

FRANCONIA NH

FINANCE POLICY

Approved by the Franconia Board of Selectmen on



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CONTENTS

Cash Receipts	3
Credit Card.....,	4
Fraud.....	6
Internal Controls	10
Investment	14
Purchasing	24

Purpose

This Finance Policy is developed to provide general oversight and maintenance of the financial system on a long-term basis for the Town of Franconia. The purpose of this policy is to formalize the Town's financial management policies and procedures and to establish formal standards and guidelines for current and future municipal officials.

This Finance Policy supersedes and previously approved policies contained within.

CASH RECEIPTS POLICY

Section 1. PURPOSE

- 1.1 To establish uniform procedures for the handling and turnover of Town monies collected by departments.
- 1.2 The objective of this policy is to attempt to strike a balance between the need for departments operating efficiency and flexibility, and the need for financial control and accountability.

Section 2. REGULAR DEPOSIT PROCEDURE

- 2.1 All checks given in person as payment to a Department shall be documented on a multi-part pre-numbered receipt form with the Department retaining one copy and the other turned over with the checks to the Town Administrator. Departments are to notify the Town Administrator of any void or lost receipts so that the log may be noted.
- 2.2 Department Heads, or their designated employee, must physically bring all deposits to the Town Administrator's Office at the Town Office for verification and deposit. Verification will consist of the department head or designee being physically present while the Town Administrator counts and verifies the amount to be deposited, signing off and dating the Department copy that the deposit is correct and has been received.
- 2.3 No department may hold in excess of \$1,500 in revenue at any time. All revenue must be turned over to the Town Administrator's Office during normal working hours. Any funds held by a department must be retained in a location secure from theft.
- 2.4 Each department must maintain an electronic or manual log spreadsheet of all deposits. Spreadsheet will contain the date monies received, from whom, for what purpose, account line item deposited into, amount, and check number. This document will be given to the Town Administrator as requested for internal auditing purposes.
- 2.5 The Town Administrator and/or designee will take the deposits to the bank or submit electronically, and then enter the deposit into the computer system.
- 2.6 Under no circumstances will the Department utilize personal funds to compensate shortages. All shortages must be brought to the attention of the Town Administrator prior to submission.
- 2.7 Unless governed by another policy approved by the Board of Selectmen, no Department may accept any form of electronic payment.

Section 3. REVIEW AND ACCEPTANCE

- 3.1 This policy will be reviewed annually to determine whether any changes, additions, etc. are needed. When revisions are approved, a copy will be given to all departments for review.

CREDIT CARD POLICIES AND PROCEDURES

Section 1. APPLICABILITY

The primary advantages of utilizing a credit card program are the convenience added when purchasing goods or services and the capability of establishing limits and restrictions on individual purchases. In addition, prompt payment to vendors enhances the Town's relationships with suppliers. The success of a credit card program relies on the cooperation and professionalism of all personnel associated.

Section 2. PURPOSE

Establish those procedures under which departments will control the use of credit cards assigned to and utilized by town employees for materials and services. These procedures are intended to accomplish the following:

1. Ensure procurement with credit cards is accomplished in accordance with policy and procedures established for purchasing goods and services.
2. Enhance productivity, significantly reduce paperwork, improve controls, and reduce the overall cost associated with purchases.
3. Ensure appropriate internal controls are established in procuring with credit cards so that they are used only for authorized purposes.
4. Ensure the Town bears no legal liability from inappropriate use of credit cards.

Section 3. SCOPE

The Town Administrator and Board of Selectmen will make all decisions regarding the issuing of individual cards and the establishment of any and all additional controls for their use.

Section 4. USE OF CREDIT CARD

The credit card shall be used for municipal purchases and shall not be used for personal purchases of any kind. Cash advances of any kind are prohibited. Use of the credit card for personal purchases or expenses with the intention of reimbursing the Town is prohibited.

Cardholders are responsible for the security of their credit card. All precautions shall be used to maintain confidentiality of the cardholder's account number and expiration date of the credit card.

When using the credit card, the cardholder shall:

1. Ensure the goods or services to be purchased are budgeted, allowable, and follow procurement policy.
2. Determine if the intended purchase is within the cardholder's credit card limits.
3. Tell the supplier/merchant that the purchase will be made using the credit card issued through the Town of Franconia.
4. If applicable, inform the merchant that the purchase is tax exempt. Copies of the Town's Tax Exemption Certificate may be requested from the Town Administrator. Review the receipt before leaving the vendor and request a credit if taxes were charged in error.
5. Manage any returns or exchanges and ensure that proper credit is received for returned merchandise.

Section 5. DOCUMENTATION, RECONCILIATION, AND PAYMENTS

It is important to the success of the credit card program that cardholders adhere to the following procedures. Failure to keep adequate receipts or frequent abuse of these provisions will result in cancellation of the cardholder's credit card.

- I. *Documentation.* Any time a purchase is made using the credit card, the cardholder is to obtain a customer copy of the receipt as the supporting document for accounting.
2. *Missing Documentation.* If the cardholder does not have a receipt or documentation to submit, a reconciliation statement that includes a description of the item, date of purchase, merchant's name, and an explanation for the missing support documents must be submitted to the Town Administrator. Frequent instances of missing documentation will cause a cardholder's credit card use privilege to be revoked.
3. *Receipt & Invoice Procedures.* Receipts and/or invoices must be submitted to the Town Administrator with the purpose of the purchase, the account number to be charged, and department head approval. It is the cardholder's responsibility to submit the receipt(s) in a timely manner.
4. *Payments.* The Town Administrator will pay outstanding credit card invoices by statement. Credit card statements will be received by the Town Administrator for reconciliation. Any department may request a copy of the statement for their own records.
5. *Accounts Payable Manifest.* All monthly credit card statements will be included with the accounts payable manifest for Select Board review.

Section 6. RETURNED ITEMS

If items purchased with the credit card are found defective or the repair or services faulty, the cardholder has the responsibility to return the items to the merchant for replacement or credit. *CASH REFUNDS ARE NOT PERMITTED AND SHALL NOT BE ACCEPTED.*

Section 7. LOST OR STOLEN CREDIT CARDS

It is the responsibility of the Cardholder to immediately notify the Town Administrator of a lost or stolen credit card. Failure to promptly notify the issuing bank of the theft or loss of the credit card could make the Town responsible for any fraudulent use of the card and result in loss of privileges for the cardholder.

Section 8. ISSUANCE AND TERMINATION

All cardholders shall complete the Agreement to Accept Credit Card prior to the Town Administrator issuing a Town credit card.

Upon termination of employment for any reason, a cardholder shall relinquish their credit card at the time of separation from the Town. The Town Administrator shall notify the credit card issuer and the cardholder's card will be immediately deactivated. A cardholder who fraudulently uses the credit card after separation from the Town will be subject to legal action.

FRAUD POLICY

Section 1. PURPOSE

Internal controls are techniques used by management to achieve its objectives and to meet its responsibilities. It is the objective of the Town to safeguard town funds and have administrative procedures in place that will enable it to meet this objective and thereby fulfill its responsibility.

Section 2. STATEMENT OF POLICY

The Town has adopted a zero tolerance policy regarding fraud. No employee or resident of the Town shall remove any Town asset from the property, misuse any Town asset for personal gain, or willfully misappropriate any Town asset. Any evidence supporting fraud, theft or embezzlement of Town assets and equipment may be subject to the following actions, including but not limited to: suspension, termination, restitution, and criminal charges. Any utility fraud by the public will be subject to restitution and possible criminal charges.

Employees shall read and understand this policy. This policy shall be available to the public to read and understand.

Section 3. PROHIBITED ACTS

Fraud and misuse of Town assets is prohibited. Examples of fraud and misuse include, but are not limited to:

1. Embezzlement.
2. Misappropriation, misapplication, destruction, removal, or concealment of Town property.
3. Alteration or falsification of documents.
4. Theft of any asset (money, tangible property, etc.).
5. Authorizing or receiving compensation for goods not received or services not performed.
6. Authorizing or receiving compensation for hours not worked.
7. Misrepresentation of fact.

Section 4. FINANCIAL ACCOUNTABILITY

Financial accountability is a top priority for the Town of Franconia. This policy formalizes the expectations of personal honesty and integrity required of Town officials and employees. The Town is committed to protecting revenue, property, information and other assets from any attempt, either by members of the public, contractors, sub-contractors, agents, intermediaries or its own employees, to financial or beneficial gain by deceit. This policy prohibits fraud or

misuse of the Town's assets and sets forth specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

In order to have general oversight over internal controls and daily operations, the Town shall:

- Issue a receipt for all money received.
- Time stamp the receipt of bids.
- Receipt tax payments received by mail immediately, preferably the same day.
- Check the daily deposits against the Cash Journal and document as reviewed by the Treasurer.
- Reconcile cash receipts daily.
- Deposit funds in a timely manner, typically daily.
- Deposit funds at the bank immediately upon removal from the town office.
- Reconcile to general ledger daily.
- Reconcile bank statements and taxes receivable monthly.
- Maintain cash drawers individually.
- Randomly audit cash drawers on a quarterly basis. Reconciliation of cash drawers shall be documented as reviewed by the Town Administrator.
- Make every effort to ensure there is always more than one person working in the office.
- Not accept overpayments when the intention is to provide the customer a cash refund.
- Not accept foreign currency.
- Notify the Town Administrator or other appropriate personnel upon any suspicion of fraud.
- Conduct management reviews of bank statements, reconciliation of bank accounts, adjusting journal entries and voided checks.
- Perform periodic audits of all motor vehicle registration forms for specific periods of time.
- Bond all personnel as required by New Hampshire statute, at levels deemed appropriate by the Select Board, and insure against theft and fraud for all municipal officers and officials.

Section 5. NON-SUFFICIENT FUNDS

Checks returned for non-sufficient funds, invalid account or any other reason shall be addressed promptly. The customer shall be notified by mail requesting full payment plus the current NSF charge imposed by the Town to cover bank charges and expenses for recovering the funds. If it is not feasible for the Town to recoup the funds through a letter, the returned check shall be taken to the issuing bank and a bank check shall be requested if funds are available in the account. If the transaction is a tax payment on real-estate, the payment can be reversed until full payment is received. If the transaction is for a motor vehicle transaction, the Department of Motor Vehicles shall be notified and the registration suspended until full payment is received.

Section 6. COMPLAINT PROCEDURE

Supervisors shall communicate the provisions of this policy to all employees; take no action without consulting the Town Administrator; and recommend appropriate temporary disciplinary

action when there is evidence of wrong-doing. All Town employees are responsible for the implementation and execution of this policy utilizing the following procedure:

1. Suspected or known fraudulent acts by employees shall be reported to their respective supervisor or to the Town Administrator. If the employee has reason to believe that their supervisor may be involved, the employee shall notify the Town Administrator. The Board of Selectmen shall be notified in cases involving the Town Administrator.
2. The Town Administrator may initiate internal investigative actions of the suspected act. The internal investigation may include, but is not limited to, surveillance, either electronic or visual and document research. Document research may include, but is not limited to, cash terminal journal rolls, ledgers, and accounting records.
3. All participants in a fraud investigation shall keep the details and results of the investigation confidential.
4. No supervisor or person acting on behalf of the Town shall dismiss or threaten to dismiss an employee; discipline, suspend or threaten to discipline or suspend an employee; impose any penalty upon an employee; or intimidate or coerce an employee because the employee has acted in accordance with the requirements of the policy. Any violation of this Section may result in disciplinary action up to and including termination of employment.

Section 7. PREVENTION

Each department is responsible and will maintain an internal control environment to protect the department and the Town from loss or other damages as a result of fraudulent acts.

Section 8. FALSE ALLEGATIONS

False allegations of suspected fraud with the intent to disrupt or cause harm to another may be subject to disciplinary action up to and including termination of employment.

Section 9. CORRECTIVE ACTIONS AND DISCIPLINE

Appropriate and timely action will be taken against those proven to have committed a fraudulent act. When the Town elects to take corrective or disciplinary action, it will proceed under the procedures in place under policy. The Town may take corrective or disciplinary action without awaiting the resolution of criminal or civil proceedings arising from the fraudulent conduct. These remedial actions may include, but are not limited to:

1. Disciplinary action (up to and including immediate termination of employment).
2. Restitution for all losses, including investigation and legal expenses, to the fullest extent of the law.
3. Forwarding information to the appropriate authorities for criminal prosecution.

4. Institution of civil action to recover losses.

Section 10. CONFIDENTIALITY

All investigations shall be conducted in confidence, insofar as reasonably possible. The name or names of those communicating information about a fraudulent act and the name or names of those suspected of a fraudulent act will only be revealed when required by law in conjunction with any investigation or legal action.

INTERNAL ACCOUNTING CONTROL PROCEDURES

Section 1. Cash Receipts

Tax Collector - Collects all receipts in which a warrant has been issued for taxes and utilities. The Tax Collector enters receipts into the tax software system which posts transactions to subsidiary ledgers. A copy of each day sheet is given to the Town Administrator, and the Treasurer. The Town Administrator and the Treasurer matches up bank deposit receipts to the day sheets and bank statements.

Town Administrator - Deposits revenues collected and turned over by other Departments as well as those collected by the Administrator directly. On a weekly basis, the Town Administrator enters receipts into the software system. The Town Administrator gives a copy of the deposit register to the Treasurer. The Treasurer matches bank deposit receipts to bank statements.

Departments - All receipts, (other than those collected by the Tax Collector and Town Administrator), are collected and submitted to the Town Administrator. They are entered on a pre-numbered form and turned over to the Town Administrator when receipts total \$1,500 or weekly.

Federal and State monies are usually received via ACH. ACH are printed out and attached with supporting documentation. They are then posted by the Town Administrator in the Fund Accounting program. A copy is given to the Treasurer to match up to bank statements.

Revenue Reports are generated monthly for review by the Board of Selectmen.

Section 2. Cash Disbursements

Time sheets and invoices are approved by the department heads in accordance with established policies.

Weekly Payroll and Accounts Payable manifests require approval by at least two members of the Board of Selectmen before checks are signed by the Treasurer and released.

Section 3. Petty Cash

\$812 Total:	Town Clerk/Tax Collector cash drawer	\$100
	Recreation cash drawer (held with T.A.)	\$612
	Transfer Station	\$120

The Town Clerk/Tax Collector reconciles their cash drawer on a daily basis. The Transfer Station reconciles their cash drawer on a weekly basis. The Recreation cash drawer is reconciled daily when used.

Section 4. Operating Cash Accounts

The Town Treasurer has custody of all town cash accounts. All bank accounts must be collateralized.

In addition to the General Fund checking there are certain investment accounts that require segregation of funds. These include but are not limited to: Town of Franconia, McLachlin Memorial, and Franconia Land Use .

ALL payroll, accounts payable disbursements, and most cash receipts pass through the General Fund checking accounts.

Investment account balances are reconciled every month.

Trust Funds and Capital Reserve Funds are under the custody of the Trustee of the Trust Funds as mandated by the provisions of the trust or special warrant article. The Trustee provides monthly reports to the Board of

Section 5. Revenue Billing

Tax and Utility revenues are placed on a warrant for collection and recorded on an accrual basis. Warrants are voted on by the Board of Selectmen. All other billing for Town services (such as Police Contracted Services) are also recorded on an accrual basis and are maintained by the Town Administrator.

Section 6. Purchasing

The Town does not have a centralized purchasing department. Each department is responsible for its own purchasing.

Procurements for State and Federal Grants are predicated by the provisions of each grant, and generally have stricter guidelines for disbursement of funds.

Section 7. Recording Payables

All invoices require approval for payment by the Department Head. The department head codes the invoice to the applicable line item, and attaches any packing slip for receipt of goods, and other supporting documentation.

Payables are entered via Accounts Payable system. Expenses are posted to the G/L upon closing the posting register. Bills are paid on weekly basis. Whenever feasible, discounts for early payment are taken.

Section 8. Fixed Assets (Additions and Retirements)

Fixed asset records are maintained for all departments and funds for assets of \$20,000 or more. The Town Administrator consults with department heads regarding purchases made during the calendar year, as well as any sale or disposal of assets. The Fixed Asset 'system' is maintained on electronic spreadsheets by the Town Administrator.

Fixed assets are presented in schedules as notes to the basic financial statements in the annual audit report.

Section 9. Payroll, Employee Benefits & Employer Costs

Time sheets are required for all non-exempt positions. Each department head is responsible for ensuring the accuracy of hours recorded. Payroll is processed weekly by the Town Administrator using payroll software. FICA, Medicare, and Retirement deductions and associated employer costs are calculated by the Payroll system. Employer costs post automatically to the respective departments in the General Ledger.

Section 10. Town Budgeting Process

The municipal budget process (including public posting requirements and Dept. of Revenue MS forms) is dictated by State Statutes. The internal process of preparing department budgets follows:

- The Town Administrator receives guidance from the Board of Selectmen as to any Cost of Living increases for employees, and limits on the overall budget increase and impact to the local property tax rate.
- Budget preparation begins in November with each department head presenting their financial needs to the Town Administrator and Board of Selectmen.
- The Town Administrator presents a budget to the Board of Selectmen in January.

- The Board of Selectmen makes their adjustments and the Town Administrator prepares the budget in accordance with their instructions.
- After the final budget is approved at Town Meeting, the Town Administrator enters the budgets in the Fund Accounting system.

Section 11. Financial Reporting

The Town Administrator distributes detailed expenditure reports to all Department Heads and Board of Selectmen, and all other applicable parties on a monthly basis.

Budget to Actual Comparison - Expenditure reports are generated by the Fund Accounting system, showing Current Year Budgeted, Period Expenditures, Current Year (to date) Expenditures, and the Balance Remaining. Each department is responsible for analyzing any overages in their line items and communicating issues to the Town Administrator.

Section 12. Grantor Agency Reports (Federal & State Grants)

Each grant typically requires quarterly financial status reports (FSR) and Progress Reports. The applicable forms are prepared and signed by the authorized persons involved in that particular grant. The 'owner' of each grant is responsible for compliance with all grant requirements and reports.

The responsible parties, for example, may include the Board of Selectmen (i.e. CDBG grants), Police or Fire Chief (Homeland Security grants), and the Director of Public Works (EPA/EDA/Rural Development grants for water and wastewater infrastructure projects). The Town Administrator may also play a role in completing FSR's or assisting department heads.

INVESTMENT POLICY

Section I. Purpose:

The purpose of this Policy is to comply with RSA 41:9 VII, which requires the Board of Selectmen to annually review and adopt an investment policy for the investment of public funds, and to provide a framework for the Town Treasurer to carry out the policy objectives.

Section II. Authority:

This Policy has been enacted pursuant to the statutory authority granted to the Board of Selectmen by RSA 41:9 VII and to the Town Treasurer by RSA 41:29 IV. These RSA's are incorporated by reference and made part of this Policy in Appendix A.

Section III. Policy Statement:

The primary objective of the Town of Franconia's investment policy is to set forth appropriate investment activities that provide for the safety of principle, sufficient liquidity to support operations, all while generating a reasonable investment yield.

The specific investment policy objectives are stated below:

1. Ensure the preservation of capital and the protection of investment principle by investing in instruments authorized by State Law, as outlined in Section VIII of this policy;
2. Maintain sufficient liquidity to meet operating requirements for both the town and school district;
3. Satisfy all legal requirements;
4. Attain market-average rate of return on investments taking into account risk, legal constraints and cash flow considerations.

Section IV. Definitions:

- A) Board- means the Board of Selectmen for the Town of Franconia.
- B) Collateral - underlying securities that are pledged to secure deposits of public funds.
- C) Market-average Rate of Return - the amount of income received from an investment, expressed as a percentage (also referred to as investment yield), that an investor can expect to receive in the current interest-rate environment).
- D) Repurchase Agreement - a transaction in which a holder of securities sells those securities to an investor with an agreement to repurchase those securities for a fixed price at an agreed-upon date.
- E) Safekeeping - a procedure where securities are held by a third party acting as custodian.
- F) School District-Franconia-Rindge School District.

G) State Law -refers to various Revised Statutes Annotated (RSA) of the State of New Hampshire, as amended, as referenced throughout the policy.

H) Town - Town of Franconia, New Hampshire.

Section V. Scope:

The investment policy applies to all public funds held in the custody of the Town Treasurer. This does not include funds held by the School District, Library Trustees or Trustees of the Trust Funds. The funds held by the Treasurer are accounted for in the Town's annual-audited financial reports and include the following:

- General Fund
- Water Fund
- Town of Franconia Fund
- McLachlin Memorial Fund
- Franconia Land Use Fund
- Any new funds created by the Town, unless specifically exempted by the governing body, in accordance with law.

Furthermore, the investment policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

This policy does not apply to funds held in escrow for performance bonds, which are held in an interest-bearing deposit account at an approved banking institution.

Section VI. Delegation of Authority:

The investment policy delegation of authority is stated below:

- 1) In accordance with RSA 41:29 VI, the responsibility of conducting investment transactions resides with the Town Treasurer, with the approval of the Board. However, the Treasurer may delegate investment functions to other town officials or employees provided such delegation is in writing and includes written procedures acceptable to the Board and agreeable to all parties involved. Any such delegation shall only be made to a town official or employee bonded in accordance with RSA 41:6 and rules of adoption by the Commissioner of Revenue Administration under RSA 541-A. Such delegation shall not eliminate the responsibility of the Treasurer to comply with all statutory duties required by law.
- 2) No person may engage in an investment transaction except as provided under the terms of this policy and the internal procedures and controls hereby established.
- 3) The delegation of deposit authority by the Treasurer to the Town Administrator and/or, Town Administrator Administrative Assistant, and Town Clerk/Tax Collector shall not eliminate the requirement that all moneys remitted shall be deposited at least on a weekly basis, or daily whenever funds remitted from all departments collectively totals \$1,500 or more. Limits for the Town Administrator, and/or Town Administrator Administrative Assistant and Town Clerk/Tax Collector shall remain as fixed per RSA.

Section VII. Prudence and Ethical Standards:

The investment policy will be conducted in accordance with the "prudent man" or "prudent person" standard based upon RSA 31:25-b which requires that:

" ... a prudent investment is one which a prudent man would purchase for his own investment having in view the preservation of the principal and the amount and regularity of the income to be derived therefrom."

Elected Officials and employees involved in the investment process shall refrain from personal business activity that could conflict (or appear to conflict) with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such individuals shall disclose to the Board any material financial interest in financial institutions that conduct business with the Town, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Town's portfolio.

Section VIII. Investment Activities:

Internal Controls (see Internal Controls Policy)

Investment Objectives:

The investment objectives for these accounts are "income only" and "capital preservation." These objectives are consistent with our emphasis on current income and our desire for modest growth of the principal from appreciation while maintaining the working capital of the citizens. The objectives dictate an asset allocation utilizing a combination of cash equivalents and fixed income securities.

Investment Instruments:

In accordance with RSA 41:29 II and IV, funds of the Town of Franconia may be invested in any of the following:

- a) Deposits, including money market accounts or certificates of deposits, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, or funds may be deposited in federally insured banks outside the state if such banks pledge and deliver a third party custodial bank or the federal reserve bank collateral security for such deposits of the following types:
 - i. United States government obligations
 - ii. United States government agency obligations; or
 - iii. Obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.
- b) New Hampshire Public Deposit Investment Pool (NHPDIP) established pursuant to RSA 383:22.
- c) Obligation fully guaranteed as to principal and interest by the United States government. The obligations may be held directly or in the form of securities of or other interests in any open-end management-type investment company or investment trust registered under 15 U.S.C. Section 80a-1 et seq., if the portfolio of the investment company or investment trust is limited to such obligations.

d) Other instruments as may be specifically authorized by amendments to the State Law.

Whenever possible, maturities of investments purchased shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (school district remittances, payroll and accounts payable) as well as anticipated revenue inflows. The maturity characteristics of the portfolio must ensure adequate liquidity for future obligations.

Qualified Institutions:

The Town Treasurer shall determine the primary banking institution to be used by the Town, in conjunction with the Board, who is responsible for establishing the budgetary parameters under which the Town Treasurer may operate.

Any entity utilized by the Town must be chartered by the State of New Hampshire or the federal government, be federally insured and from which the town purchases investment instruments, must have any investment grade rating issued by Moody's and S&P at a minimum of Aa2 or AA, respectively. Refer to Appendix B for the Moody's and S&P rating definitions.

The Board, in conjunction with the Town Treasurer, shall periodically review the banking relationships and determine if there is a need to undertake a competitive bidding process for the selection of banking, investment and/or cash management provider(s). If a competitive bid is sought, the investment of the Town funds, in accordance with this policy, will be a key consideration in assessing and awarding such bid. Once awarded, it is the responsibility of the provider to maintain investments within the parameters of this policy, with the understanding that each individual investment will not necessarily be competitively bid by the provider, but will meet the investment criteria as proposed and agreed.

Safekeeping and Collateralization:

The Treasurer shall ensure the safe keeping and collateralization of town deposits and investments in accordance with RSA 41:29V.

The banking institution shall provide the Town Treasurer with at least monthly reports of the Town's collateral position. In addition, collateral agreements shall comply with provision set forth in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), which require that the collateral agreement be:

- 1) In writing;
- 2) Approved by the Board of Directors of the depository or its loan committee;
- 3) Lists no specific pledge securities; and
- 4) Has been, continuously, from the time of its execution, an official record of the depository institution.

Reporting:

The Town Treasurer or their designee shall include a summary of investment activity in the Treasurer's Report submitted to the Board at least annually, or quarterly in periods of significant investment activity. The report shall summarize the investment strategies employed, and describe the portfolio in terms of

investment securities, maturities, risk characteristics and other features. The report shall explain the transaction detail, expected total investment return and actual results.

Performance Evaluation:

The Town shall require, from any institution in which investing activity is conducted, sufficient routine reports/documentation to enable an accurate evaluation to be made as to the results of the Town's investment program as it relates to the Town's stated objectives, guideline and policies, and to assist in revealing areas for potential improvement.

Section XI. Amendments:

This Policy shall be reviewed on an annual basis and may be amended by a majority vote of the Board at a regularly scheduled Board meeting.

INVESTMENT POLICY

APPENDIX A

NH RSA Chapter 41: Choice and Duties of Town Officers

Selectmen

Section 41:9

41:9 Financial Duties -

- I. The selectmen shall pay all sums of money received by them in behalf of the town to the town treasurer immediately after receipt, and state to him from whom and for what received.
- II. They shall draw orders upon the treasurer for the payment of all accounts and claims against the town allowed by them, and take property vouchers therefor.
- III. They shall keep a fair and correct account of all moneys received, all accounts and claims settled and all orders drawn by them, and of all other financial transactions in behalf of the town.
- IV. They shall publish in the next annual report, or post at the annual meeting, the general fund balance sheet from the most recently completed financial statements or from the financial report filed pursuant to RSA 21-J:34, V.
- V. In the case of an accumulated general fund deficit, the selectmen shall insert an article in the warrant recommending such an action as they deem appropriate, which may include, but is not limited to, raising a sum of money for the purpose of reducing the deficit.
- VI. The selectmen shall be responsible for establishing and maintaining internal control procedures to ensure the safeguarding of all town assets and properties.
- VII. The selectmen shall annually review and adopt an investment policy for the investment of public funds in conformance with applicable statutes and shall advise the treasurer of such policies.
- VIII. The selectmen shall be responsible for establishing procedures to ensure that all funds paid to the town from any department shall be remitted to the treasurer at least on a weekly basis or daily whenever such funds total \$500 or more. Remittances to the treasurer from the tax collector shall be in accordance with RSA 41:35 and remittances from the town Administrator shall be in accordance with RSA 261:165.

Source: 1869, 26:3, 1874, 85:1. GL 40:9. PS 43:7. RL 59:13. RSA 41:9. 1993, 181:1. 1994, 147:2, 246:2, eff. Aug. 27, 2007.

INVESTMENT POLICY

APPENDIX A

NH RSA Chapter 41: Choice and Duties of Town Officers

Town Treasurer

Section 41:29

41:29 Duties of Elected and Appointed Town Treasurer. -

- I. The town treasurer shall have custody of all moneys belonging to the town and shall pay out the same only as follows:
 - a. Upon orders of the selectmen in a public meeting or by a noncontemporaneously signed manifest signed by a majority of the board; or,
 - b. In the case of a conservation fund established pursuant to RSA 36-A:5, under the order of the conservation commission; or
 - c. In the case of a heritage fund established pursuant to RSA 674:44-d upon the order of the heritage commission; or
 - d. In the case of fees held pursuant to RSA 673:16, II, upon the order of the local land use board or its designated agent; or
 - e. In the case of a recreation revolving fund established pursuant to RSA 35-B:2, upon the order of the recreation or park commission; or
 - f. In the case of fees deposited by the town Administrator pursuant to RSA 41:35, upon the invoice of the town Administrator, or other board or body designated by the town to expend such a fund.
- II. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to RSA 383:22 or in federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, except that funds may be deposited in federally insured banks outside the state if such banks pledge and deliver to a third party custodial bank or the federal reserve bank collateral security for such deposits of the following types:
 - a. United States government obligations;
 - b. United States government agency obligations; or
 - c. Obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case.
- III. The town treasurer shall keep in suitable books provided for the purpose of a fair and correct amount of all sums received into and paid from town treasury, and of all notes given by the town, with the particulars thereof. At the close of each fiscal year, the treasurer shall make a report to the town and to the department of revenue administration, giving a particular account of all his or her financial transactions during the year and account balances at year end. The treasurer shall furnish to the selectmen statements from the treasurer's books, and submit the books and vouches to them and to the town auditors for examination, whenever so requested.
- IV. Whenever the town treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the town treasurer shall invest the same in accordance with the investment policy adopted by the selectmen under RSA 41:9, VII. The treasurer may invest in the public deposit investment pool established pursuant to RSA 383:22, or in deposits, including money market accounts, or certificates of deposit, or repurchase agreements, and all other types of interest bearing accounts, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, or in obligations fully guaranteed as to principal and interest by the United States government. The obligations may be held directly or in the form of securities of or other interests in any open-end or closed-end

management-type investment company or investment trust registered under 15 U.S.C. Section 80a-1 et seq., if the portfolio of the investment company or investment trust is limited to such obligations and repurchase agreements fully collateralized by such obligations.

- V. (a) The treasurer shall insure that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 383-B:3-30I(e) shall be eligible to be pledged as collateral.
- (b) As an alternative to the option of collateralization for excess funds provided in subparagraph (a), the town treasurer may also invest public funds in interest-bearing deposit which meet all of the following conditions:
- 1) The funds are initially invested through a federally insured bank chartered under the laws of New Hampshire or the federal government with a branch within the state, selected by the treasurer.
 - 2) The selected bank arranges for redeposit of funds which exceed the federal deposit insurance limitation of the selected bank in deposits in one or more federally insured financial institutions located in the United States, for the account of the treasurer.
 - 3) The full amount of the principal and any accrued interest of each such deposit is covered by federal deposit insurance.
 - 4) The selected bank acts as custodian with respect to each such deposit for the account of the treasurer.
 - 5) On the same date that the funds are redeposited by the selected bank, the selected bank received an amount of deposits from customers of the federally insured financial institutions equal to or greater than the amount of the funds initially invested through the selected bank by the treasurer.
- VI. The treasurer may delegate deposit, investment, recordkeeping, or reconciliation functions to other town officials or employees provided such delegation is in writing and includes written procedures acceptable to the selectmen, or in the case of a town operating under RSA 37, to the town Administrator, and is agreeable to all parties involved. However, any such delegation shall only be made to a town official or employee bonded in accordance with RSA 41:6 and rules adopted by the commissioner of revenue administration under RSA 541-A. Such delegation shall not eliminate the responsibility of the treasurer to comply with all statutory duties required by law.
- VII. The treasurer shall ensure that all moneys remitted shall be deposited at least on a weekly basis, or daily whenever funds remitted from all departments collectively total \$1,500 or more. Such deposit functions may be delegated pursuant to paragraph VI. However, failure to ensure that funds are being deposited on a timely basis as required by this paragraph shall be cause for immediate removal from office pursuant to RSA 41:26-d. In any municipality where there is either no bank or other depository institution within the municipality the treasurer shall make deposits consisting of funds remitted from all departments and collectively totaling \$1,500 or more on a weekly basis or more frequently as directed by the board of selectpersons in the investments policy adopted pursuant to RSA 41:0, VII.

Source: 1869,26:2-4.GL40:8.1883, III:1.PS43:20.PL47:24.1931, 170:2.RL59:24.RSA41:20. 1959, 197:3, 490:1. 1977, 139:1. 1987, 318:3. 1991, 268:8; 377:6; 383:9. 1992, 64:3. 1993, 161:2. 1996, 209:10. 1997, 208:8. 1998, 40:2. 2003, 100:2. 2007, 35:6; 246:3, 4. 2008, 120:25; 174:5. 2009, 14:1. 2012, 7:3 eff. July 3, 2010. 2013, 97:3, eff. Aug. 19, 2013; 124:1, eff. Aug. 24, 2013. 2015, 272:43, eff. Oct. 1, 2015.

INVESTMENT POLICY

APPENDIX A

NH RSA Chapter 41: Choice and Duties of Town Officers

Bonds

Section 41:6

41:6 Surety Bond Required. -

- I. Town treasurers, trustees as provided in RSA 31:22 and 23, trustees as provided in RSA 53B:8-a, I, library trustees including alternate library trustees, if any, town Administrators, tax collectors and their deputies, agents authorized to collect the boat fee, and persons delegated treasury functions under RSA 41:30, VI shall be bonded by position under a blanket bond from a surety company authorized to do business in this state. The Bond shall indemnify against the losses through:
 - a) The failure of the officers covered to faithfully perform their duties or to account properly for all moneys or property received by virtue of their positions; or
 - b) Fraudulent or dishonest acts committed by the covered officers.
- II. A blanket bond may exclude the town treasurer if a separate fidelity bond for the faithful performance of his duties is furnished by the surety writing the blanket bond.
- III. Premiums shall be paid by the town.
- IV. The required bonds shall provide at least a 2-year discovery period from the date their coverage terminates.
- V. The commissioner of revenue administration shall adopt rules under RSA 541-A, concerning the amount and form of the surety bonds required under this Section.

Source.1931, III:1.RL59-43.1945, 7:1.RSA41:6.1969, 135:1.1973,544:8.1975,68:1.1979,376:7. 1981, 323:8. 1983, 264:6. 1988, 198:9. 1994, 367:16. 2009, 9:8, eff. April 16, 2000. 2007, 246:1, eff. Aug. 27, 2007.

INVESTMENT POLICY

APPENDIX B

Moody's Long-Term Debt Rating Symbols: Aaa-Best quality; Aa- High quality; A- Possess many favorable investment attributes; Baa-Medium grade obligations; BA - Possess speculative elements; B - Generally lack characteristics of desirable investments; Caa - Poor standing; Ca - Speculative in a high degree; C - Lowest rated class of bonds

Modifiers:

1 - higher end of letter rating category

2 - mid-range of letter rating

3 - lower end of letter rating category

S&P Long-Term Debt Rating Symbols: AAA-Highest rating, extremely strong; AA-differs slightly from highest rating, very strong; A - somewhat more susceptible to adverse effects of change in economic condition, strong; BBB - exhibits adequate protection parameters; BB, B, CCC, C, C- have significant speculative characteristics. BB least speculative, C highest degree, D - Payment default.

Modifiers:

+ or - show relative standing within the category.

PURCHASING POLICY and PROCEDURES

INTRODUCTION

Purpose & Accountability

GENERAL POLICIES

101 Purchasing Thresholds

102 Types of Purchases Requiring a Purchase Order

103 Authorization

105 Buy, Lease or Rent

106 Purchasing Ethics/Conflicts of Interest

PURCHASING PROCEDURES

201 Suggested Internal Requisition Procedures

202 Quotation Procedures

203 Preparation of Purchase Orders

204 Emergency Purchase Procedure

205 Receiving Procedure

208 Shipment Errors, Damages and Returns

209 Receiving Flow Chart

INDEPENDENT CONTRACTORS

301 Independent Contractors

303 Is Independent Contractor Really an Employee?

304 Securing Tax Identification Number

305 Securing a Certificate of Insurance

306 Definition of "Service"

BIDDING PRACTICES

401 General Bidding Practices

403 Competitive Bid Process

405 Invitation to Bid

407 Sample Invitation to Bid

408 Sample Detailed Specifications

409 Sample Bid Agreement

MISCELLANEOUS

501 Disposition of Excess or Unwanted Property

SAMPLE FORMS

600 Sample Department Purchasing Policy

601 Vendor Action Form

602 Independent Contractor Questionnaire

PURPOSE

This manual was developed to provide information about the Town of Franconia's purchasing requirements. Department Heads and assigned buyers should familiarize themselves with the contents of this handbook, for it will answer many questions about purchasing for the Town of Franconia.

The Town of Franconia is obligated to maintain a formal purchasing system. Its purchasing files are subject to audit by an independent audit agency and must include proper documentation (i.e. purchase orders, contract negotiations, bid awards, quotes, receipt of goods, etc.).

The Town of Franconia has a decentralized purchasing system. With a decentralized system, each department has the responsibility for the selection of vendor, negotiation of price and assurance of quality and delivery that is in the best interest of the taxpayers.

The various Sections of this policy address the responsibilities of the Purchaser, the Department Head and the Recipient of purchased products and services. The procedures also cover the use of purchase orders, independent contractors, bidding practices, ethics and other information to provide guidance to department personnel on the proper procedures to follow when purchasing is necessary.

The contents of this manual apply to all departments. Policies and procedures may be updated, amended, added or deleted as needed by the Town Administrator and approved by the Board of Selectmen. Questions and suggestions regarding the Purchasing Policies & Procedures handbook may be addressed to the Town Administrator.

ACCOUNTABILITY

The Board of Selectmen is ultimately responsible to the taxpayers for fair and prudent use of town funds. It is the objective of the Town of Franconia to achieve the best possible balance between minimizing the cost of town expenditures for products and services and ensuring reasonable response and flexibility.

The Town Administrator is responsible to the Board of Selectmen for the town's budget. Strict accountability of the departmental budget is expected. Throughout the year, the Town Administrator will schedule periodic budget updates with department heads. However, if a Department Head sees that his or her expenditures for the year are beyond what was budgeted, an appointment should be scheduled with the Town Administrator at the earliest opportunity to review the situation. If possible, budget alternatives should be available for consideration in covering line items running over.

101 Purchasing Thresholds

Each department is required to use purchase orders prior to ordering products or services, when the total order, including setup charges and shipping, is \$500 or more. Without the benefit of a purchase order, the invoices may not be processed for payment.

Purchases less **than \$500**, the use of a purchase order is at the discretion of the Department Head. Judgement should be exercised as to the choice of supplier and the number of quotations to solicit.

Purchases with an estimated total cost of \$500 to \$999 require a purchase order signed by the Department

Head. Quotations are strongly recommended and *any should be attached to the purchase order.*

Purchases with an estimated total cost of \$1,000 to \$4,999 require at least three quotations either in person, telephone, fax or written, unless it is a repetitive item and approved as a repetitive item by the Town Administrator. Quotes must be attached to the purchase order. The purchase order must be signed by the Department Head and countersigned the Town Administrator prior to placing the order.

Purchases of \$5,000 or more will usually require formal competitive bids, at the discretion of the Town Administrator. See Sections 401 through 409. Procurements for State or Federal Grants must comply with the provisions of 40 CFR, under Section 406.

102 Types of Purchases Requiring a Purchase Order

Purchase Orders are required for all purchase of products or services expected to total \$500 or more:

- Non-Employee Contracted Services
- Supplies, Inventory and Equipment
- Education/Tuition Reimbursement
- Travel Accommodations & Meals
- Maintenance and Repairs

"Purchased Services" Excluded from Purchase Order requirement

- Utilities (electricity, telephone, heating fuel, trash disposal, water & sewer)
- Dues & Memberships
- Advertising
- Payroll and payroll-related items (benefits)
- Mileage Reimbursement
- Snow Plowing
- Salt and Sand
- Hauling Recyclables
- Contracts signed by the Town Administrator or Board of Selectmen

103 Authorizations

As indicated under Section 101 (Purchasing Thresholds), purchases of goods and services of \$1,000 or more require authorization by the Town Administrator prior to placing an order. The Town Administrator will take into consideration the availability of funds and the purpose of the order. The approved P.O. will be returned to the issuing department for final disposition. In the event that a purchase is not approved, the department will be notified.

Also requiring Town Administrator approval are all forms of Lease, Lease Purchase or Rental Agreements for the procurement of a product or service. See Section 105 (Buy, Lease or Rent) for more information.

For purchases under \$500, an informal Purchase Order is recommended, but not required. Departments may establish an internal requisition policy for purchases under this amount. See Section 201 (Suggested Internal Requisition Procedures).

105 Buy, Lease or Rent

The decision to buy, lease or rent is made on an individual case basis. The factors considered are purchase price, maintenance/service costs, life expectancy of equipment, obsolescence, cash flow, interest rates and funding source.

The majority of the Town of Franconia's equipment is purchased outright, therefore the lease of an item is the exception. All forms of Lease, Lease Purchase or Rental Agreements for the procurement of material or services must be signed by the Town Administrator. A copy of the lease or rental agreement shall be placed on file in the Town Administrator's office.

Prior to submitting a lease or rental agreement to the Town Administrator for approval, the requisitioning department should perform an analysis to determine the economic soundness of leasing versus purchasing. Some of the factors that will be considered in making this determination are as follows:

TITLE

Who retains the title to the equipment?

LIABILITY

Who is responsible if the equipment is stolen or damaged?

INSURANCE

Does the vendor carry sufficient insurance on his or her employees when rendering services, and/or is the equipment adequately insured?

MAINTENANCE

Are all maintenance costs included in the original cost of the lease or is the town responsible for maintaining the equipment at its own expense?

PAY BACK PERIOD

If the town were to make an outright purchase, what is the payback period, and what credits are accumulated in the event that a Lease Purchase Agreement is executed?

FUND AVAILABILITY

Does the requisitioning department have sufficient budget funds or, in the event of grant or contract funds, does the funding provide for this type of expenditure?

RENTING

When the duration of need is highly questionable or known to be very short, items may be rented. This would apply to such items as copiers, personal computers, equipment for special events, etc.

106 Purchasing Ethics/Conflicts of Interest

All parties involved in purchasing have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy establishes only the framework within which the Town of Franconia wishes the entity to operate. The purpose of these guidelines is to provide general direction

so that employees can seek further clarification on issues related to the subject of acceptable standards of operation.

Transactions with outside firms must be conducted within a framework established and controlled by the executive level of the Town of Franconia. Business dealings with outside firms should not result in unusual gains for those firms. Unusual gain refers to bribes, product bonuses, special fringe benefits, unusual price breaks, and other windfalls designed to ultimately benefit either the employer, the employee, or both. Promotional plans that could be interpreted to involve unusual gain require specific executive-level approval.

An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative as a result of the Town of Franconia's business dealings. For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

No "presumption of guilt" is created by the mere existence of a relationship with outside firms. However, if employees have any influence on transactions involving purchases, contracts, or leases, it is imperative that they disclose to the Town Administrator as soon as possible, the existence of any actual or potential conflict of interest so that safeguards can be established to protect all parties.

Personal gain may result when an employee or relative receives any kickback, bribe, substantial gift, or special consideration as a result of any transaction or business dealing involving the Town of Franconia.

201 Suggested Internal Requisition Procedures

In many instances, the Department Head may delegate the task of gathering competitive prices, selection of a supplier, maintaining inventory of supplies or parts, and placing orders for products or services.

It is recommended that department heads designate only one or two individuals to attend to all purchasing needs of the department, depending upon the number of shifts operating, and segregated work areas. Furthermore, department heads should establish lower purchasing limits than those allowed in Section 101 (Purchasing Thresholds), without first having to obtain your written approval. For example, purchases over \$50 should be recorded on some type of informal requisition document. This tool not only helps to maintain control over internal purchases, but keeps the Department Head informed of orders that were placed when coding invoices for payment. A purchase requisition can be in the form of a hand-written note, or a more formal requisition document, at the discretion of the Department Head.

Purchase Orders and Department Head signature is always required prior to placing any order that is \$500 or more.

202 Quotation Procedures

Obtaining quotations for orders under \$1,000 is at the discretion of the Department Head, but strongly urged for purchases of \$500 or more. Quotations for purchases of \$1,000 or more require at least three quotations (either in person, telephone, fax, or in writing). Quotations should be documented and include

the following information:

- a) Vendor Name
- b) Date of Quote
- c) Name of Sales Representative giving the quote
- d) Name of Employee obtaining the information
- e) Product Number and Description
- f) Unit Price
- g) Quantity Discount, if any
- h) Early Payment Discount, if any
- i) How long quote is guaranteed for
- j) Delivery Date

Vendors are selected for the capability to serve the needs of the town in the most economical and efficient manner possible. Quotations or bids for a specific product or service should be examined and evaluated on one or more of the following techniques:

- Comparison of prices from three or more qualified vendors
- Comparison with catalog or market prices
- Comparison with the price of a recent purchase of a comparable quality, the same functionally, or a similar product or service.
- Comparison with target price

If calling or writing to prospective suppliers for information, the requisitioner must make clear that the information requested is for planning and budgeting purposes only. A Purchase Order will be issued when a procurement decision is made.

Sole Source Procurement

It may be necessary to procure equipment, supplies or services from a sole vendor source. This means that there is only one source of supply for your purchase requirement. This should be the exception rather than the normal rule. Examples of a sole source procurement are:

- Items which must be compatible with existing equipment or systems and are available from only the original manufacturer.
- Items that have specific features essential for the completion of the task or project that are available from only one source of supply.

Sole source justification must be attached to purchase orders totaling \$1,000 or more. For purchases of \$5,000 or more, see policies 401 through 409 (Bidding Practices).

203 Preparation of Purchase Orders

A. General

Purchase Orders (P.O.s) are pre-numbered, multi-part carbonless forms used to record and confirm orders placed with vendors for all materials, parts, supplies, equipment and services. **In addition to being a legal contract, the P.O. is a multi-function record used to track orders, record receipt of goods, verification of prices against the invoice, budget and internal controls.**

Purchase Orders may be used for any dollar amount, but are mandatory for purchases totaling \$500 or more. The form covers all open market purchases resulting from bidding or other means of vendor selection and for placing blanket orders.

B. Preparing the Purchase Order

The Department prepares a pre-numbered P.O. showing:

- a) Date order placed
- b) Vendor name and address
- c) Delivery location (billing and shipping address)
- d) Printed name of person completing or requesting goods or services
- e) Phone number of person completing or requesting goods or services, including area code
- f) Delivery date (date goods or services is required or promised)
- g) Blanket Order - check box if applicable (see below)
- h) Confirmation, contract, job or any other order identification number
- i) Quantity required
- j) Unit of measure (e.g., EA each, DOZ dozen, GAL gallon, BX box, FT foot, RL roll, CS case, etc)
- k) Product identification number assigned by the vendor or catalog
- l) Specific description of goods or services ordered
- m) Price for each unit of measure
- n) Extended total for that line (quantity x unit price)
- o) If this is a technical order, are additional detailed specification to be attached?
- p) Total sum of order, including shipping and handling, setup charges, etc.
- q) Department Head signature if \$500 or more
- r) Town Administrator signature if order total is \$1,000 or more
- s) List department line item account numbers and respective amounts to be charged upon receipt of invoice(s) for goods or services listed
- t) Distribute copies of Purchase Order as shown

C. Blanket Orders

Blanket orders may be requested by a department to handle repetitive purchases of products or services. For example, a winter's supply of road salt can be estimated and put on one Purchase Order with several shipment dates listed within the body of the P.O.

A blanket order is closed when:

- The quoted price expires
- The maximum dollar or quantity ordered has been expended or delivered in full

D. Disposition of Approved Purchase Orders

Departments will be given a supply of pre-numbered Purchase Orders of which a record will be kept by the Town Administrator. Should the Department need to void a Purchase Order it is to be returned to the Town Administrator labeled "VOID" in order to be removed from the allocated list of those given to the Department.

WHITE -VENDOR: Mail or fax the original copy of the P.O. to the vendor. If the order was previously placed via telephone, clearly mark the P.O. "CONFIRMING ORDER". It is important that the vendor receive a town-issued P.O. as it confirms the prices, quantity and products ordered, and presents proof in the event that the vendor sends the wrong product or bills incorrectly.

YELLOW-TOWN ADMINISTRATOR: Attach this copy of the invoice and submit to Town Administrator for payment processing. Attach supporting documentation, such as quotations, shipping receipts, etc.

PINK-DEPARTMENT: This copy should be retained at the department, by personnel delegated with the task of receiving and verification of goods and pricing. It is suggested that all Purchase Orders be kept together, in either a Numeric or Alpha file, at least until the order has been completed in full. The pink copy or a photo-copy of the P.O. should then be filed with the respective invoice(s) by vendor.

E.Cancellation of Orders

Since a Purchase Order is a legal document, it can only be cancelled by mutual agreement with the vendor and the issuing department. There may be restocking or cancellation charges if the vendor has expended money to fulfill the order. Requests for cancellation should be confirmed in writing. Submit Yellow- Town Administrator copy to the Town Administrator Office labeled CANCELED.

204 Emergency Purchase Procedure

An unforeseen emergency is exempt from pre-approved purchasing if the need is essential to public safety. As soon as possible, the buyer should prepare Purchase order documenting all purchases made to resolve the crisis. Documentation should include:

- a) Date(s) of purchases
- b) Vendor(s) where purchases made
- c) Department incurring emergency (ship/bill to)
- d) Item(s) purchased
- e) Prices, if known
- f) Estimated total
- g) Date of emergency
- h) Nature of emergency
- i) Signature of Department Head verifying the above information
- j) Town Administrator signature, if purchases total \$1,000 or more

Department Heads should anticipate the department's needs well in advance, to minimize the need for emergency purchases. Failure to anticipate a need is not in itself considered a bona fide emergency.

PROPER PLANNING WILL ELIMINATE MOST EMERGENCY TRANSACTIONS.

205 Receiving Procedure

The responsibility for verifying receipt of goods against an order placed is very important. Vendors cannot be paid until the receiving function is complete. Timely action (within 3 days) is required so that any discounts offered by the vendor for prompt payment can be taken.

Receiving of deliveries include:

- 1) Examine shipment: count, weigh, measure and inspect as applicable, to ensure all items have been received in satisfactory condition. On the delivery ticket or packing list (or on copy of the Purchase Order), check off the quantity and items received. Make note of any damages (including packaging), shortage, incorrect items, etc. See Section 208 to resolve errors.
- 2) Sign and date receiving document only after all goods have been verified. Attach freight bills, bills of lading, return labels, etc. to the Purchase Order.
- 3) Forward all of the above documentation to the personnel delegated to preparing the invoices for payment.

RESOLVE ALL SHIPMENT AND BILLING DISCREPANCIES WITH THE VENDOR IMMEDIATELY. DOCUMENT ALL CONVERSATIONS.

208 Shipment Errors, Damages and Returns

This area is the most often overlooked, misunderstood, and mis-communicated aspect of purchasing and yet is one of the most important. Errors in shipment can occur and must be reported promptly to the vendor. See Section 600 for a sample Vendor Action Form. Sufficient information concerning any error or omission should be provided so that proper negotiation or correction with the vendor can be made. This information should be available from the receiving documents, as explained in the previous Section.

Returns

- 1) Pre-arrange the return of goods with the vendor. They will usually issue an RA# (Return Authorization Number) and often times a different address to return the goods to. Follow any instructions regarding their choice of carrier, shipping labels, documentation, etc. Failure to follow these instructions may result in refusal of return or issue of credit.
- 2) Obtain receipt from carrier for return. This receipt is important in the event that the returned item is not received by the supplier, lost, or appropriate credit has not been issued. It should be retained in a suspense file.
- 3) Notify Town Administrator. Provide all documentation, including description of error, unit price, quantity, date returned, etc.
- 4) Follow up. Records of all returns and adjustments due should be kept in a suspense file pending receipt of a credit memo or replacement from the vendor. When credit or replacement is not received in a timely manner, Town Administrator should be instructed to prepare a "debit memo" addressed to the vendor and to reduce payment of the respective invoice.

301 Independent Contractors

Independent Contractors are non-employee workers who perform a service by the job or at an hourly rate. Federal and State laws require employers to verify and report certain information about the contractor.

Reporting agencies include, but not limited to:

- A) Internal Revenue Service
- B) Department of Labor
- C) New Hampshire Employment Security New Hire Program
- D) Workers Compensation Insurance Carrier
- E) U.S. Department of Justice Immigration and Naturalization Service

It is the responsibility of the Town to obtain information about the Independent Contractor in order to comply with Federal and State requirements. **Stiff fines are imposed for non-compliance!** Some of the information required may include, but is not limited to:

- Tax Identification Number (TIN) or Social Security Number
- Date Hired
- Certificate of Insurance

Purpose:

- a) To report payments made during a **calendar year of \$600 or more.**
- b) To report contractors to the State agency established to garnish child support payments
- c) To determine Independent Contractor vs. Employee status. Not all independent contractors can be treated as such; Federal laws may require withholding of taxes.
- d) Minimum Liability Insurance required before performing services on behalf of the town.
- e) Certain workers must be covered for Workers Compensation insurance. Most "small town" workers cannot afford this coverage, and must therefore be reported and covered under the Town's policy.

Securing the required information and determining worker status are explained in further detail in Section 303 through 308. All departments should become familiar with the requirements to avoid delays, non-payment of services and penalties.

303 Is Independent Contractor Really an Employee?

Federal and State governments require employers to determine if an individual hired to perform a service is an employee or a contractor (RSA 282-A:9, III). If the contractor test is not met, the worker must be treated as an employee, subject to tax withholding, social security, unemployment and workers compensation liability.

To assist the employer in making the independent contractor vs employee determination, a one- page [Independent Contractor Questionnaire](#) was developed. See Section 600 for a sample questionnaire. This information is requested only once and is kept on file in the Town Administrator's Office. Department Heads should allow sufficient time to obtain all the necessary paperwork, including the tax identification ***before the worker begins.***

The questionnaire contains three areas to complete:

Contractor
Employer
Town Administrator

The worker should complete the information in the top Section as soon as possible, and to provide any proof of status that will assist the Town in making the determination. The Department Head should complete the middle Section which includes additional questions to complete the test.

Upon completion of the two Sections, forward the form to the Town Administrator. If an immediate determination cannot be made, or the workers status is questionable, the Town Administrator will contact one or more agencies to assist in making the determination. Results of contacts will be documented.

If a worker is found to be an employee, the Department Head will be notified as soon as possible. In this situation, the worker must complete all employment forms no later than the third day of employment. If the worker hired is for a specific length of time or project, s/he should be classified as temporary or casual.

304 Securing Tax Identification Number

A tax identification number (TIN or EIN) is required prior to payment of services. See Section 308 for the definition of services.

Failure of a business or contractor to provide this information is subject to 31% backup withholding from the payment of services. However, to avoid burdensome IRS reporting, **payments will not be released until the correct information is received.**

Certain contractors receiving payment of services of \$600 or more in a calendar year will be issued a 1099-Miscellaneous Income Statement by January 31st of the following year. A copy of the 1099-MISC form is sent to the Internal Revenue Service.

To obtain all the necessary information, businesses and contractors are asked to complete a W-9 form. This information is requested only once and is kept on file in the Town Administrator's Office. The form must show the legal business name that is attached to the tax identification number (as shown on their tax return). Completion of business designation (Individual, Corporation, etc.) is used to determine whether the business is exempt from backup withholding or a 1099-MISC form. This information is requested in writing with a signature by an individual representing the company.

W-9 form is available from the Town Administrator's Office.

305 Securing a Certificate of Insurance

Independent Contractors are required to provide the Town of Franconia a certificate of insurance from their carrier showing that they carry liability insurance as follows:

- **Commercial General Liability:** Covers harm to others and their property resulting from acts of the contractor or its employees while performing a service to the Town.
- **Professional Liability:** Covers harm to others and their property while acting in a professional capacity for the Town. Specific examples include architects, engineers, errors and omissions.
- A minimum of \$1,000,000 liability insurance is required. Workers may not begin until this requirement has been satisfied.
- **Workers Compensation and Employers' Liability:** Covers injury to contractor and its employees while performing a service to the Town. In the event that the Contractor does not have this coverage, the Town is required to obtain the insurance to cover certain workers. This cost should be considered when comparing quotes or competitive bids.

Insurance policies must remain in effect for the duration of the service being conducted for the Town. Contractors obtain the certificate of insurance from their carrier(s). It is the responsibility of the contractor to provide a new certificate upon expiration during a project or commencement of a new project.

306 Definition of "Service"

Service is defined as any labor-involved activity in which the Town of Franconia employs from an independent contractor or employee. Below are a few examples of service-providing vendors:

- 1) J&J Masonry is hired to build a brick wall surrounding a parking area. Regardless of materials, if the contractor is also hired to install, build, renovate or furnish any other labor-involved activity as part of the project, s/he is considered to be performing a service.
- 2) K.K. Small Engine Repair. Sells and/or repairs small engines. At the onset of purchasing a piece of equipment from the (new) vendor, if that vendor also provides a repair service, whether it is utilized immediately or possible in the future, that vendor is considered a service provider. A 1099-MISC form will only be issued if services are provided of \$600 or more in a given calendar year.
- 3) Arbitrators/Lawyers/Medical Professional. All services providers are subject to a 1099 Misc.

Note: Invoices involving labor must be separated from materials used and rented equipment.

401 General Bidding Practices

This Section primarily covers purchases expected to cost \$5,000 or more. Purchases less than \$5,000 should be purchased in accordance with the adopted purchasing rules and procedures. Under no circumstances shall purchases be split to avoid bid limits.

All purchases of goods or services with an estimated total cost of \$5,000 or more require formal competitive sealed bids, with the exception of the following:

- 1) State contracts may be used in lieu of issuing bids to vendors or buying locally when it is to the economic advantage of the Town.
- 2) Incidental bulk items purchased on a regular basis, at the discretion of the Town Administrator. Quotations from at least three vendors will be required.

402 Competitive Bid Procedure

All purchases of goods or services with an estimated total cost of \$5,000 or more require formal competitive sealed bids (with the exception of those purchases outlined in Section 401) utilizing the following steps:

- 1) Department Heads shall prepare the criteria and detailed specifications of the project for bid and the standard "Bid Agreement" form and submit them to the Town Administrator for review and approval prior to advertising or releasing information to prospective contractors.
- 2) Upon review and approval from the Town Administrator, departments will prepare bids in final form for distribution. Advertisements shall be published in local newspapers for at least 3 business days, allowing at least 14 calendar days between the date of the first advertisement until the closing date of the bid.
- 3) All bids and advertisements shall list the department, address, phone number, and point of contact to obtain additional information.
- 4) All bids should be submitted to the department in sealed envelopes clearly marked with the title of the enclosed bid. Bids will be kept secured by the department until the time of opening. Those submitting bids are to be informed that no liability shall attach for the premature opening of improperly marked or unsealed bids. (This can be done by writing this statement into all requests for bids.) Whenever possible, contracts will be awarded within five working days after the bid closure date.
- 5) The Department Head will open all bids at the appointed date and announce the results to anyone attending the opening. The Town Administrator will appear at bid openings if scheduling allows.
- 6) The Department Head will review all bids received and make recommendations of whom to award the bid to in writing to the Town Administrator within three working days of the bid opening.
- 7) The Town Administrator will review recommendations and inform the Selectmen of the decision. The Town Administrator and/or Selectmen will authorize the department to proceed with notifying both the contractor awarded and those not selected. Bid results should be provided in a letter to all those who submitted a bid.

- 8) The Department Head will prepare a contract, including recommendations for any securities to be collected for services to be performed, and reviewed by the Town Administrator and Board of Selectmen. The Selectmen will sign into all contracts for the Town.

NOTE: On any building construction bid, the Department Head is responsible for obtaining comments and coordination of the Building Inspector before forwarding contract to the Town Administrator.

403 Invitation to Bid

All requests for bids advertised or issued to prospective contractors shall contain the following statements:

"The Town of Franconia reserves the right to reject any and all bids, to waive any informality or formality in the bidding process. No bids shall be withdrawn less than thirty (30) days after the scheduled bid opening without the prior consent of the Town. The Town also reserves the right to investigate the ability of all bidders to successfully complete their proposals. To be considered for this request for services you must provide the Town of Franconia with a Certificate of Insurance which shows that you carry liability insurance of at least \$1,000,000 or more. Additionally, your firm is responsible for providing a Certificate of Insurance which shows coverage of Workers' Compensation. Insurance coverage shall remain in effect for the duration of the services performed."

See Section 305 (Securing Certificate of Insurance).

404 Sample Invitation to Bid

TOWN OF FRANCONIA INVITATION TO BID

2020 TOWN REPORTS

The Town of Franconia is currently accepting bids to furnish all materials and labor necessary to produce Franconia's 2020 Annual Town Report. Bidding will remain open on this project until the close of Business (4:30 pm) on Monday, November 30, 2020.

All bids shall be submitted in sealed envelopes clearly marked on the face "Annual Town Report Bid" to: Town of Franconia, PO Box 900, Franconia, NH 03580. Bids will be kept securely at the Town Administrator's office until the time of opening. No liability shall attach for the premature opening of improperly or unsealed bids. Bids shall be opened on Thursday, December 1, 2020. The award of this contract will take place within five (5) working days thereafter.

Completion of the requested project will take place in such a manner that the successful bidder must be able to deliver the completed project to the Town no later than February 26, 2021.

The Town of Franconia reserves the right to reject any and all bids, to waive any informality

or formality in the bidding process. No bids shall be withdrawn less than thirty (30) days after the scheduled bid opening without the prior consent of the Town. The Town also reserves the right to investigate the ability of all bidders to successfully complete their proposals.

Please utilize the following "Detailed Specifications" and the "Bid Agreement" forms for submission of bids for this project. Bidders are urged to refer to the enclosed previous town report as a sample of the desired product.

Please direct any questions or comments to the Administrative Assistant at the Town Administrator's office, (603) 823-7752.

405 Sample Detailed Specifications

2020 FRANCONIA ANNUAL TOWN REPORT DETAILED SPECIFICATIONS.

The following is a list of items to be included in all bids submitted for production of the 2020 Annual Town Report. Any bid that does not include at least the following shall be considered incomplete and will therefore be rejected.

- 1) The bid price shall include the entire cost of the production for the quantity requested, including the cost of the stock, type, art, labor, etc.
- 2) The bid price shall be for the production of 1,400 copies.
- 3) The Town Report shall be produced in book form with a finished dimension of approximately 8' H X 55"W (8"XII" stock)
- 4) Art work will be limited to the cover and will be in a single color ink (to be determined by Town upon delivery of text). All text to be in black ink.
- 5) Each report shall have approximately 140 pages. This amount shall include inserts; i.e. Audit, Budget and Warrant.
- 6) The text will be delivered to successful printer on or about January 22, 2021. Materials relating to the Town Audit, Warrant and Budget will be delivered to the printer on or about February 18, 2021.
- 7) The Annual Town Report shall be completed and delivered to the Town no later than February 25, 2021.
- 8) The text of the report shall be printed on 50# opaque stock, covers of 65# opaque stock. All paper/stock colors must be approved by the Town prior to production.
- 9) The text of the product will be supplied to the successful bidder in a "camera ready" condition. Bidder to supply appropriate forms for same. Printer shall type set all report headings.
- 10) All work to be of good workmanship and of quality materials.

406 Sample Bid Agreement

TO: Town Admin
Town of Franconia
PO Box 900
Franconia, NH 03580

RE: 2020 Annual Town Report

The undersigned, _____, having familiarized myself with the desired product and the detailed specifications affect the cost of the work, I/We propose to supply all labor, materials and equipment necessary to accomplish the production of the Town of Franconia's 2020 Annual Town Report for the base sum of: _____ (\$__.) Pages required in excess of or below that slated (140) will be charged at the proportional rate of \$__ per page.

I/We further agree that if awarded this contract, that we will commence work in such a manner that permits the completion of the project within the time allotted; February 25, 2021.

Furthermore, in submitting this proposal, I/We agree: a) That the Town may reject any and all bids; b) To hold open my bid for at least thirty (30) days after the closing date; c) To execute the contract for the above stated amount in the time allotted for completion, and; d) To guarantee all work and materials are of good quality.

Bidder: _____
By: _____
Date: _____

Enc.
cc:file

501 Disposition of Excess or Unwanted Property

All disposal or sale of assets must be approved by the Board of Selectmen prior to disposition. The Department Head shall list the description of the item(s), current location, and date of original purchase, if known.

Periodically, departments may provide the Town Administrator with a list of excess equipment to be disposed of at State auction or to be placed up for sale. Equipment sold to individuals will be by competitive bidding or Spot Bid sales.

All disposal, sale, and trade-in actions require authorization of the Board of Selectmen.

600 SAMPLE DEPARTMENT PURCHASING POLICY

To: All Police Personnel
Effective 05/15/2020

- A. Police Chief approval is required prior to placing orders estimated to total \$25 or more. Under this amount, Officers are expected to exercise good judgment in purchases relative to his/her responsibilities that are in the best interest of the department.
- B. All purchase requests or orders are to be documented on a Requisition Form. Forms needing pre-authorization should be placed in the Chiefs "In Box". Approved requisitions will be returned to the Requisitioner's mail box.
- C. A copy of all requisition forms are to be given to the person responsible for all department receiving.
- D. Upon receipt of goods, the Receiver shall verify quantity, quality, condition and accuracy of the terms received against the Requisition Form, and make note of any damages or errors. After signing for the receipt of goods, the Requisitioner shall place the completed Requisition form in the "billing suspense" file.
- E. The Receiver shall notify the Requisitioner if the items ordered have not been received within a reasonable amount of time.
- F. The following personnel are authorized to make purchases:

POSITION	TYPES OF PURCHASES AUTHORIZED
Administrative Secretary	All office and computer supplies
Evidence Officer	All purchases related to security of evidence purchases relative to cell/holding area
— — — — Officer	Purchases relative to maintenance of cruisers
Detective	purchases relative to booking area, other purchases relative to position, excluding the above

FOR PURCHASES OF \$500 OR MORE, PLEASE USE A PURCHASE ORDER
FORM.

601 VENDOR ACTION FORM

Vendor: _____

ERROR: ___ Price Discrepancy ___ Wrong item(s) ordered
 ___ Wrong item(s) received ___ Defective item(s)
 ___ Item(s) damaged in shipment ___ Missing Items
 : Other: _____
 :

Date shipment received: _____ Delivered via: _____

Error reported by: _____ Date of this report: _____

Invoice #: _____ P.O. # _____ Vendor Sales/Ref No _____

Vendor Notified _____ Date called: _____ Rep Name: _____

Documentation of
Conversation/Remedy: _____

REMEDY:

___ Replacement to be sent ___ Restocking Charge \$ _____

___ Credit Memo to be issued \$ _____

___ Return item(s) RA# _____ d

 Date returned: _____

 Via: _____

FOLLOW UP: Credit Memo Issued Ref No. ___ ___ ___ ___

___ Replacement Received Date: _____

Other _____

___ Not timely resolved: Finance should issue a debit memo and reduce payment of
invoice

Signature: _____ Date: _____

COPIES: Department Requisitioner Finance

602 INDEPENDENT CONTRACTOR QUESTIONNAIRE

(To be completed prior to starting work)

Contractor's Name _____ Nature of Service: _____

To be completed by Worker:

1. Do you have or have applied for a federal employer ID number? Y N

If yes, Federal ID Number _____

Your Social Security Number _____

2. Do you have your own Workers' Compensation insurance coverage? Y N
If yes, please provide a Certificate of insurance from your carrier

3. Do you advertise your service (s) to the public? Y N

__Advertise in "Yellow Pages"

__Business Cards*

__Advertisement imprinted on vehicle

__Letter Head'

Other: _____

*Please attach sample(s)

4. Do you perform same or similar service to other companies/towns? Y N

5. Do you provide all your own tools, equipment or supplies? Y N

Worker's Signature

Date

Signature of this questionnaire does not guarantee we will utilize your service.

To be completed by employing Department Head

1. Is the individual free to hire others to complete the job? Y N

2. Does the worker practice a specialized trade different from the normal business? Y N

If no, please explain: _____

Does the worker have control over the hours when work is performed? Y N

If no, or if it depends upon the circumstance(s), please

Explain: _____

3. Is worker free to perform similar services for others? Y N

Employer Signature

Date