

# Fiscal Responsibility and Management Policy

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Adopted on October 2, 2012 by Resolution 2012-14  
Amended on April 7, 2015 by Resolution 2015-05  
Amended on October 3, 2017 by Resolution 2017-27

## I. OVERVIEW

### A. Accountability

The Finance Director is responsible to keep the financial records of the City including providing to the City Council with the following financial reports:

1. At least monthly, cash financial reports, including, but are not limited to, cash balances; revenue collection; actual expenditures to budget; and fund balances; and
2. At least annually generally accepted accounting principles (GAAP) financial reports, including, but are not limited to, a Comprehensive Annual Financial Report (CAFR).

The Finance Director should periodically review the financial reports and provide proactive recommendations to City Council to (a) bring the budget back into balance, (b) improve compliance or internal control, and (c) improve operational efficiencies.

*Best Practice A-013; A-015; A-016; B-001*

### B. Documentation of Accounting Procedures

A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency. The City's accounting policies and procedures should be readily available to all employees who need them. The City's policies and procedures should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records.

*Best Practice A-006; A-008; A-017*

### C. Internal Control

The City Council should ensure that the City Manager and Finance Director fulfill their responsibilities in implementing and maintaining a sound and comprehensive framework of internal control. The Finance Director should have a sound understanding of the essential components of a comprehensive framework of internal control.

Finance Director should periodically review the internal control procedures to ensure the controls are adequately designed to achieve its intended purpose, have actually been implemented and continue to function as designed. If Finance Director determines that a control is no longer effective, the Finance Director should design and implement a corrective action plan.

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*Best Practice A-008; A-011; A-017*

## D. Revenue and Procurement Payment or Settlement Systems

The City must manage its funds in a manner that assures (1) timely and accurate payment to its creditors and vendors, (2) timely and accurate payment from its residents and related agencies, and (3) full use of funds for the benefit of the City from receipt until the payment due date.

As technology continues to create new and different payment methods, the City should periodically review these methods and look at implementing methods for both revenue collection and expenditure settlement that are both efficient and effective, taking into account (1) accelerated payment and availability of funds; (2) reduced cashing costs; (3) improved overall cash flow and forecasting; (4) lessened delinquencies; (5) reduced collection costs; (6) enhanced customer service and convenience; (7) increased certainty of collection; (8) reducing credit and liquidity risks; (9) improved audit trails; (10) statutes and regulations; (11) strong internal and information technology controls; and (12) staff skills .

*Best Practice D-003; T-002; T-004; T-006; T-012; T-014; T-021; T-025*

## E. Compliance Reporting

The City, as an entity, has many roles including, but not limited to, employer and a business. Therefore, the City is required to report specific information such as withholding taxes, insurance, employment, and benefit information. The Finance Director is responsible to maintain records which will allow the compiling of information to issue various compliance reports.

The City Manager and Finance Director should implement a process for reviewing compliance reporting requirements to ensure that they are aware of any newly issued or soon-to-be issued regulations.

*Best Practice R-024; R-026*

## F. Education Responsibilities to Employees

The City offers a variety of fringe benefits and with that offering comes the responsibility of providing or announcing education opportunities to understand those benefits.

1. Pension Benefits – The City’s employees are required to be part of the Ohio Public Employee Retirement System or the Ohio Police and Fire Pension Fund System based on their position. Each of these retirement systems have a variety of education opportunities for the employee with the employee being personally notified by their pension system via a variety of methods. The City’s responsibility is to post the occasional poster(s) sent to the City from these pension systems to give the employee another method of learning about these opportunities.

2. Deferred Compensation – The City does not operate a deferred compensation plan for its employees; however, the City allows a limited number of deferred compensation companies access to its employees by allowing payroll deductions from those companies only. The City’s responsibility is to periodically allow those companies to

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set-up on-site so employees can access their chosen companies' representative on a one-on-one basis or for an education opportunity.

3. Financial Wellness – The City may offer financial based seminars, webinars, etc., to employees to expand their financial knowledge and confidence to assist them in reaching their personal financial goals.

*Best Practice R-014; R-032*

## II. **REVENUE**

### A. Diversification

To maintain program and service levels, the City must maintain an adequate revenue stream. By encouraging and seeking diversity in its revenue sources, the City should improve its ability to handle fluctuations that occur within individual revenue sources. The City should avoid being dependent on any one revenue source.

*Best Practice B-001*

### B. One-time Revenues

Seeking diversity in the revenue stream will also lead to collection of one-time revenues such as grants, contributions and donations. These revenues can assist the City when utilized for one-time costs; to offset fluctuations; 'pilot' a potential program or other limited time expenditures. As part of the budget planning process, the City should not budget one-time revenues until the City has received either the revenue or a commitment notice. The City should avoid dependency on one-time revenue sources.

1. Grants – an attractive revenue stream that frequently comes with special requirements that the City (recipient) must follow. These requirements can apply to the general operations of the grant, specific compliance rules, monitoring of other parties that may receive resources from the grants, specific time frames, and specialized reporting. There are typically negative consequences for failing to meet these grant requirements.
  - a. Grants identification and application. The City Manager will be informed by the grant writer of all grant applications before the application is made. This will allow the City Manager to understand the grant being applied for and the possible future obligations. The Finance Director will be informed by the grant writer of all grant awards but before the grant award has been accepted. This will allow the Finance Director to determine the effects on the budget, cash flow, procurement requirements, financial reporting or compliance requirements.
  - b. Grants strategic alignment. All grants shall further the City's mission or strategies as determined by the City Manager.
  - c. Grant evaluation for renewal or continuation. The City Manager will be informed of the opportunity to renew or continue a grant. This will allow the City Manager to review an evaluation of the impacts of the grant.

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- d. Grant Administration. The City Manager will determine who shall be responsible for the grant administration. The grant administrator will be responsible for providing the administrative and operational support necessary to abide by the grant requirements and the City's policies.
2. Contributions and donations – a revenue stream that frequently comes for specific purposes but usually no special compliance rules or reporting.
  - a. Identification and application. The City Manager and Finance Director will be informed of all contributions and donations. This will allow the City Manager and Finance Director to review if there are any future obligations with these funds.
  - b. Strategic alignment. All contributions and donations shall further the City's mission or strategies as determined by the City Manager.

*Best Practice B-001; B-031; A-028;*

## C. Unpredictable Revenues

Seeking diversity in the revenue stream will also lead to sources than are not predictable and may even be unreliable. During the budget planning process, the City should take into account predictability or reliability of these revenues. Limitation or restriction of these revenue sources shall be based on the various factors affecting the collection.

*Best Practice B-001*

## D. Fees and Charges

The City will charge fees for programs or services when it is permissible, *and* where only a limited or specific group of beneficiaries will benefit from a particular service.

1. The City should charge user fees sufficient to support the full direct operating cost of operations.
2. The level of services should be scaled to the level of support available from user fees.
3. Market rates, affordability, inflation, available efficiencies, pricing history and charges levied by other public and private organizations for similar services should be considered when establishing rates.
4. The City should review the fees and charges annually during the budget process.
5. If City cannot legally charge user fees to cover the full cost of operations, such as for public record requests, the City shall be aware of the costs not allocated to the user charges and fees.
6. The City may set a charge or fee at more or less than 100 percent of full direct cost when allocating costs across several classes or programs.
7. The City may charge full cost (both direct and indirect cost) when applicable to the service or program.

*Best Practice B-001; B-010*

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## E. Revenue Management

Proper control over all receipts and receivables is important in maintaining sound financial management practices.

1. Billing practices shall be governed by the entity that is charged with the revenue collection. Example: Delaware County Auditor for property taxes.
2. The City must maintain an on-going accounts receivable record when services are provided by the City before the funds are received.
3. The Finance Department shall serve as the primary recipient for all revenue collection sites.

### a. Timely recognition

- i. All revenue will be forwarded to the Finance Department by the next business day.~~business day.~~
- ii. Outstanding revenue sources shall have internal control and debt collection procedures established to collect unpaid and overdue revenue.

### b. Depositing

- i. Revenue collected electronically (direct payment to City's financial institution) is deposited based on federal and state banking laws.
- ii. Revenue (checks) collected by mail, in-person and on-site is deposited the next business day by remote deposit, in-person at the City's financial institution~~deposit~~ or other methods available to the City.
- iii. Revenue (credit card) collected in-person and on-site is settled daily and deposited by the credit card company into the City's account with the financial institution~~transmitted daily to the credit card company for payment.~~
- iv. Revenue (cash) collected by in-person and on-site is deposited~~when amount of cash reaches \$100 or at minimum on Monday and Friday, or when the amount of cash collected reaches \$100.~~

3.

4. All checks returned due to insufficient funds shall be processed by the Finance Department with departmental assistance.
5. The Finance Department shall determine bad debt expense in accordance with City ordinances, policies, and federal and state laws.

*Best Practice T-021; T-023*

## **III. EXPENDITURE**

### **A. Audit Procurement**

The Auditor of State is responsible for the audit and the audit procurement procedures of the City pursuant to the Ohio Revised Code. The audit is in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. The City is responsible for the cost of the audit.

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The City audit requires the need to incorporate financial statement information from an entity or business activity that is separately audited (i.e. Powell Community Improvement Corporation and Retirement Systems). The Finance Director should facilitate the effective, efficient, and timely performance of this information.

*Best Practice A-005; A-029*

## B. Cost Containment

Cost containment is necessary to maintain an adequate level of government services. A cost analysis that utilizes historical trend data on costs and utilization experienced by the City should be used to highlight areas for cost containment action. Cost containment ideas include: plan design, vendor management, aggregation, cost sharing and lifestyle or environmental change management.

Annually, certain specific expenditures should be evaluated because of the volatile change in costs from one year to another. These expenditures include, but are not limited to: utilities, gasoline, healthcare and workers' compensation insurance.

At the end of each contract period, certain expenditures should be evaluated to see if changes are needed before renewing the contract, negotiations, performing a request for proposal (RFP) or other similar processes. These expenditures include, but are not limited: wages, banking and other financial services, attorney services, information technology services and construction-related services.

Periodically, all other expenditures should be evaluated to illustrate that cost containment is being experienced.

1. Strategies for Managing Health-care Costs. The City should closely monitor health-care costs and choose approaches that make use of the City's purchasing power, share costs appropriately, encourage good consumer behavior, promote health, and support the ability to hire and retain highly qualified and motivated workforce.

*Best Practice R-013; B-033*

## C. Non-in-House or Shared Service Delivery

The City's mission is to provide high quality services within the constraints of limited financial resources. To meet this challenge, the City may be able to save money or improve services through non-traditional service delivery, including but not limited to, non-in-house and shared services.

Systematically identifying and documenting major factors such as feasibility study, transition process, resident support, legal ramifications, cost efficiency, quality and the ability to monitor the non-traditional service delivery are important in decision-making. The City should clearly define the service parameters in the expected service delivery. Service parameters should include the essential components and necessary evaluation tools to provide high quality services. Essential components and evaluation tools include: customer service, cost efficiency, level of service, effectiveness and performance metrics.

*Best Practice B-002; B-017; D-012*

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## D. Negotiated Procurement

When necessary and justified, the City may invite vendors for negotiated procurement through a Request for Proposal (RFP) (or Request for Information (RFI) or Request for Quotation (RFQ)) process for the acquisition of products or services. Each RFP process will establish at the beginning, the procedures that will be utilized to determine the awarded vendor.

*Best Practice D-014; D-015; D-016; R-013; T-012; T-015; T-016*

## E. Other Postemployment Benefits

Employee compensation packages for employees may include benefits following the completion of active service, such as retirement incentive payments, sick or vacation leave payouts or retiree healthcare. These benefits are described as *other* postemployment benefits to distinguish them from pension.

Financing of postemployment benefits as they are earned offers significant advantages from the vantage point of equity and sustainability. The earnings on the resources thus accumulated will lower the amount that ultimately must be funded by the City. The City intends to change all its current postemployment benefits from a pay-as-you method to the prefunding method. If the City adds any postemployment benefit to the employee compensation package, the City should prefund that postemployment benefit.

*Best Practice B-006; B-009; B-030; R-007; R-030*