

City of Eastport Internal Controls Policy

ADOPTED BY CITY COUNCIL on June 11, 2025

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1. General Financial Controls

Objective: Accurate cash collections.

Policies:

1. Pre-numbered receipts shall be issued for each collection at the time funds are received.
2. Receipts shall note an appropriate revenue source or revenue account from the City's chart of accounts.
3. Checks received shall be restrictively endorsed "For Deposit Only" immediately on receipt.
4. All receipts shall be retained and accounted for included voided receipts.
5. Collections shall be deposited daily but no later than three working days from the time the funds are received.
6. Deposits shall be made in the same amounts as collected and intact with the same amount of cash versus checks as collected.
7. Deposits shall not be made by the employee who records the deposits.
8. Actual deposits shall be examined and initialed by the City Manager attesting to the accuracy of the actual deposit. In the absence of the City Manager, the City Clerk shall perform this function.
9. Employees shall not cash personal or payroll checks at City Hall or any other City department.
10. At no time shall an employee cash or deposit any checks payable to the City except into City designated accounts.
11. Checks shall be identified on the deposit slip by check number and amount of the check.
12. Photocopies or scans of checks and the deposit slip shall be made for every deposit.
13. Whenever possible funds received from state and/or federal agencies will be deposited directly into the City's bank accounts by ACH (Automated Clearing House).
14. Receipt of funds shall be centralized at City Hall.
15. Daily reports for real estate tax receipts and utility receipts shall be reconciled daily by the City Clerk and Sewer Clerk respectively.
16. The use of restricted funds shall require the approval of City Council and must make reference to the specific restricted fund being used.
17. All licenses and permits shall be pre-numbered and properly accounted for.

2. Segregation of Duties

Objective: The City recognizes that due to limited staff some crossover of duties is unavoidable. Therefore the following is to segregate duties to the maximum extent possible to ensure strong internal financial controls.

Policies:

1. Collection of funds presented for payment is shared by all administrative employees (City Clerk, Treasurer, Assessor, Sewer Clerk, City Manager and their Deputies).
2. All administrative employees shall be bonded or ensured for loss at an amount appropriate to the largest deposit on a single day of a fiscal year.
3. All administrative employees shall sign into TRIO (or other software program used by the City) by using a unique and identifiable user name and password for every transaction.
4. Administrative employees shall not use any user name or password other than their own.
5. Deposits shall be made daily but no later than three working days from the time funds are received.
6. Deposits shall be prepared by the Treasurer. In the absence of the Treasurer, deposits shall be prepared another administrative employee
7. Deposits shall be transported to the bank by the City Clerk. In the absence of the City Clerk, the deposit will be transported by any administrative employee other than the employee who prepared the deposit.
8. Deposit receipts are reviewed and reconciled against system records by the City Manager. In the absence of the City Manager, the receipts will be reviewed and reconciled by another administrative employee other than the employees who prepared the deposit or who transported the deposit.
9. The Treasurer shall have sole responsibility of recording the deposit and collected funds in the City's software system in the appropriate revenue source or revenue account from the City's chart of accounts.

3. Financial Reporting

Objective: In order to maintain transparency and accessible information to the City Council, clear and concise reports and information are required so the City Council may assess the financial health of the City.

Policies:

1. The City Council shall receive monthly financial reports.
2. The financial reports shall be prepared by the Treasurer for dissemination by the City Clerk to City Council and the City Manager.

3. The financial statements shall reflect actual expenditures in relation to budgeted amounts (i.e. percentage of budget expended year to date).
4. The Treasurer shall reconcile all bank accounts monthly. The reconciliation shall be reviewed by the City Manager on a monthly basis. In the absence of the City Manager, the City Clerk shall review the reconciliation of bank accounts. The Superintendent's office shall be responsible for reconciliation of school bank accounts.

4. Property Tax Collections

Objective: To ensure that the collection, adjustment, and relief from property taxes are properly authorized, reconciled, and recorded by Administrative employees.

Policies:

1. Pre-numbered receipts shall be issued for each collection at the time funds are received with a copy given to the taxpayer.
2. All pre-numbered receipts shall reflect the payment amount and balancing remaining, if any.
3. Daily tax collections shall be summarized in total by tax levy year on the daily collections report.
4. Interest and other applicable charges shall be charged to all delinquent accounts.
5. All refunds, poverty abatements, and/or taxes charged off shall be authorized by City Council and reflected in the minutes of said governing body.
6. Taxes receivable shall be reconciled monthly by the Tax Collector.
7. All unpaid property tax accounts shall be liened in accordance with state law. Notices of foreclosure shall be processed by the Treasurer in accordance with state law.
8. All abatements shall be in accordance with state law. The Tax Assessor shall complete an abatement request form for the Tax Collector. The abatement is signed off by the Tax Collector. The City Clerk shall make the appropriate adjustment in the software program. In the absence of the Tax Collector, the Treasurer or Deputy Tax Collector shall sign off on abatements and make the appropriate adjustment in the software program.
9. The original abatement request form shall be retained by the Tax Collector along with the pre-numbered receipt showing the proper adjustment was made to the appropriate property tax account.
10. At least annually the balance of property tax receivable per the general ledger shall be reconciled to the total amount of unpaid accounts per the tax roll and amount of unpaid taxes by the Treasurer.
11. Foreclosure of properties shall be posted in a local newspaper of record in accordance with the Eastport City Charter prior to the sale of said property after a public vote at the City Council.
12. Segregation of Duties shall also apply to property tax collections.

5. Utility Billing and Collections.

Objective: Accurate recording and collection of sewer use fees and maintenance of self-sustaining rate schedules.

Policies:

1. Pre-numbered receipts shall be issued for each collection at the time funds are received.
2. All pre-numbered receipts shall reflect the payment amount and balance remaining, if any.
3. Any correction to a metered account shall be approved by the City Manager and recorded by the Sewer Clerk and Treasurer.
4. Utility billing and collections shall be intergrated with the City's general ledger system.
5. Rates/user fees shall be set to cover the full cost of services provided including the operation and maintenance of the wastewater treatment plant.
6. Rates/sewer fees shall be set and authorized by City Council.
7. All late charges and fees shall be collected on overdue accounts in accordance with state law.
8. All liens and foreclosures shall be applied by the Sewer Clerk in accordance with state law.
9. Daily utility collections shall be summarized in total on the Daily Collections Report.
10. Any request for free utility services shall only be authorized by City Council.
11. Utility accounts receivable shall be reconciled to the general ledger system's utility receivable subsidiary ledger by the Sewer Clerk.
12. Any poverty abatements or write-offs shall require a vote from the City Council.
13. Billing and receivables are performed and reconciled by the Sewer Clerk. Reporting of collections shall be the responsibility of the Sewer Clerk including the preparation of the commitment of sewer fees to the Treasurer.
14. Budgeting for the sustainability of the wastewater treatment plant shall be the responsibility of the City Manager and the Superintendent of the wastewater treatment plant. Any shortfall of revenue shall be reported to the City Council.

6. Disbursements/Drafts

Objective: To ensure the proper disbursement of funds through compensating controls.

Policies:

1. Pre-numbered checks shall be issued for all disbursements.
2. All voided checks shall be properly defaced and retained by the Treasurer.

3. Signing of blank checks shall be strictly prohibited.
4. Checks made payable to “cash” shall be strictly prohibited.
5. Supplies of unused checks shall be safely stored to protect against unauthorized use.
6. All checks and drafts shall require two signatures. One signature shall be that of the Treasurer and the second shall be that of a City Councilor.
7. Signature stamps shall be strictly prohibited.
8. Invoices for payment shall be reviewed by the appropriate department head and the City Manager. Invoices shall be signed by the appropriate department head and the City Manager prior to processing payment.
9. All invoices shall be presented to City Council at the time of signing said warrants.
10. Employee time sheets shall be reviewed by and signed by the appropriate department head to ensure accuracy of reported time worked. The City Manager shall sign all time sheets prior to processing. In the absence of the City Manager, the City Clerk shall review and sign off on time sheets prior to processing payroll.
11. All transfers between funds shall be approved by the City Council and shall be specific to the amount to be transferred and the specific fund from which transfers are to be made.

7. Assets

Objective: To properly account for and manage all City owned assets.

Policies:

1. Bank accounts shall be reconciled by the Treasurer to the general ledger monthly and reviewed by the City Manager.
2. Any discrepancies preventing reconciliation of a bank statement to the general ledger shall be reported by the Treasurer to the City Manager and remedied within two monthly cycles.
3. All bank accounts and investments shall be maintained in the name of the City of Eastport.
4. Withdrawals and/or liquidation of City assets shall require a vote from the City Council and shall require the signature of the Treasurer and one City Councilor.
5. Any write-offs shall require the approval of City Council.
6. Cash on hand shall be reconciled daily by the Sewer Clerk or the City Clerk.
7. Petty cash funds shall require a receipt signed by the employee and the City Manager.
8. All bank accounts shall be approved by the City Council.
9. Cash maintained on hand and collections not deposited shall be kept in a secure location.

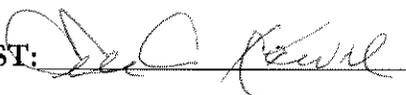
10. All seized property, including cash, shall be inventoried and kept in a secure location.
11. At least annually all department heads shall account for the various inventories of the City.
12. Detailed inventories shall be maintained in the possession of the City Clerk.
13. To safeguard against theft or loss of assets, employees and the appropriate department head shall sign out the asset prior to taking possession of said asset. Sign out sheets shall be maintained by the department head and reconciled annually against the City inventory.
14. Sale of City property shall be conducted in accordance with the City's Sale of Property ordinance.

8. Obligations and Debt Management

Objective: To ensure that incurring debt is in the best interest of, and affordable for, the City.

Policies:

1. All debt and/or bond issuances shall be in accordance with the City Charter.
2. Adequate reserves shall be maintained to make principal and interest payments on debt.
3. The minutes of the City Council shall reflect adequate information on bond issuances.
4. If required for bond issuance, separate bank accounts and accounting records shall be maintained by the Treasurer.
5. Investment and disbursement practices shall be in compliance with arbitrage laws and/or regulations.
6. The Treasurer shall maintain a master list of debt payment requirements by month and fiscal year when the payments are due. The master list shall also list the date of the retirement of debt service.

ATTEST:  Ella C. Kowal/City Clerk DATED: 1-5-2026

Reference to Agenda "VII(i) New Business" - Council Meeting of June 11th, 2025

(1) To approve amendments to the Internal Controls Policy

MOTION Dana-Cummings SECOND Stevens (Passed 5-0)