*What's the right amount of fund balance?

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Electronic Transactions of Public Funds Policy

The purpose of an electronic transaction policy is to regulate electronic transactions of public funds.

#### Key Components:

- Who may enter into ACH agreements and electronic transfer of public funds
- Who has responsibility for ACH agreements
  - Payment approval
  - Accounting and reporting
  - Compliance
- Internal accounting controls to monitor use of ACH Transactions

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#### Cash Management Policy

The purpose of a cash management policy is to set forth the regulations and procedures regarding all cash management activities.

#### Key Components:

- Bank account management (i.e. signors) Cash and check handling (receipting)
  - Central. off site or lockbox
- Cash accounting and bank reconciliations
- Online banking
  - Administration/authorization
  - Electronic payments
  - Account transfers
- Petty cash

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## Purchasing Policy

The purpose of a purchasing policy is to maximize the purchasing power and value of public funds through procurement policy

### Key Components:

- Procurement procedures Competitive bid process
- Ethical conduct
- RFP process
- Types of contracts and their administration
- Suspension of vendors
- Conflicts of interest
- Equipment disposition
- Thresholds for quotes, bids, etc.
- Change order process

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The purpose of a capital asset policy is to describe the policies and procedures utilized in the government's capital asset management system and to put in place guidelines for accounting and depreciating assets

## Key Components: Capitalization threshold (i.e. \$5,000)\*

- Determine valuation methods (i.e. historical cost, acquisition cost for donated assets)
- Determine depreciation methods (i.e. straight line)
- Determine useful lives
- Building and Structures 20-50 Years
- Vehicles 4-15 Years
- Other Equipment 3-25
- Infrastructure 20-100 Years
- Basis for distinguishing costs as either capital or repairs and maintenance

#### \*What is the right number? What does GAAP say?

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# Best Practice Policies

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Payroll Policy The purpose of a payroll policy is to provide accurate and timely processing of payments to employees for services rendered while incorporating procedures supporting the employer's ability to comply with all payroll and payroll-related laws and requirements.

- Key Com Pay structure – policy for compensating employees at a particular pay rate for a particular job
- Payroll documents deadline establishing deadlines relevant to processing payroll
- Timekeeping addressing rules for exempt and non-exempt
- Pay periods frequency paid
- Calculating compensation incorporating federal and state labor laws including minimum wage laws.
- Record-keeping duration for maintaining payroll records Confidentiality – methods for keeping personal information private
- Other how to handle deductions, payment, overpayments, lost checks and advances

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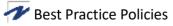
### Debt Management Policy

The purpose of a debt management policy is to assist in the prudent administration of any debt which might be required. The creation of this type of policy will provide for a common understanding between elected officials and start fragenting debt financing. Another benefit of following a debt management policy is the establishment and maintenance of a certif tating beneficial to the entity.

## Key Components: • Debt Limits

- GO debt Revenue bonds
- Short term borrowing
- Debt Issuance Practices
  - Fund capital projects
- Refund existing debt
- Finance development
- Debt Management Practices
  - Non-arbitrage and tax compliance
  - Continuing disclosure requirement Investment of debt proceeds

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#### Ethics Policy

The purpose of having an ethics policy within your government is to ensure employees and public officials are conducting themselves in a manner that upholds the public's trust

#### Key Components:

- Who is covered under the policy public officials, employees, boards, committees, consultants, vendors, and other parties with a business relationship
- Policy those behaviors that are accepted and not acceptable
- Reporting describe "whistleblower" procedures and reporting violations of the policies
- Violations describe government's procedure for handling violations of the policy

# Hot Topic Policies

Social Media Policy Social media tools to improve the quality of social media tools to improve the quality of social media processories meable greater citizen engagement. At the same time, social media processories were challenges to governments who must address resulting citizen expectations:

- Key Components:
  - Employee access and conduct the degree to which employees are allowed to access social media sites and expectations for employee conduct on social media sites
  - Account management procedures for creation, maintenance and destruction of social media accounts
  - Acceptable use guidelines on how employees are expected to use social media tools including issues such as time of use and purpose of use

  - Citizen conduct management of citizen-generated content on a government agency social media site
  - Security security procedures for safeguarding government data
  - Legal issues Legal considerations and requirements for use of social media

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## Cybersecurity Policy

Sovernment agencies are implementing cybersecurity policies to inform government employees, contractors and other authorized users of their obligatory requirements for protecting the technology and information assets of the government. Key Components:

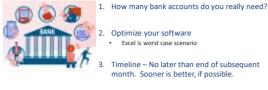
- Physical security how will we safeguard our assets
   Infrastructure which systems should be in place to guard critical data against attacks.
- Technical Controls protection of government's software & hardware
  - What security programs will be implemented
     How updates and patches will be applied
     How will data be accessed
     How data will be backed up

- How data will be backed up
   Third party use
   Risk based analysis of vendors
   Staff Access & Training
   Use of passwords
   Incident Response Planning
- Steps for handling threats and incidents

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# Bank Reconciliations



- 4. Preparer should be independent of cash receipting or making deposits
- 5. Supervisor Review tie it out bank stmt, GL, O/S checks

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- 6. Positive Pay for ACH
- 7. Negative Pay?
- 8. PO system?

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- 1. Planning 2 checklists (combine them)
  - 1. What the auditors ask for
  - Everything else necessary to close the year 2.
  - Plan backwards from Interim/Fieldwork Map out the order things can be prepared and assign due dates/track progress against due dates . Request actuarial valuations early
- 3. Any PY auditor journal entries?
- 4. New GASB?
- 5. Shared Drive/Sharepoint Utilize a portal to submit workpapers to the auditors; eliminate version issues

# Audit Preparation (continued)



## 6. Preliminary TB review – CY/PY; CY/Budget

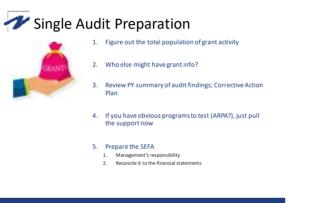
Cap Assets – Don't forget lines donated by developer; Grant purchases; Disposals; Read your board minutes; Update capitalization threshold

8. A/P – Train your person to understand cut-off; Look for retainages to record; Count the quarters/months

9. Internal review of the workpapers?

10. Last minute double checks – bank rec, 60 day deferred inflow, negative cash?; interfunds still balance; CY/Budget comparison

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- 1. More than a plan, you need STRATEGY
- Cybersecurity it's not just for businesses 2.
- Passwords are not community property; are not National Historic Landmarks
- 4. Offboarding is as important as onboarding
- 5. Does not get better with age
- 6. Replace in bulk

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- 7. Consider the cloud and/or outsourcing
- 8. All business data should be on the server No flash drives: storing on C Drive

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- Schedule big rocks in advance; create large chunks of time
- 7. You are not a fireman
- 8. Avoid multitasking
- 9. What can only you do? What can anyone do?

10. Sharpen your axe

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- - Get Real two-way dialogue focused on future development
- 3. Leverage Strengths
- 4. Prioritize what does it take to get to the next level?
- 5. Stretch
- 6. Coach & Sponsor
- 7. Nurture a Growth Mindset



